

TO: FRANK HOLLEMAN
MIKE SMITH
TERRY PETERSON
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FR: Mike Cohen

We are scheduled to meet with the Secretary from 4:00 - 5:00 today to discuss his June 29 testimony on education reform and the proposals to abolish the Education Department.

Several of us met earlier this week and agreed on a general direction for his testimony, based on a memo I had circulated earlier. In general we agreed that:

1. The testimony ought to argue that: (1) education is vital for our future; (2) the federal government needs to be a partner in the education process; (3) while we still have a long way to go, we are on the right track with respect to education performance, state and local reform, and the federal role; (4) now is the time to stay on course, not abandon our efforts or the Department.

Bill Cordiss has produced a first draft of the testimony, which roughly tracks this line of argument. I have not yet had a chance to review it, but I am distributing it for your review and comment.

2. While a statement reflecting the line of argument above is necessary, the Secretary's actual testimony has to generate some good press coverage--we won't change any minds or votes on the committee anyway, and we need to get our arguments across to the public. While we do not yet have a specific approach here, we are in general agreement that the Secretary will have to make some clear and strong attacks on the two proposals to abolish the Department right up front.

When we meet this afternoon, I would like us to review these issues with the Secretary, and come out with a clear sense of direction he wants us to pursue.

NOTE TO MIKE COHEN

Here's a first draft of the June 29 hearing testimony. This is the long version, but it can easily be shortened to something along the lines of what Frank seemed to be looking for. I think it's a good start, but see what you think.

A few caveats:

- The draft does not include point 2 from your outline, because I couldn't quite see how it fit, or why it was necessary. It seems to me our whole education reform program, and the primacy of education in the Clinton Administration, demonstrates this point. Also, the testimony makes clear that we are moving in the right direction at least in part because of the Federal role in education.
- I think I have covered point four, but you may want to strengthen it, especially the part about keeping education above partisan politics (although I think this is lost on Scarborough and friends, and why not, since it also appears to be lost on those who should know better, like Alexander, Bennett, and Dole).
- I didn't mention vouchers, because I think discussing it would "take us off course," and because I think it's hard to talk so much about flexibility and innovation and then say no to vouchers, an experiment that some communities may well want to try.
- I don't think we need to respond to the Broder piece in this testimony.
- I didn't deal with Goals and block grant proposals because I still believe that's a slippery slope that can wait till another day. If you disagree, I'll work on something based on your outline.
- Didn't get that final, upbeat note yet.

I'll probably be in briefly on Thursday, hopefully to collect a PC to use at home. Once I get it, I'll stay in touch by cc:mail. Till then, I'll check in with Sally periodically.



DRAFT TESTIMONY FOR JUNE 29 HEARING

Mr. Chairman, it is a pleasure to see you and the other Members of this Committee today, and to have this opportunity to come before you and discuss the important issue of education as you begin consideration of several proposals to significantly change both the structure and the functions of the Department of Education.

This Committee has long demonstrated a strong bipartisan commitment to improving education. Just last year, for example, the Committee succeeded in passing important education reform legislation, including Goals 2000 and the School-to-Work Opportunities Act, while also completing a comprehensive reauthorization of the Elementary and Secondary Education Act. This bipartisan approach has always required compromise from both sides, but on balance has produced much that has been positive for American education.

I am hopeful that we will maintain this spirit of bipartisan cooperation in education, for we are not educating our children as Democrats or Republicans, but as Americans who represent the future of this great Nation.

THE IMPORTANCE OF EDUCATION

There is no doubt that education is absolutely vital for the future of America. Congressman Gunderson has often spoken of the importance of education for preparing a highly skilled workforce to compete in global economy, and I agree with him. I also agree with President Clinton's description of education as the "fault line" dividing those of our fellow citizens who are able to compete successfully and achieve the middle-class American Dream from those who are falling behind.

It is ~~simply~~ disingenuous, for example, to argue for the end of affirmative action and the creation of a color-blind society without acknowledging the role of education in leveling the playing field so all may compete on a truly equal basis. And the growing disparity in incomes between those whose education ends with high school and those who go on to college suggests that in the long-run, we face an education deficit even more threatening than the Federal budget deficit.

The American people clearly grasp this connection: every poll that I have seen this year shows that large majorities — ranging from two-thirds to over 80 percent — believe that continued support for the Department of Education and its programs is more important than deficit reduction.

A RECORD OF IMPROVEMENT

There is good reason for this high level of support for the Federal role in education: over the past 15 years the Department has served as a powerful voice in identifying critical education issues and in focusing national attention on the need for education reform.

The 1983 Department report, *A Nation At Risk*, sounded the alarm over the failure of our schools to prepare students for the rigors of global economic competition. In 1989, the Department helped stage the Education Summit with the Governors in Charlottesville, Virginia — a historic meeting that produced the bipartisan National Education Goals. And in 1994 — as I noted earlier — the Department worked closely with this Committee to win bipartisan passage of critical education reform legislation, including the Goals 2000: Educate America Act, the School-to-Work Opportunities Act, and the Improving

America's Schools Act (IASA), which reauthorized and improved the landmark Elementary and Secondary Education Act of 1965.

In addition to providing leadership, the Department and its programs have contributed to measurable improvements in educational opportunity and academic achievement over the past decade. For example, nearly half of all high school graduates now take the tougher core curriculum recommended in *A Nation At Risk*. The number of students participating in the Advanced Placement program has tripled since 1982. The dropout rate for 16- to 24-year olds fell from 14 percent in 1982 to 11 percent in 1993. And the proportion of people age 25 and over completing four or more years of college rose from 18 percent in 1982 to 22 percent in 1993, with the largest gains in college attainment coming among minority group members.

States and local school districts deserve the lion's share of credit for these improvements, of course, but many of the innovations and reforms now underway have been encouraged by the Federal government. At the 1989 Education Summit, for example, President Bush accelerated the movement toward standards-based reform, which emphasized the development and adoption of high academic standards, giving educators the flexibility needed to help all students reach those high standards, and ensuring accountability by measuring results, not regulatory compliance. One leading-edge State that has adopted comprehensive reforms based on this approach is Kentucky, which has overhauled its entire educational system and achieved dramatic improvements in student test scores in mathematics, reading, science, and social studies.

CHANGING THE DEPARTMENT TO BETTER SUPPORT STATES AND COMMUNITIES

The Governors assembled at the Education Summit asked the Federal government for greater program flexibility — including waivers of regulatory requirements — in exchange for better results in terms of student achievement. Since I arrived at the Department over two years ago, we have worked hard to meet that request and to make countless other changes designed to make the Department of Education a more supportive partner to States and school districts working to improve their schools.

We began by endorsing the Department mission statement developed by our predecessors and by building on the customer-focused management reforms begun by former Deputy Secretary David Kearns, who had successfully applied continuous improvement techniques as CEO of the Xerox Corporation.

We developed a Strategic Plan that established clear priorities and set performance targets in each priority area. These priorities include support for State and local efforts to help all students reach high academic standards, assisting States and communities in the creation of school-to-work systems, ensuring access to postsecondary education and lifelong learning, and transforming the Department into a responsive partner that provides effective, flexible support for reaching the other priorities.

With the help of this Committee, we succeeded in winning passage of legislation giving us most of the tools we need to implement this comprehensive plan. Our education reform legislation reflects principles that I believe most of you share: cutting red tape, less paperwork, reduced regulation, and waivers that permit innovation — all

aimed at giving States and local communities maximum flexibility in the use of Federal education funds to help students reach high academic standards.

For example, we are administering Goals 2000 and School-to-Work without issuing a single regulation. Of the 49 programs included in the Improving America's Schools Act, only 11 will require regulatory guidance. We have also taken action to reduce existing regulations. President Clinton's regulatory reinvention initiative has already led to the elimination of 30 percent of the Department's regulations. Many of the regulations that remain are mandated by statute; we look forward to working with you to revise these statutes where possible to further reduce regulatory burden.

The Department also is using a combination of common sense and technology to greatly reduce the paperwork involved in Federal education programs. For example, switching from paper Student Aid Reports to an electronic system helped eliminate 4 million paper forms that represented an unnecessary burden to students, parents, schools, and the Department alike. Most of the programs authorized by the Improving America's Schools Act now require reporting once every two or three years instead of annually — permitting States, schools, and teachers to focus on what really counts: educating students, not paperwork. We also are encouraging States to take advantage of the new provision permitting a single consolidated application for all Elementary and Secondary Education Act programs, a change that promises not only to eliminate paperwork but also to promote comprehensive planning.

In addition, our new legislation permits broad waivers of statutory and regulatory requirements. If States and school districts find that such requirements present an obstacle to innovative reform efforts, they may seek waivers of the requirements from the Secretary. For example, Palm Beach, Florida, and the Metropolitan District of Decatur

Township, Indiana have already been approved for Title I waivers under the Improving America's Schools Act. The most far-reaching approach is the new ED-FLEX demonstration, which gives State-level officials blanket authority to approve waivers of Federal statutory and regulatory requirements that stand in the way of effective reform. These waiver provisions are allowing us to deliver on the request made by the Governors at the Education Summit.

You may have noticed one thing that hasn't been a big part of our efforts to transform the Department: money. This absence of big budgets reflects two realities: first, acknowledgment that in general, money is not the answer to our education problems; and second, the determination of the President and the Vice President to achieve meaningful deficit reduction and to do more with less.

For example, each of our budgets has proposed eliminating or consolidating dozens of programs that are no longer necessary. We are cutting our staff and reducing administrative layers as part of a streamlining plan aimed at improving customer service and increasing efficiency. And we are saving billions in mandatory spending through implementation of the new Direct Loan program for postsecondary students.

One fact that you may not be aware of is that the Department of Education already has an impressive record of doing more with less. Our current staff of 5,000 is one-third smaller than the 7,700 employees who administered Federal education programs in several different agencies prior to the Department's creation in 1979. This reduction was accomplished even though both our budget and the number of programs we manage have doubled over that same period. As a result, administrative costs absorb just 2 percent of our budget, and we deliver 98 cents on the dollar in education assistance to States, school districts, postsecondary institutions, and individuals.

ON THE RIGHT TRACK

We have accomplished much: a clear mission, a Strategic Plan, comprehensive education reform legislation, reduced paperwork and regulation, increased flexibility for States and local school districts, the elimination of outdated programs, downsizing and streamlining bureaucracy, and contributing to deficit reduction. I think these achievements represent significant progress toward transforming the Department of Education into an effective partner to States and communities seeking to reform their schools. I believe that we are on the right track.

We have reached a broad, bipartisan consensus on how the Federal government can best contribute to effective education reform. We are implementing the legislation that grew out of that consensus. States and school districts are developing comprehensive reform plans that take full advantage of the new, more flexible assistance available from the Department.

Those who still think of the Department of Education as a dinosaur — big, clumsy, obsolete, not very smart — should take a second look. You owe it to your constituents to see for yourself how much we have changed. If we hadn't, I wouldn't be here. I didn't come to Washington to defend bureaucracy or to protect the status quo. I came because I saw an opportunity to change things for the better. I think we have done that, and that's why I'm here today.

There is of course room for further innovation and improvement in Federal education programs, but we must be careful not to undo what has been achieved, not to undermine the efforts of States and communities across the Nation. This, I am afraid,

would be the rapid and certain result of the proposals now before the Committee calling for the elimination of the Department.

PROPOSALS TO ELIMINATE THE DEPARTMENT

Representative Gunderson and his co-sponsors — including the Chairman of this Committee — are proposing to combine the Department of Education, the Department of Labor, and the Equal Employment Opportunity Commission (EEOC) into a single new agency that would be called the Department of Education and Employment.

Representative Scarborough and his co-sponsors are proposing in H.R. 1883 to dismantle the Department by transferring its functions — including administration of two large block grants created by eliminating certain programs and consolidating others — to other agencies, primarily to the Department of Health and Human Services.

We have analyzed each of these proposals carefully. We believe that in view of the positive changes that I have described in American education and within the Department, a substantial burden of proof rests on any restructuring proposal to demonstrate that it would (1) contribute to the progress that we have made over the past two years and continue to move the Department and the Nation in the right direction, or (2) produce substantial savings without disrupting services to States and school districts. Both proposals fail to meet either of these tests.

The merger proposal and H.R. 1883 share the following flaws:

Both would silence the voice of education in the President's Cabinet. It is difficult to imagine the high visibility and attention that education has enjoyed at the national level during the past 15 years without the existence of a Cabinet-level

Department of Education. *A Nation At Risk*, the Education Summit, the National Education Goals, the current emphasis on the importance of education amidst efforts to balance the Federal budget — all of these reflect the enhanced status of education since the creation of the Department in 1979.

Both would bury Federal education programs deep within mega-bureaucracies, hurting both responsiveness and accountability to the Department's customers. States, districts, schools, students, and parents would find it more difficult to obtain assistance. Department staff would face a daunting new hierarchy of control and are unlikely to be empowered to meet customer needs in the most efficient manner.

Both project large administrative savings with little justification. For example, the draft GAO report on the merger proposal warns that experience from the private sector shows that large staffing reductions taken without adequate planning "frequently are not successful" and that "projected savings are often not realized." H.R. 1883 deserves a similar caveat, particularly since the last time Federal education programs were administered in several different agencies — as the bill proposes — total staffing was 7,700, compared to just 5,100 in the current Department of Education. Moreover, the GAO cautions that "extensive planning and follow through" is required to absorb staff reductions without hurting service quality and the ability to meet future challenges. There is little evidence of this kind of planning in either proposal.

Both would sidetrack education reform for several years by forcing the Department and its staff to concentrate on the complicated logistics of organizational restructuring instead of helping States and communities improve

their schools. For example, the merger proposal calls for a planning task force composed of the Secretaries of Education and Labor, the Chairman of the EEOC, the GSA Administrator, and representatives from the White House and OMB. This task force is expected to consult frequently with reorganization experts and to report periodically to Congress on its progress. The merger would be implemented over a three-year period, which means that the earliest we could hope to get back to the business of improving education is 1999. H.R. 1883 might set us back even further since the reorganization would require coordination by several different agencies, yet could not be a major priority for any one of them in view of their other, ongoing functions.

To my mind, these flaws constitute a large, yellow warning sign that Congress and the Nation cannot afford to ignore if we care about education. We already are moving in the direction needed to bring about real improvement in our schools, and it simply doesn't make sense to disrupt our progress with what really amounts to little more than an exercise in moving boxes around on an organization chart.

A further warning comes from a study cited by Congressman Gunderson in his recent testimony before this Committee. Of 531 organizations surveyed that downsized in the early 1990s, just 61 percent were able to reduce costs, and less than half (46 percent) increased profitability. Since I believe that public sector downsizing is actually more complicated than in the private sector, those figures suggest that the disruption and dislocation created by either the merger proposal or H.R. 1883 will neither lower costs to taxpayers nor improve service to our customers. The obvious question for the Committee is this: why try either one?

— OTHER CONCERNS WITH THE PROPOSALS

In addition to the common defects afflicting the two proposals, specific aspects of each plan are likely to create additional problems. For example, merger plan largely ignores the very different roles of the Departments of Education and Labor, and how these roles might interact in negative ways. The Federal role in education is not focused on narrow training programs, as the author of the merger proposal strongly suggests. The Department's far broader purposes include supporting access to postsecondary education for middle- and low-income students, providing resources and research to help States and communities improve teaching and learning, and helping to prepare our children with a solid foundation of skills to be good citizens as well as good workers. The focus of the new agency on workforce issues is likely to de-emphasize these other purposes.

Another potential problem could arise from submerging a small assistance agency like the Department of Education — currently moving toward deregulation and increased flexibility in the use of Federal education funds — inside the culture of a much larger regulatory enforcement bureaucracy like the Department of Labor. It may be difficult in such an atmosphere to maintain our momentum toward reduced regulatory burden.

Our major concern specific to H.R. 1883 is the block grant proposals. First, we believe that block-granting nearly all Federal elementary and secondary education programs is merely the first step toward dramatically reducing — and possibly even eliminating — Federal financial assistance for elementary and secondary education. This isn't just conjecture on our part: the Reagan Administration's 1981 consolidation of elementary and secondary programs into the Chapter 2 block grant resulted in a 37 percent reduction in funding. Moreover, the sunset provision in H.R. 1883 for the new

Office of Economic Opportunities provides additional evidence of the intention to simply eliminate the Federal role in education.

Second, the block grant concept would preclude the targeting of Federal education funds to disadvantaged populations that characterizes most of our current programs. States theoretically would be free to continue favoring poor students and communities in allocating funds, but the large number of school finance equity lawsuits over the past two decades suggests how difficult States have found it to allocate according to need.

And third, the block grant approach complicates efforts to ensure accountability for the use of Federal funds. The "no-strings" block grant promised in the House Republican proposal could result in the use of Federal dollars for activities of little or no educational value. The accountability problem often contributes to our first concern about block grants — that they lead to reduced funding. Particularly in the context of continuing efforts to erase the Federal budget deficit, it will be very difficult to maintain block grant funding without accountability to taxpayers for how the funds are used; or worse, if funds end up being used for things no taxpayer would support.

CONCLUSION

After carefully considering both of these proposals and their implications, I can discern only political motives for supporting either of them. Neither the Gunderson merger plan nor the Scarborough elimination proposal provides a single sound policy or management justification for dismantling the current Department of Education, ending ongoing reinvention efforts, and undermining Federal support for State and local education reform. I urge you to reject both proposals.

WAIVERS

- 1) **You recently sent out a mailing touting the Department's flexibility and providing waivers of the requirements of its elementary and secondary education programs as a prime example of that. Can you tell us how many waiver requests the Department has granted thus far? Is there a backlog?**

The Department considers waivers an important aspect of its commitment to support, in a flexible manner, state and local school improvement efforts. As such, we have provided our guidance explaining the new waiver authorities in the Goals 2000 Act, the School-to-Work Act, and the Improving America's Schools Act, and the process by which applicants may seek waivers, to every State and public school district throughout the nation.

To insure that all requests under these authorities are considered fair, thorough, and expeditious manner, the Department has established a Waiver Action Board, comprised of senior officers from across the Department and chaired by the Assistant Secretary for the Office of Elementary and Secondary Education. The Waiver Action Board considers requests and makes recommendations to the Under Secretary, who has been delegated final decisionmaking authority over all waivers. We have also established a Waiver Assistance Line, which has received dozens of calls from states and districts, many of which raise issues which have been settled without any need for waivers. This line gives us invaluable information on how federal programs are being implemented and policy decisions or clarifications which need to be made in order for progress to occur.

To date (as of 5/17/95) the Department has received 35 waiver requests. Of those, two were granted, one was withdrawn, and one was resolved without a waiver. Several others currently under analysis are also likely to be resolved without need for a waiver. As our cross-Department Waiver Action Board gets into full swing, we expect that decisions will be made promptly and fairly, with every consideration given to the plans and concerns of those making use of federal program resources to improve teaching and learning at the local level.

The Department has announced its intention to respond to the vast majority of requests within 60 days. Of currently pending requests, only two have been under consideration for longer than that.

2) **Didn't your first request take over four months to grant?**

The Palm Beach County, Florida, waiver did take too long-- far longer than most requests will. The request was received on November 28, 1994, and the district was formally notified of approval on March 15, 1995. However, we first received the waiver request barely a month after the Improving America's Schools Act was signed (October 20, 1994), before we had established a system for considering waiver requests fairly and thoroughly, and before we had issued any guidance to the states on waivers. Once our procedures were established, we considered the request expeditiously.

3) **Aren't you required to publish a notice of each waiver granted in the Federal Register? Why hasn't that been done?**

We plan to publish lists of waivers granted in groups, on a quarterly basis. Because we only had one request considered and granted this spring, we decided to wait until we had a group of decisions to publish together. We plan to publish our first list on our about July 1.

4) What provisions do applicants most frequently seek to waive?

Thus far, the majority of requests have been from local school districts which seek to serve individual schools, or to vary per-pupil amounts of federal funds provided to individual schools, which would not be allowed under the provisions of Title I. The first waiver granted by the Secretary under the new waiver authority, which was given to Palm Beach County, Florida, is an example of such a waiver. There the district sought a one-year waiver in order to complete a three-year plan to implement schoolwide programs in several elementary schools, while taking a year to plan adequately to begin providing Title I services in certain secondary schools. We are giving each such request careful consideration.

- 5) **Speaking of the Palm Beach County waiver, I have recently reviewed the documents pertaining to the Department's decision in that case, which Chairman Shays requested. It seems that you asked for a lot of information that had little to do with the substance of the request, such as how the district went about providing notice of the waiver request.**

Palm Beach County initially submitted its request before we had issued our guidance, and did not provide information necessary to a fair and complete review. In addition, this was the first waiver ever considered by the Department, and so, in attempting to be good stewards of this authority provided by Congress, we exercised special caution. With respect to the notice, in most instances each local district will have its own, routine process for providing information to the public regarding similar actions, and this will be acceptable to the Department. Palm Beach County indicated to the Department that it had no such regular procedure, and so we had to agree on a method which would provide adequate notice to those who would be affected by the waiver, including the parents of students receiving Title I services.

We continue to believe the provisions of our programs within the Improving America's Schools Act, as well as other initiatives such as Goals 2000, are sound and support state and local efforts to improve teaching and learning for all students. The Department's new waiver authority is useful in those instances where federal requirements impede, rather than support, local strategies for school improvement. In addition, the waiver authorities provide a valuable opportunity for the Department to assess continually the impact of its programs at the ground level, and to adjust its policies accordingly.

QUESTION: SINCE THE U.S. DEPARTMENT OF EDUCATION WAS CREATED, FUNDING HAS DOUBLED AND THE NUMBER OF FEDERAL EDUCATION PROGRAMS HAS INCREASED. AT THE SAME TIME, SCHOOLS HAVE GOTTEN WORSE AND SAT SCORES AND OTHER MEASURES OF STUDENT ACHIEVEMENT HAVE FALLEN. ISN'T THIS REASON ENOUGH TO ELIMINATE THE DEPARTMENT OF EDUCATION AND FREE OUR SCHOOLS FROM INTRUSIVE FEDERAL REQUIREMENTS?

QUESTION: THE DEPARTMENT OF EDUCATION DOESN'T EDUCATE STUDENTS. WHAT WOULD HAPPEN IF IT WERE CLOSED DOWN TOMORROW, AND ITS PROGRAMS MOVED ELSEWHERE? WHO WOULD REALLY NOTICE?

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QUESTION: TAXPAYERS SPEND \$444,783,000 JUST TO RUN AND MAINTAIN THE DEPARTMENT OF EDUCATION. THAT'S ENOUGH TO PAY THE AVERAGE COST OF A YEARLY K-12 EDUCATION FOR 73,718 PUBLIC SCHOOL STUDENTS. WOULDN'T WE BE BETTER OFF ELIMINATING THE EDUCATION DEPARTMENT AND SAVING THAT MUCH MONEY--OR SENDING IT BACK TO THE STATES TO DIRECTLY EDUCATE STUDENTS?

QUESTION: SINCE YOU BECAME SECRETARY OF EDUCATION, THE TOTAL NUMBER OF FTE'S AT THE EDUCATION DEPARTMENT HAS INCREASED FROM TO . WHY HAS YOUR DEPARTMENT GROWN WHEN EVERY OTHER PART OF THE FEDERAL GOVERNMENT HAS BEEN DOWNSIZING?

QUESTION: YOU SAY YOU ARE FOR PROVIDING GREATER FLEXIBILITY TO PEOPLE AT THE LOCAL LEVEL. YET GOALS 2000 COMES WITH DOZENS OF REQUIREMENTS AND REGULATIONS--FOR PLANS, PANELS, OPPORTUNITY TO LEARN STANDARDS, "COORDINATION OF SERVICES" AND THE LIKE. THESE REQUIREMENTS HAVE CAUSED GREAT CONCERN AMONG PARENTS, TEACHERS AND OTHERS AT THE LOCAL LEVEL, AND HAVE BEEN EXTREMELY DIVISIVE. WHY SHOULDN'T WE ELIMINATE THIS PROGRAM, REMOVE SOME OF THE FEAR OF FEDERAL INTRUSION, AND LET PEOPLE AT THE LOCAL LEVEL COME TOGETHER TO IMPROVE THEIR SCHOOLS, WITHOUT FEDERAL INVOLVEMENT?

QUESTION: ESPECIALLY SINCE THE ENACTMENT OF GOALS 2000, THE EDUCATION DEPARTMENT HAS BEEN PROMOTING SUCH EDUCATION 'REFORMS' AS OUTCOMES BASED EDUCATION, WATERED DOWN STANDARDS, POLITICALLY CORRECT HISTORY STANDARDS, AND SCHOOL-BASED HEALTH CLINICS. THESE PROMOTE THE WRONG VALUES AND MOVE OUR SCHOOLS IN EXACTLY THE WRONG DIRECTION. HOW CAN YOU DEFEND THESE INTRUSIVE REQUIREMENTS?

Question: Why not just give states and communities the resources to do the job and get out of their way? Why not just use block grants?

Answer:

I support "responsible blockgrants," by which I mean programs with the following elements:

- clear national priorities
- flexibility for states and localities over how they achieve those goals
- ensuring equity for students most at-risk
- accountability for results

Our new legislation -- Goals 2000, the School to Work Opportunities Act -- can be considered block grants of this sort.

Since the federal government provides only 6% of education spending, it must be used strategically. Simply giving federal money to schools without clear goals or focus or accountability is a poor use of the taxpayer's money.

Typical blockgrants have no focus or accountability. The tendency is to give a little something to everyone and there is little assurance that they will address the fundamental problems of our schools. Our recent evaluation of the Chapter 2 blockgrant shows that the impact of federal dollars in that program is barely discernable.

Blockgrants will not produce cost savings, unless combined with significant cuts, because the cost of administering the federal programs is not high.

- ED's administrative expenses are only 2.3% of our budget
- for higher education, only 1% of funds are used by colleges and universities for administration
- for K-12, states use only an average of 6% for administration and districts use only 4% for administration. On average, a higher percent of Title I dollars goes to the classroom than state education dollars.

Question: Why not blockgrant post-secondary education programs to the states -- and let them use it to support welfare reform and other state activities?

Answer:

Access to higher education has been the foundation of our economic growth and the nation's middle class. College graduates earn almost twice as much as those with a high school degree.

Blockgrants for post-secondary education are likely to decrease our critical investment in higher education and be less efficient and less fair than the current system.

Decrease investment in higher education:

- states are likely to use funds for pressing short-term needs -
- such as welfare reform -- and eliminate investment that will pay off in the long-run.
- Seventy percent of student financial aid is provided by the federal government, and many students would not be able to continue their educations without that money.

Less efficient:

- Current program is efficient. About 2% of federal cost on administration; about 1% by schools.
- Duplicative and complicated delivery systems:
 - each state would need to establish a need analysis system, a distribution mechanism, and a loan collection mechanism.
 - each school would need to learn the different rules and regulations of multiple states rather than simply administer one federal program.
- Complexity for students: Students could be eligible for different amounts of student aid depending upon where they live or where their schools are located. Many students would have to repay loans from multiple states if they attend schools in multiple states.

Less fair:

- Benefits may not go to the neediest students.
- Decreased uniformity of benefits across states, types of students, and types of institutions.
- Decreased mobility. States are likely to provide benefits only to students who attend colleges in that state thereby reducing student choice and decreasing the diversity of student bodies.

Question: States and districts complain about how much personnel they need to apply for and administer federal programs. What are you doing about this?

Answer:

- o Reducing the time required to complete applications and plans in a number of ways.
- o New legislation greatly reduces requirements and increases flexibility. Also reducing regulations.
- o Shorter applications -- Goals 2000 was 4 pages.
- o Fewer applications. Reduction is being achieved through a number of strategies:
 - longer-term plans, so that states and districts submit plans less frequently.
 - more flexibility to consolidate planning efforts. Under new ESEA, states and districts have option to submit only one plan that covers various ESEA programs and, if they want, Goals 2000: Educate America Act, the School to Work Opportunities Act, the Perkins Vocational Education basic state grant program, and other programs that the Secretary may designate.
 - reducing the number of programs we administer by eliminations and consolidations -- and thus the number of grant applications and proposals.
 - multi-year grants to reduce the number of times apply

FEDERAL ROLE IN EDUCATION

- 1) Why should there be a federal role in education? The federal government contributes less than 10 percent to education and the Constitution has given the responsibility of educating our children to the states. Why shouldn't we just give the money to the states?

Education is a national concern; critical to a competitive national economy and the nation's sense of a fair and just society. Also, while the federal government contribution is less than 10% of total education spending, the Department is a major contributor to specific purposes:

- provide 70% of student financial aid, helping deserving college students in a streamlined, efficient manner;
- extra help to 10 million students who don't read and write well;
- provide funds to local partnerships of businesses, schools, and community colleges to strengthen students' technical skills to fit today's jobs;
- Expand the availability of computer technology in the classroom (something schools and states alone could not afford).

STRONG ECONOMY

- **Education is foundation of better economic performance.** Census Bureau survey of American businesses found that increases in workers' education levels produce twice the gain in workplace efficiency as comparable increases in the value of tools and machinery. A 10% increase in the educational attainment of a company's workforce resulted in a 8.6% gain in productivity, compared to a 3.4% productivity gain from a 10% increase in the value of capital stock.

In this century, educational increases in the workforce accounted for almost 30% of the growth in the nation's wealth; educational increases combined with other advances in knowledge (R&D, new technologies) accounted for 55%.

- **High returns to education for individuals.** In 1992, the average annual earnings for those with a bachelor's degree were almost double the earnings of those with only a high school diploma -- and 2.5 times earnings of those who did not finish high school.
- **Increasing need for a well-educated workforce.** In today's information age, 89% of the jobs being created require some form of postsecondary education. More require a high school diploma.

EQUITY AND CIVIL RIGHTS

Simple fairness dictates that students who are disadvantaged, disabled, or have limited English proficiency must not be left behind. Federal funds are targeted to ensure that opportunity is afforded to students from elementary through postsecondary education.

- ESEA focuses on raising academic achievement of poor and disadvantaged students. Since the law was enacted in 1965, the achievement gap between black and white students narrowed substantially, and the overall dropout rate (for 16-24 year olds) declined dramatically -- from 17 percent in 1967 to 11 percent in 1993.
- 20 years ago, close to a million children with disabilities were entirely excluded from school. Now children with disabilities are in school, and many are in the regular classroom.
- Student financial aid has helped millions of poor and middle-class students go to college.

PUBLIC SUPPORT FOR A FEDERAL ROLE IN EDUCATION

- 79% oppose reducing funding for the Department of Education, while only 15% support this. Wall Street Journal poll, March 1995.
- 81% support the balanced budget amendment. But only 22% favor balancing the budget by cutting spending on education -- a drop of 59%. New York Times/CBS poll, December 1994.
- Over three-fourths of the public (77%) oppose eliminating the Department of Education to cut the deficit, higher than the percentage opposed to reducing cost-of-living adjustments in Social Security.

2) **Given the federal government's limited role in education, why do we need a separate Cabinet agency? Why can't its essential functions and programs be transferred to other agencies such as HHS, Treasury, and Labor?**

- **Need national voice for education.** Without a Cabinet level Department, education would be de-emphasized at a time in our history when it is more important than ever.

- We are in an information age. In this decade, 89% of jobs being created require some form of postsecondary education. Even more require a high school diploma.

- Eliminating the Department today would be like eliminating the Defense Department during the Cold War.

- **The Alexander/Bennett/Coates proposal** to distribute Department of Education programs among several different agencies -- student financial aid to Treasury, vocational education to Labor, education research to NSF, and other programs to HHS -- **would create a bureaucratic nightmare** for parents, educators, schools, communities, and States who would not know where to turn for assistance.

- Now, schools and others concerned with education can look to one agency. Under the proposal they would have to go all over the government.

- Less accountability -- fragmentation and lack of coherence and consistency.

- A single agency provides clear lines of accountability, maximizes customer service, minimizes school burden, and saves taxpayer dollars.

- **The Gunderson proposal** to merge the Departments of Education, Labor, and the EEOC **would create a "mega-bureaucracy"** that would decrease accountability and efficiency.

- A mega-bureaucracy would make education information and programs less accessible to parents, teachers, community and business leaders, and policy makers. One of the primary reasons for the creation of the Department was that the enormous HEW bureaucracy, with added layers of review by HEW officials outside the Office of Education, resulted in a lack of coherence and responsiveness that was very frustrating to state and local educators.

- Placing an education office in a larger agency is not necessarily more efficient or more responsive to local concerns. Under HEW, the Office of Education had 7,700 employees. The Department currently has 5,000 employees, and is planning to reduce this number by another 10%.

- **Massive reorganization would distract attention from the**

important task of improving education. We would spend years rearranging organizational boxes rather than continuing our efforts to streamline Department operations, reduce bureaucracy, consolidate programs, improve efficiency, effectiveness, and accountability, and address the critical education problems facing America.

3) **What has the Department, with its 240 programs, accomplished in the past 15 years?**

Since its creation, the Department of Education has given education a national visibility that it never had before. The Department has played a leadership role in promoting higher standards for student achievement and helping deserving students to have access to high-quality education. Since the Department of Education was created:

- Prominent Department-sponsored studies such as A Nation at Risk have galvanized public support for improving their schools. Other key reports, Strong Families, Strong Schools and Preparing Your Child For College, offer sound advice on how families and schools can work together to improve the education and future prospects of their students. The Department's Growing Up Drug Free: A Parent's Guid to Prevention continue to top the list of documents distributed by the Government Printing Office.
- National Education Goals have helped to focus school improvement efforts on needs that are important to the nation as well as to local communities.
- Especially during the past two years, the Department has worked for the passage of an integrated set of legislation that recognizes national priorities while increasing state and local flexibility in exchange for greater accountability for results.
- The Title I program has annually served 6 million children who attend our highest poverty schools. Special education programs reach over 5 million children and youth with disabilities each year.
- School-to-Work program is helping states develop training systems that combine work experience with academic and skills development, so that high school students can become productive members of the workforce upon graduation.
- Safe and Drug-Free Schools and Communities program provides support for school- and community-based programs to prevent drug and alcohol abuse and make schools safe environments for learning.
- Funds for Goals 2000: Educate America Act are assisting schools and communities to improve their schools, raise their learning standards, and encourage students to meet them so they are prepared to go to college or directly enter the workforce.
- Student loan program has been changed to help more students go to college by allowing students to borrow money at lower interest rates, pay it back over a longer period of time, and tie loan repayment to current salary so that graduates aren't

required to make monthly payments that they can't afford. About 46 million Pell Grants and 52 million Stafford Loans have been given out from 1979/80 to 1993/4.

- Family involvement initiative has spurred interest in over 120 organizations to promote family involvement in learning.

These accomplishments have been achieved with a very lean administrative staff; in fact, the Department currently employs about 5,000 staff, one-third less than the 7,700 employed by the former Office of Education at HEW. Efforts continue to consolidate, streamline, and reduce unneeded regulations.

4) **Where will you be able to save money in the near future?**

- Changing student loan program to 100 percent Direct Loans will save \$5.2 billion more through the year 2000. This, added to the \$6.8 billion from Student Loan Reform Act of 1993, will total \$12 billion in savings through 2000.
- Eliminating 41 programs as proposed in the President's Budget will save \$4.1 billion by 2000.
- The reduction of 8.4% of Department employees from 1995 levels will save \$110 million by 2000.
- These are savings that streamline government and cut costs without hurting students.

- 5) **Since the creation of the Education Department, test scores have declined, the number of dropouts has increased, and violence in schools has escalated to unprecedented levels. Hasn't the Department been completely ineffective in improving education for our children?**

On the contrary, let me set the record straight. In the 15 years since the Department was created, it has contributed to positive trends in American education by directing national attention to the imperative for reform, by supporting state and local reform efforts, and more recently by focusing our initiatives on increasing the quality of teaching and learning. While we can certainly do better, and the pace of improvement isn't fast enough, education has improved since the 1970's, particularly areas emphasized since the 1970's. [For response on violence, see answer to question 6.]

- **Students are taking tougher courses.** By 1992, the proportion of high school graduates taking the core curriculum recommended in A Nation at Risk (4 years of English, 3 years of social studies, 3 years of science, 3 years of math) had increased to 47 percent, up from 13 percent in 1982. The average number of credits in these courses taken by seniors has also increased.

More high school students are taking worthwhile math and science instruction. Raising standards has increased enrollments in core courses such as mathematics and science without weakening course content or driving up dropout rates, according to analysis of experience in various parts of the nation and aggregate results. Education Week (May 17, 1995) recently reported that tougher graduation requirements in New York City public schools are spurring thousands more high school students to take and pass college-preparatory mathematics and science courses.

- **Participation in the advanced placement (AP) program has increased dramatically.** Since 1982, the number of participants has risen from 140,000 to 450,000, and the percentage of students participating has also increased sharply. Especially impressive was the growth in participation on the part of minority students. In 1994, 28 percent of AP candidates were minority students, compared to 13 percent in 1982.
- **Achievement is up, particularly in math and science.** On the National Assessment of Educational Progress (NAEP), student performance has increased since the 1980's in science and math. Results from national longitudinal studies show that the math performance of high school sophomores improved between 1980 and 1990, consistent with tougher course-taking.
- **Comprehensive school reforms in leading-edge states are showing impressive gains in student performance.** For example

in Kentucky, a state that has overhauled its entire educational system, 4th, 8th, and 12th graders demonstrated 'dramatic' improvement on 1993-94 assessments over previous years' tests in mathematics, reading, science, and social studies.

- **On the SAT, participation is way up and scores have been rising over the past decade.** According to Donald Stewart, president of the College Board, "[T]his growth would normally exert downward pressure on the scores but that effect has been more than offset by a rise in academic study." Participation by members of minority groups increased from 18 to 31 percent between 1982 and 1994. Math scores increased across all race/ethnicity groups from 1982 to 1994. Scores increased by 22 points for Asian American and black students. Verbal scores increased for all minority groups except Mexican Americans between 1982 and 1994, although they decreased slightly for white students. (These trend results are unaffected by recent changes made to the SAT program.)
- **Dropout rates have declined.** Overall, the dropout rate for 16- to 24-year olds declined from 14 percent in 1982 to 11 percent in 1993. Dropout rates declined between 1982 and 1993 by 4 percentage points for whites and 5 percentage points for blacks (although dropout rates for Hispanics remain high).
- **Postsecondary enrollment and attainment have increased to record levels.** Over the past decade, enrollment in postsecondary institutions has grown steadily. The proportion of people ages 25 and over who have completed four or more years of college increased from 18 percent in 1982 to 22 percent in 1993. The proportion of minority group members (ages 25 and over) who have completed four or more years of college increased from 12 percent in 1982 to 18 percent in 1993.

6) **What is the federal role in reducing violence in schools?
Since the Drug Free Schools funds didn't seem to make a
difference, what can the Department do?**

First, there is clear evidence that exemplary Safe and Drug-Free Schools programs make a difference. (See new booklet). It takes an entire school and community working together to curb violence. Safe and Drug Free Schools funds support such efforts.

While national surveys indicate that drug use has risen over the past two years a few facts regarding this increase should be noted:

- There is some indication that without the assistance of the Safe and Drug-Free Schools program the increase in drug use would be even higher. Many experts believe that prevention programs, such as those supported by the Safe and Drug-Free Schools Act (SDFSCA) have limited the increase in drug use.
- The Department commissioned Research Triangle Institute, an independent contractor, to evaluate the effectiveness of DFSCA programs. The evaluation indicates that these programs are effective in shaping student's attitudes about substance abuse, and provide them with the tools they need to say no to drugs. These programs are employing various forms of prevention related support services, classroom instruction, and community involvement activities, to help instruct students to the dangers of drug abuse, provide them alternatives to risky behavior, and equip them with the tools to make healthy choices. For example:
- All of the programs studied found, based on student surveys, that students attitudes about drugs, alcohol, and smoking, had taken a positive turn after program participation. For instance, in the Palmyra-Eagle District, in Wisconsin, the percentage of seventh and eighth grade students who think that it is acceptable for them to drink decreased from 52% prior to participating, to 25% after completing the program.
- Overall, students reported decreased drug usage in relation to pre-program years. For example, during the period of 1984 to 1990, at Thoureau Middle School, in New Mexico, student's reported use of inhalants decreased from 16% to 8%, while marijuana use decreased from 19% to 8%.
- Some of the schools achieved success by focusing efforts on "at-risk" students, and offered these youths constructive alternative to behaviors often associated with drug use. To achieve progress in this area many schools started peer mediation programs, and found that incidents of violence in school decreased dramatically.

- The key to the success of these programs is a well-targeted and comprehensive approach. Consequently the Departments role in identifying and disseminating information about effective programs is crucial.
- School districts that have followed research and evaluation findings have been able to reduce alcohol and drug use. Programs such as the one founded by the Cornell University and supported by the U.S. Departments of Health and Human Services (HHS) and Education have proved that prevention does work—that if a well designed program is implemented, alcohol and drug use among students can be prevented.

With regard to the **federal role in reducing violence in schools**, it is important to remember that the specific focus on violence prevention was not a major component of DFSCA until 1994. Consequently, many schools are just beginning to devise and implement strategies to deal with school violence. Here again, there is a crucial federal role. The role is one of assisting and working in partnership with state educational agencies (SEAs) and local educational agencies (LEAs) to identify strategies and programs that work in making their schools and communities safe. More specifically we see the role of the federal government as:

- Conducting research in the area of safe schools and making the findings of the research available to schools for use in developing more effective programs and policies. An excellent example of this research is the study conducted by the Centers for Disease Control and the U.S. Department of Education on violent deaths associated with schools.
- Identifying model programs, practices, policies, and strategies to prevent school violence. We believe that school districts across the country are implementing strategies and programs that are effectively reducing violence in schools. A role for the federal government is to identify these models and disseminate the information to states and LEAs.
- Providing limited technical assistance and training. The U.S. Department of Education has provided technical assistance to hundreds of school districts across the country. The assistance ranged from how to cope with a crisis such a shooting to how to train staff to deal with disciplinary problems. We have found that many school personnel are inadequately prepared to deal with the emergencies and crises they currently face; such training is essential. Over the course of the last two years the focus of our training has been to help states establish resource centers that could assist LEAs.

- Providing funding for demonstrations. Aside from informing states and LEAs about what is working it is the role of the federal government to experiment and identify new strategies and programs that work and to disseminate information regarding these activities to the states.
- Coordination with other federal agencies and private groups. We recognize that creating safe schools is the responsibility of the entire community. In order to properly serve the community we need to collaborate at the federal level. Education, Justice, HHS, HUD, Labor, and other relevant agencies all need to share ideas, resources, and expertise in addressing this issue.

7) **When do you expect to see results from the President's school reform initiatives?**

Improvements in student learning are expected to take time. However, key interim performance measures will enable the Department to track progress and report back to Congress and the field on an ongoing basis evidence on what is working and what is not working. Information from leading-edge schools and states will also help gauge the potential impact on student performance.

- **Improved student learning** -- based on national exams such as NAEP and state assessments -- will be tracked and reported over time.
- **School and classroom practices to support improved learning** -- will also be tracked longitudinally to learn what actions contribute most to improved performance.
- **Implementation of Federal, state and local supports for improving teaching and learning** -- will be reported regularly, based on information gathered through state progress reports, Department monitoring, and implementation studies at the federal, state and local level.

The Department will submit to Congress, the results of mandated evaluations of Goals 2000, the Improving America's Schools Act, and the School-to-Work program. The first mandated report, providing interim findings of the National Assessment of Title I of the IASA, is due to Congress on January 1, 1996. This report will provide baseline data regarding the program's implementation. Final mandated studies of elementary/secondary programs (authorized under both Goals 2000 and IASA) and the School-to-Work Opportunities Act are due to Congress in 1998. Evaluation findings will also be shared with state and local practitioners to improve practice. However, several of the budget proposals eliminate funding for evaluations.

Preliminary evidence suggests the potential for the President's school reform initiatives:

- **EQUITY 2000**, designed to increase minority course taking in higher-level math, has substantially raised teacher and counselor expectations in its pilot districts since the program began in 1991. Moreover, the districts have seen substantial increases in numbers of students taking and passing higher level courses in algebra and geometry. (Schmidt, Education Week, Oct 12, 1994 p. 3)
- **More high school students are taking worthwhile math and science instruction** as a result of state, district and school standard-setting, assessment and related activity. Raising standards has increased enrollments in core courses such as mathematics and science without weakening course content or driving up dropout rates, according to analysis of experience

in various parts of the nation and aggregate results. (Porter, et al. CPRE Policy Briefs RB 13-9-94; Massell, Fuhrman, et al., CPRE Research Report Series RR-028, Jan. 1994).

The New York Times (May 9, 1995) reports that tougher graduation requirements in New York City public schools are spurring thousands more high school students to take and pass college-preparatory mathematics and science courses.

- **With regard to instructional practices and professional development**, the use of small groups, manipulatives and the stress on problem solving (all practices related to NCTM and emerging state standards) appear to be more prevalent among teachers that have participated in at least 16 hours of in-service training in mathematics and/or the teaching of mathematics, according to data from the 1990 National Assessment of Educational Progress. (Goertz, 1994)
- **The National Science Foundation's Statewide Systemic Initiatives (SSI)** program has focused states' attention on high standards, professional development, and partnerships. A first-year evaluation shows that SSIs are developing similar visions of ambitious learning goals for all students in math, aligned with NCTM standards. Shields, et al., 1994)

Leading-edge states are showing the positive effects of more systemic reform strategies:

- **Kentucky's** 4th, 8th and 12th graders demonstrated 'dramatic' improvement on the 1993-94 annual assessments. In all grades, the percentage of students performing at or above the proficient level in mathematics, reading, science, and social studies increased from the previous year.

8) **Former Secretaries Bennett and Alexander recommend that the guiding principles for federal education programs should be choice, deregulation, innovation, accountability, and assessment. What do you think of those principles?**

- These principles are basic to improving education--and they have been central to every piece of education legislation during this administration: Goals 2000, IASA, proposal for reauthorization of VocEd.

- These principles must be used in ways that do not undermine the neighborhood school and the American community. The details matter:

- Expand choice -- but ensure meaningful choice and effective use of scarce tax dollars.

- Encourage effective innovation -- but in ways that allow our nation to cumulate the gains rather than reinventing the wheel.

- Deregulate -- but in ways that ensure accountability and improvement.

- Accountability -- for performance and spending of tax payer dollars but don't undermine the autonomy of private and parochial schools.

- Assess -- in ways that improve education and encourage progress.

- Access and excellence must be the guiding principles. If necessary resources and the best and brightest students are drawn away from public schools, it will make things worse, not better. Dismantling community schools and providing quality schools for only those who can afford it is a recipe for national disaster undermining the American tradition of public education. The principles identified by Secretary Bennett and Secretary Alexander must be put in this broader context of national interest.

- 9) Why shouldn't federal funds for elementary and secondary education be given to states in the form of block grants?

I support "responsible block grants," by which I mean programs with the following elements:

- Clear national priorities
 - Flexibility for states and localities over how they achieve these goals
 - Ensuring equity for students most at-risk
 - Accountability for results.
- Education legislation enacted with bipartisan support under this Administration--Goals 2000, the School to Work Opportunities Act -- and Administration proposals for reauthorization and transformation of vocational education -- can be considered "block grants" of this type.
 - Since the Federal government provides only about 6% of educational spending, it must be used strategically and for critical needs not adequately addressed by other levels of government or the private sector. Simply giving Federal money to schools without clear goals or focus or accountability is a poor use of the taxpayers' money.
 - Typical block grants have no focus or accountability. The pressure is to give a little to everyone and there is little assurance that they will address the fundamental problems of our schools. For example, evaluation of the Chapter 2 block grant found that the impact of Federal dollars in that program is barely discernable and it is not possible to evaluate the effectiveness of the expenditures.
 - Block grants will not produce cost savings, unless combined with significant program cuts, because the cost of administering the Federal programs is not high. In fact, the Department's administrative expenses are only about 2 percent of our budget.

DEPARTMENTAL MANAGEMENT

- 1) The Department has a long history of poor management, particularly in the area of student loans. What are you doing to turn these problems around?

The Department has done and is continuing to do a great deal to improve the management of the Financial Aid Programs. We are moving aggressively to effectively administer the student loan programs. For the first time we were able to get a clean audit report of a loan program: the Direct Loan Program.

We have implemented new regulations for accrediting agencies and for establishing the eligibility of institutions to participate in our programs. We have continued to improve collection on defaults while at the same time preventing low quality schools from joining the programs because their students often don't acquire enough education to get a job to pay back the loan. To further reinforce this preventative approach, we are expanding our Quality Assurance Program. The coordination of problem prevention with targeted improvements results in more effective program delivery and service to institutions and to students.

Since 'FY 94 ED has made over 600 schools with high default rates ineligible to participate in the Title IV programs; we are collecting record amounts of defaulted loans and for the first time, the cumulative amount of defaulted dollars is decreasing. Annual defaults and default rates are also declining.

Net Defaults	FY '91	\$2.8 Billion
	'92	1.7
	'93	1.6
	'94	0.9

Total Default Rates	1989	21.4%
	1990	22.4%
	1991	17.5%

We have implemented The Student loan Reform Act with improvements in the FFEL Program and introduced Direct Loans.

ED was fortunate to be able to recruit Don Wurtz to become Chief Financial Officer. Mr. Wurtz had formerly been at GAO where he had introduced the High Risk designation for Federal programs, including the FFELP, where taxpayer dollars were at risk.. With the introduction of the Direct loan Program, and the subsequent clean audit report, we have significantly reduced risks to the taxpayer.

We have brought in new staff with technical skills that we have needed in the past but have not had until now. We have made substantial improvements in the Title IV Delivery System and are hard at work in making additional improvements.

- 2) **Why is the Department asking for an increase in S&E for FY 1996 when almost all other Federal agencies are drastically reducing their size and scope and over 440 employees have opted for the retirement buyout?**

The Department is planning on making significant reductions in both total staff and staff needed to manage and operate the student loan program. Between 1995 and 1999, staff needed to operate the Direct Loan and FFEL programs is expected to decline from 809 to 732 while total ED staff declines from 5,131 to 4,698.

The overall increase in the Department's S&E budget in 1996 is for administration of the new Direct Loan program:

Increase with Direct Loans (\$217 million) is 25%; however, increase without Direct Loans (\$11.5 for all discretionary programs) is only 2%.

Staff level goes down by 71 FTE in total, and goes down by 221 FTE without Direct Loans - a 5% decrease without Direct Loans.

Except for several one-time only or mandatory built-in increases, the funding for non-Direct Loans accounts goes down. These increases include:

- FOB-6 Renovation (\$20 million)
- Government-wide pay increase (\$5 million)
- Rent (\$2 million)
- Postage (\$4 million)

Additional funds are being used for financial management and technology improvements, which will reduce future funding and staffing needs.

Retirement buyout. The Department is replacing a limited number of those employees to meet current and future needs of the Department, but at lower grade levels than the employees leaving. The retirement buyouts and limited number of replacements will still save the Department money now and over the next several years.

Streamlining administration. The Department is working to reduce headquarters and overhead positions, reduce managerial layers, cut in half supervisor-to-staff ratios, and streamline organizational structures within offices.

3) **What has the Department done to reduce the more than two dozen federal advisory committees?**

Currently, the Department has only 12 functioning federal advisory committees. This is a reduction from past years:

In FY' 92, the Department reduced the number of advisory committees from 13 to 11;

In FY'93, the Department began with 14 Advisory Committees and ended with 13.

Of the current 12 committees, at least one more will terminate by the end of fiscal year 1995.

The Department continues to explore options for terminating unnecessary federal advisory committees, in response to Presidential directives, while continuing to comply with statutory mandates for certain committees.

The Department also supports 6 operational committees that develop, rather than recommend, Department policy. This is a reduction from 7 in fiscal year 1994.

- 4) What do you think of transferring the student aid programs to the Treasury Department? Aren't they already involved in helping to administer these programs?

Administering student loans and student grants is much more than a series of financial transactions.

The Treasury Department does a good job in the things it does, but the Treasury Department, with all its strengths, is not equipped to run the Student Aid Programs. The Higher Education Act, as amended, requires detailed knowledge of the financial aid programs as well as the operations and education components of colleges and universities. Treasury is involved, now, in the areas in which they have expertise. They provide the funds for Direct loans and they maintain a network with the Federal Reserve that allows us to transmit funds electronically to institutions. Besides transmitting funds, they administer, through IRS, the tax offset program. They are experts in finance, not student aid or college education.

IRS has estimated it would take several hundred million dollars for them to build a loan collection system to replace the system ED has in place. ED's retention of the program management responsibility provides clear lines of accountability, maximizes customer service, minimizes employer burden, saves taxpayer dollars and reduces defaults.

- 5) Since its inception in 1980, the Department of Education has grown tremendously in terms of dollars and employees. How can you justify that? What has the Department done in the areas of reducing the size and scope of the agency?

While FTE has increased slightly in recent years, it is still significantly lower than in 1980. For example, in the 15 years between 1980 and 1995, the number of the Department's programs grew about 50 percent (from 155 to 240) while staff decreased by over one-third (from 7,528 to 5,131).

In spite of repeated attempts by the Department in recent years to eliminate unnecessary or duplicative programs, Congress has not agreed. The Department must administer the programs legislated by the Congress. These new programs have resulted in a corresponding increase in the Department's budget.

In its 1996 budget request, the Department is continuing its efforts to keep the deficit under control and streamline operations by proposing a budget of \$30.4 billion, a decrease of \$1.4 billion, or 4.4 percent, from the 1995 appropriated level of \$31.8 billion. The budget proposal would consolidate almost 70, or 30 percent, of the 240 programs the Department currently administers, resulting in substantial administrative savings. For example, while FTE for management of the new Direct Loan program would increase by 150 FTE, staff in the rest of the Department would decrease by 221 FTE in the proposed FY'96 budget request.

6) **What are the Department's proposals for Phase II of the Vice President's reinvention initiative? What will be the performance partnerships for the Department?**

The Department will adopt three overriding strategies in its proposal for Phase II:

- Establish new performance partnerships;
- Streamline programs and reengineer ED;
- Giving students and taxpayers greatly improved service at reduced cost, saving the taxpayers and additional \$4 billion over four years, totaling \$21 billion saved since President Clinton took office.

The Department's performance partnerships will build upon work already underway:

- As part of the GI Bill for America's Workers, the **Vocational Education partnership** consolidates 23 Perkins programs for a more effective school-to-work system.
- In addition, the bill consolidates **Adult Education Act** programs and Even Start to support high-quality services for adults, encouraging one-stop career centers.
- The Department is also streamlining the **Postsecondary institutional gatekeeping** system to focus on quality and results, rather than regulatory rigidity and complexity.

7) **How is the Department using the latest advances in technology?**

- ED operates a toll-free bulletin board where publications, announcements, program descriptions, research, statistics, teaching materials and computer programs are available to the public and the teaching community.
- INET, ED's internet node, offers electronic mail, World Wide Web, Gopher, Wide Area Information Server (WAIS), and Telnet services. INET facilitates the sharing of information among ED's major research, development and dissemination institutions. It provides the public with a broad range of databases, research and development information aimed to improve teaching and learning.
- The ED Online Library receives more than 17,000 visits each week. Visitors to this Internet-based resource view (on screen) or download information.
- The Education Resources Information Center (ERIC), an education information system, provides ready-access to a database of education-related literature. The largest source of education information in the world, available in more than 300,000 locations worldwide, ERIC contains more than 850,000 abstracts of documents and journal articles on education research and practice. Sixteen national clearinghouses prepare these documents. The ERIC index is available on CD-ROM.
- AskEric, a question and answer service for ERIC users, yearly provides almost a million responses to education queries from parents, students, teachers and others using electronic technology. Questions are answered by an ERIC researcher within 48 hours either by electronic mail, fax or telephone. A library of information guides is being developed based on the most frequently asked questions. Several state education networks extensively use AskERIC, including Texas, New York, and North Dakota.
- Last year, through technology, over 3/4 of a million citizens accessed ED information on topics ranging from "Helping Your Child Learn Math" to funding opportunities for teachers. Many use America On-Line and Prodigy to visit ED's Internet service.
- The Department convenes conferences for state and local education technology planners to share state of the art technology practices and developments. All states and territories have participated in these conferences.
- More than 1,000 people participate in e-mail discussions (known as "listservs"), including one for teacher leaders and school technology coordinators.

- Satellite communications are utilized in ED's Satellite Town Meetings, in which Secretary Riley and Deputy Secretary Kunin lead cable-televised forums on school reform issues such as family involvement in learning, improving science and math instruction, and community partnerships for school reform. A toll-free line and community newsletter connect tens of thousands of community and education leaders working to improve schools.

Technology within the Department:

- ED has introduced advanced office communications technologies into the workplace such as voice messaging, teleconferencing, speaker phones, and multiple-line telephones.
- Desk top computers are now typically networked, upgraded with better software, faster microprocessors, larger capacity disk drives, and coupled with more advanced, networked laser printers. Increasingly, documents are readily shared electronically, within and across ED offices nationwide. We intend to connect all offices electronically through EDNET by the end of 1995.

- 8) **Why did the Department separate the administration of the Direct Loan Program from the rest of the Office of Postsecondary Education? Doesn't this create another new bureaucracy?**

We are committed to implementing a successful Direct Loan Program. In order to do so, we made the management decision to hire a first-rate manager, give him a staff, have him report to the Secretary, and let him go to work. It's worked. Direct Loans has made every milestone.

We believe this success is due, in part, to the fact that Direct Loans reports directly to the Secretary. No new bureaucracy has been created. Overall Department staffing is down. OPE is operating two loan programs with the same functional organization as they did when they had only FFELP. Using teams and other reinvention concepts we have minimized bureaucracy and allowed the civil servants who understand financial aid to work with institutions in developing the new program.

- 9) We have heard from various sources, including the Federal Page of the Washington Post, that the Office of Postsecondary Education within the Department is experiencing serious personnel problems, including death threats. Are things out of control there?

No, things are not out of control. We did have a very serious set of circumstances arise in one office, which we responded to immediately and appropriately. The Federal Page accurately reported that in one area of the Office of Postsecondary Education, a unit with about 45 employees, there has been tension between the management staff and employees. We have been working intensively to gain control of this situation, have done so, and are moving forward with our efforts to improve the organization, not only for the 45 employees in the office but for all the 1500 employees of the Office of Postsecondary Education.

The reported tensions were the exaggerated consequence of natural conflict in an organization that is undergoing the substantial change in workplace culture that accompanies aggressive reinvention activities such as those in which the Department is currently engaged. As we work to change the nature of the relationship between managers and those who work for them, many managers and workers find the transition difficult. Yet this transition is absolutely necessary for us to become the high performing organization we aspire to be.

In this specific case, neither the managers nor the workers were prepared for such a significant change in their traditional relationships. The consequence was the hostility that erupted.

- 10) How much Pell Grant money goes to non-U.S. citizens?
Shouldn't this assistance be reserved for U.S. citizens?

Under current law, certain non-U.S. citizens are eligible for participation in the Pell Grant and other Title IV programs. About 10 percent of all Pell Grants are awarded to eligible non-citizens. This comes to about \$600 million in awards and 400,000 recipients. An eligible student must meet one of the following criteria:

- a citizen or national (e.g., Puerto Rican) of the United States,
- a permanent resident of the United States,
- in the U.S. for other than a temporary purpose with the intention of becoming a permanent resident or U.S. citizen, or
- a permanent resident of the Marshall Islands, Palau, Guam, the Northern Mariana Islands, or the Federated States of Micronesia.

- 11) The Education Department's Inspector General reports that \$70 million per year is awarded to ineligible non-U.S. citizens. What is the Department doing to correct this situation?

The Office of the Inspector General tested the reported citizenship status of all 1992-93 Pell Grant recipients against citizenship data maintained by the Social Security Administration. The OIG found 45,000 recipients whose SSA records indicated non-U.S. citizenship. Awards to these students totalled over \$70 million.

While we believe that any level of misappropriation is unacceptable, the true level of error is somewhat less than the \$70 million estimated by the OIG. Some of the students who failed the test may have been eligible non-U.S. citizens. Others may have been naturalized, but not yet updated in the SSA data base. The OIG is in the process of cross-checking the results of the SSA match with other data sources. That effort will be completed within a month, and then we will be able to accurately assess the true magnitude of the problem.

As noted in the OIG audit report, the Department currently verifies the immigration status of applicants who claim to be eligible non-U.S. citizens. The citizenship of those who claim to be U.S. citizens is not verified, leaving the Title IV programs vulnerable to misreporting of citizenship and ultimately awards to ineligible students. The Office of Postsecondary Education has designed a corrective action plan with OIG under which OPE will verify citizenship in its SSA data match beginning next year. No student will then receive an award unless verified as a U.S. citizen or eligible non-citizen.

NOTE TO MIKE COHEN

Here's a first draft of the June 29 hearing testimony. This is the long version, but it can easily be shortened to something along the lines of what Frank seemed to be looking for. I think it's a good start, but see what you think.

A few caveats:

- The draft does not include point 2 from your outline, because I couldn't quite see how it fit, or why it was necessary. It seems to me our whole education reform program, and the primacy of education in the Clinton Administration, demonstrates this point. Also, the testimony makes clear that we are moving in the right direction at least in part because of the Federal role in education.
- I think I have covered point four, but you may want to strengthen it, especially the part about keeping education above partisan politics (although I think this is lost on Scarborough and friends, and why not, since it also appears to be lost on those who should know better, like Alexander, Bennett, and Dole).
- I didn't mention vouchers, because I think discussing it would "take us off course," and because I think it's hard to talk so much about flexibility and innovation and then say no to vouchers, an experiment that some communities may well want to try.
- I don't think we need to respond to the Broder piece in this testimony.
- I didn't deal with Goals and block grant proposals because I still believe that's a slippery slope that can wait till another day. If you disagree, I'll work on something based on your outline.
- Didn't get that final, upbeat note yet.

I'll probably be in briefly on Thursday, hopefully to collect a PC to use at home. Once I get it, I'll stay in touch by cc:mail. Till then, I'll check in with Sally periodically.



TO: FRANK HOLLEMAN
MIKE SMITH
TERRY PETERSON
KAY CASSTEVEENS

JENNIFER DAVIS
SUSAN FROST
KAY KAHLER

FR: Mike Cohen

We are scheduled to meet with the Secretary from 4:00 - 5:00 today to discuss his June 29 testimony on education reform and the proposals to abolish the Education Department.

Several of us met earlier this week and agreed on a general direction for his testimony, based on a memo I had circulated earlier. In general we agreed that:

1. The testimony ought to argue that: (1) education is vital for our future; (2) the federal government needs to be a partner in the education process; (3) while we still have a long way to go, we are on the right track with respect to education performance, state and local reform, and the federal role; (4) now is the time to stay on course, not abandon our efforts or the Department.

Bill Cordiss has produced a first draft of the testimony, which roughly tracks this line of argument. I have not yet had a chance to review it, but I am distributing it for your review and comment.

2. While a statement reflecting the line of argument above is necessary, the Secretary's actual testimony has to generate some good press coverage--we won't change any minds or votes on the committee anyway, and we need to get our arguments across to the public. While we do not yet have a specific approach here, we are in general agreement that the Secretary will have to make some clear and strong attacks on the two proposals to abolish the Department right up front.

When we meet this afternoon, I would like us to review these issues with the Secretary, and come out with a clear sense of direction he wants us to pursue.