EDUCATION AND TRAINING

Why shouldn't the Departments of Education and Labor be merged?

The Departments of Education and Labor should not be merged because:

1) **Their missions are different.** ED's mission is education; DOL focuses on a variety of worker issues including workplace safety, unemployment compensation, and training, mainly for adults. The vast majority of the staff and budget of Labor has nothing to do with education. Mine-safety inspectors and elementary schools have nothing in common.

2) **Education and training are not the same thing**, and their purposes are best served if the distinction is preserved.

3) In the search for efficiency and effectiveness, **merging the two Departments would be counterproductive** by making a mega-bureaucracy with most functions unrelated.

These three reasons are discussed separately below.

1) The missions of the Departments of Education and Labor are very different and both very important.

In the arena of training, where there is commonality, education and training policy and programs should be closely coordinated. In fact, the Administration itself has moved in this direction through its School-to-Work initiative and in the Administration's new proposals for youth and adult workforce training.

However, most of what the Department of Labor does is unrelated to training.

- For example, of DOL's $34 billion budget, only about $7 billion is for the administration of employment and training programs.

- Two-thirds of DOL's budget goes to unemployment insurance, pensions and other programs totally unrelated to education and training.

- Of DOL's 17,000 staff, less than 2,000 work on employment and training issues. The remainder work on worker health and safety, enforcement of minimum wage and hour laws, laws relating to conditions in and changing needs of the workplace, labor statistics, and income-maintenance programs mentioned above.

The Department of Education's goals and the populations it serves are far broader than those of workplace training.

- The main mission of the Department of Education is to ensure educational excellence and equity. Department priorities focus on building a solid base of academics and other knowledge and skills for learners of all ages. While of course this should improve worker performance in the long run, training in narrow workplace skills is not ED's mission.

- Of ED's $31 billion budget, by far the biggest expenditures are for programs to improve access and achievement among educationally disadvantaged populations from the primary through the postsecondary levels. The Department focuses on students in educational institutions and settings across the country.

All of our major international competitors have separate Departments, Ministries, or Councils of Education (and among all developed nations, to our knowledge only Australia has combined the functions of Labor and Education; the consolidation was accompanied by a substantial budget increase, not a reduction).

In summary, consolidation of the two U.S. departments would merge two organizations with very different missions and would symbolically de-emphasize the importance of education at a time when educational improvement is critical for the United States.

2) There is a fundamental difference between education and training.

Education is defined as the development of a person's knowledge, skill, mind, and character. It involves expanding the mind; in essence, education is learning to learn. **Education is a foundation not only for work, but for all aspects of life.**

Training, on the other hand is "to instruct so as to make proficient or qualified."[1] **Training prepares a person for a specific job.**

Not only are education and training not the same thing, in some cases they may conflict.

- For example, an employer may have an immediate need for someone trained as a machine tool operator. Because education and training are expensive, there is a strong short-term incentive to train as narrowly and quickly as possible. Yet in the long run, the best employee--the one who helps the employer increase productivity, the one who eventually becomes an excellent team leader and idea generator--may well be the person who learned to analyze problems and communicate with others through a sound and broad basic education, not the person with the ability to run the machine according to the training manual. **Merging education and training will make it more likely that the short-term incentives will win out over the longer term good of both the economy and the individual.**

Through education, we promote human development as well as economic development. In a democratic society, our purpose in investing in education goes beyond the need to turn out productive workers. Societies can instill in their citizens certain facts and skills so that they can

[1] Webster's New World Dictionary of the American Language

be economically productive--but that isn't our vision of a good society or an educated citizenry. Through education, we believe we can foster personal growth, creativity, and qualities like responsibility and mutual respect that are required for a democratic society and self-sufficiency.

3) *Consolidating all of education and labor programs in one Department likely would produce limited savings, if any, and would decrease efficiency and effectiveness.*

You don't need to create a mega-Department to integrate overlapping programs or to coordinate programs with related purposes when most of the functions are unrelated (e.g., OSHA enforcement in Labor vs. research on how to improve student math achievement in Education). Integration and coordination are underway.

- **In the few areas where ED and DOL programs are closely related today, such as in the School-to-Work area, we are already coordinating very closely and effectively.**

- Further, as part of the GI Bill for America's Workers, the Administration has proposed integrating some 70 programs into a few flexible state grants for education and training for youth and adults, with very close coordination between the two federal agencies and their partners in states and communities around the country.

- We believe that examining all programs for effectiveness--integrating or eliminating those that are duplicative and coordinating others that are related--can result in increased efficiency and effectiveness. (Of course, many of the programs on the GAO list are widely recognized not to be "training" programs and not to be duplicative; for example, Even Start family literacy and the Targeted Jobs Tax Credit.)

The proposal to merge the two Departments, on the other hand, could create a megabureaucracy that would actually decrease accountability and efficiency.

- **Bigger isn't necessarily better**. For a time, Education was an office within a larger department. This was not an efficient arrangement and involved more employees.

- **The country has more of a focus on education with a separate Cabinet-level agency.** Since 1980, the National Education Goals have been adopted and the country has narrowed the gap between minority and majority student achievement. Test scores are generally up, and dropout rates are down. Citizens across the country have become increasingly aware of the need to improve education in America.

Massive reorganization would distract attention from the important task of improving education. There is considerable enthusiasm and energy in states, communities, and schools today to make educational improvements and to take advantage of the resources of reform consistent with Goals 2000, ESEA, and the School-to-Work Opportunities Act. For example, in a sample of 8 states, 4 times as many communities applied for Goals 2000 funds to build local partnerships and start school reforms as there is money available. Reorganizing today at the federal level could well set back the clock in all of those areas. Maintaining a spotlight on education will facilitate the country's progress in this central area.

DRAFT OP-ED PIECE ON THE GOODLING/GUNDERSON MERGER PLAN

I applaud David Broder's support for Federal education programs ("Fold Education Into Labor," June 7), but must take issue with his assertion that "a decent case" may be made for abolishing the Department of Education. On the contrary, much of his column demonstrates why the arguments of the Department's opponents rest on very shaky ground.

To begin with, I agree with Mr. Broder that our programs are far more important that the agency that administers them. He briefly touched on two of the most important: the Goals 2000 program for helping States and schools raise academic standards for all students, and the Title I program that assists elementary and secondary schools in helping poor children meet the same high standards that we expect from all children. He also might have mentioned financial aid for college students and their families, since the Department is responsible for about two-thirds of all postsecondary financial aid.

Unlike Mr. Broder, however, I believe it does make a difference where these programs are administered. In an era when education is more than ever the key to a strong and prosperous America, it is essential to maintain a separate, efficient Department of Education to effectively administer Federal education programs and to bring critical education issues to the attention ~~of the President and~~ the Nation.

The major criticism of the Department raised by Mr. Broder is what he describes as its "top-heavy" leadership. I share some of his concern about management redundancy at the Department, ~~but I would point out that many of the senior positions he questions were mandated by Congress in the Department of Education Organization Act~~. I also would argue that there are better measures of administrative efficiency than Mr. Broder's chiefs versus Indians ratio.

For example, we currently administer more dollars per employee — about $6 million annually — than any other Cabinet agency. And that's not just because our budget has grown over the years; we have cut our staff dramatically even as our responsibilities have increased. 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 1980.

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.

Administrative costs will fall even further as the Department trims its staff by an additional 9 percent by the year 2000 in response to President Clinton's Executive Orders reducing overall Federal employment. We also will begin to address Mr. Broder's concern about senior management when, as part of Phase II of the Vice President's National Performance Review, we consolidate three staff offices here at our Washington headquarters and close down five of our ten regional offices across the Nation.

We are taking these further measures not just because budgets are tight, but because of the need to improve responsiveness to our customers and accountability to taxpayers. The proposal by Congressmen Bill Goodling (R-Pa.) and Steve Gunderson (R-Wis.) to merge the Department of Education into the Department of Labor, which is uncritically endorsed by Mr. Broder, would take us in exactly the opposite direction.

The Goodling/Gunderson merger proposal would literally turn the clock back on 15 years of progress in building an effective Federal role in education. ~~Instead of direct access to the President's ear, education would once again be one of many issues competing merely for the attention of the agency head.~~ Instead of smaller governmental units closer to the people they serve, education would once again be buried deep within a massive bureaucracy five times the size of the current agency. And instead of reducing organizational layers, the proposed merger would erect a new hierarchy daunting to employees and citizens alike.

The merger plan also ignores the very different roles of the two agencies. Subsuming a small agency ~~assistance~~ like the Department of Education — which mainly provides financial assistance to States, schools, and students — within a large regulatory enforcement bureaucracy like the Department of Labor is likely to hurt current efforts to reduce regulatory burden and increase flexibility in the use of Federal education funds.

Moreover, the Federal role in education is not focused on narrow training programs, as the Goodling/Gunderson 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 State and local efforts to improve teaching and learning at all levels, and helping to prepare our children with a solid foundation of skills to be good citizens as well as good workers.

Finally, the same warnings about the costs and potentially negative impact of organizational restructuring that Mr. Broder approvingly cites from Brookings Institution experts apply equally well to the Goodling/Gunderson plan.

The proposal promises substantial administrative savings, but neither specifies the program eliminations that would justify reduced administrative costs nor identifies inefficiencies that would permit the Department to manage the same workload with fewer administrative resources. This led the General Accounting Office, in a draft report circulated earlier this year, to warn that the workforce reductions required by the merger plan could impair both service quality and the ability to meet future challenges.

In other words, the plan would not save money and it could hurt education. Those are pretty shaky arguments for dismantling an agency that efficiently administers programs that most Americans, including Mr. Broder, agree are critical to improving both educational opportunity and quality.

At a time when we face an education deficit that in my view is as great~~er~~ a long-term threat to the Nation than the budget deficit, the merger plan — like other proposals to abolish the Department of Education — is simply a bad idea.

Education Departmental Management Funds

- The Department of Education spends less than 2 % of its $33.7 billion budget on administration.

- The Education Departmental Management account is $445 million in 1995. The funds pay the cots of staff, utilities, contracts, and other activities needed to administer 240 programs providing grants and loans to States, local school districts, postsecondary institutions, and college students and their families.

- Most of the funds pay the salaries and benefits of staff. The next largest expense is the contracts for processing applications for college student aid. 7 million students receive Pell Grants and other aid as a result of these applications. This amounts to about ~~$28~~ per award. $20

- Administrative funds are used for:

  --60 % Salaries and benefits of staff
  --10 % Rent, phones, and other utilities
  -- 2 % Travel
  --25 % Printing, mailing, and contracts for processing college student aid applications
  -- 3 % Training, supplies, payroll and accounting systems

- The Department is the smallest of 14 Cabinet agencies with 5,131 full-time equivalent employees.

- These administrative funds enable the Department to:

  --help 7 million students and their families pay for college

  --provide aid to over 6.4 million disadvantaged elementary and secondary students through the Title I program

  --give States grants for Vocational Educational and School to Work affecting 11 million students per year

  --provide financial support to States to help educate over 4 million students with disabilities

6/7/95

Rethinking the Federal Role in Education

Testimony prepared for delivery to the Sub-Committee on Government Management, Information and Technology of the Committee on Government Reform and Oversight, U.S. House of Representatives

May 23, 1995

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Mr. Chairman and Members of the Sub-committee:

I appreciate the invitation to appear today. To begin with my conclusions: the federal role in education needs a top-to-bottom overhaul and radical shrinkage. In keeping with that overhaul and shrinkage, the structures that manage the present role need fundamental alteration; in the case of the Department of Education that alteration should take the form of disestablishment. Bills to accomplish those changes are being introduced this week in both House and Senate. Many such changes are also foreshadowed in the recent budget resolutions of House and Senate. While I understand that this is not a hearing to consider specific legislative or fiscal proposals, allow me to note that those bills and budget assumptions are grounded in the kind of analysis I'm providing today and would go far toward the cures indicated by that diagnosis.

Let me also note that portions of this statement are drawn from testimony presented to the Committee on Economic and Educational Opportunities by former Secretaries Lamar Alexander and Bill Bennett in late January. I assisted them with its preparation and have their permission to borrow from it.

What's Gone Wrong

The federal education apparatus illustrates what has gone awry in Washington over the past several decades. The national government has become meddlesome, intrusive and bullying. It now impedes more than it fosters. Much of what it mandates or encourages is misguided. It keeps people from doing what they know is right for their children, communities and states. It substitutes the rules of distant bureaucrats for the on-site knowledge of parents and teachers. And, particularly in the last several years, it has begun to lift from our communities the sense that they are responsible for the renewal and reform of American education and to suggest, instead, that Washington knows best and is taking charge.

Presidents Reagan and Bush sought to reverse the stream, to put the emphasis on states and communities, to promote flexibility and choice, to forge a true partnership with the governors, to end discrimination against individuals without preferential treatment for any group, and to halt Washington's growing regulatory apparatus. But every such effort was rebuffed by the Democratic Congress, now aided and abetted by the Clinton administration, which has pressed relentlessly in the opposite direction, encouraged in this endeavor by education's myriad special interest groups.

If anyone thinks I exaggerate, please read the full texts of Goals 2000 and "H.R. 6", the administration's two main elementary/secondary education bills, as finally enacted by the 103rd Congress. Especially when these are taken in combination, it becomes plain that their authors want to substitute decisions made in Washington for decisions made by individual households and communities. They create new governance mechanisms and regulatory apparatus at both national and state levels. They use federal funding in a deceptive way that is designed to elicit the very forms of behavior that other parts of the legislation term "voluntary". They throw obstacles onto such promising reform pathways as school choice and the private management of public schools. They transform what had been a national movement into a federal program. They strip the bi-partisan National Assessment Governing Board of much of its independence. They give federal officials sway over state and local reform plans, create a new body called the National Education Standards and Improvement Council that is not wrongly compared to a "national school board", authorize development of national standards for school spending and other inputs, and legitimize curricular guidelines such as those recently published, to widespread alarm, for U.S. and world history.

In reauthorizing the Elementary and Secondary Education Act (H.R. 6), Congress also wrote more rules concerning such hot buttons as sex education, prayer, gender equity and weapons in schools--prompting former secretary Alexander to remark that "They think we're too stupid to decide these things in our own communities."

Then there's last year's wholesale reorganization of the Office of Educational Research and Improvement, one of eight divisions of the Education Department. Though it dispenses less than $100 million a year in research funds, nearly all of which is earmarked by Congress for specific grantees, the 1994 legislation creates a cumbersome new superstructure that mimics the National Institutes of Health (which spend $11 billion annually). A wee agency that would benefit from simplicity and de-layering has instead been split into five new "institutes" whose very names evoke the "stakeholder" groups whose interests underlie this reorganization. Astride all that bureaucratic paraphernalia, along with Assistant Secretary Sharon Robinson, Secretary Dick Riley and the rest of the department hierarchy, is yet another new panel, this one called the National Educational Research Policy and Priorities Board, which recently held its first meeting. The administration put some talented people onto this board. But nearly all of them are employed by school systems or universities. Though meticulously balanced by race, gender and region, it's another producer-dominated body that will pay scant heed to the priorities and concerns of parents, employers or taxpayers.

It's that attitude--defer to the experts, keep power with the producers--that has caused many consumers of education to conclude that Uncle Sam cannot be trusted to look out for their interests. That's why the existence of the Education Department itself is now hotly contested. That adolescent agency has come to symbolize the loss of control over the schools of one's community to distant experts and officials.

The real arrogance of Washington with respect to education--the part that recalls the "disinformation" activities of the Cold War--is the pretense that nothing worrisome is really happening and that all the federal control will "help". Look at the labels pasted on the covers. Goals 2000 was called the "Educate America Act". H.R. 6 was dubbed the "Improving America's Schools Act". I don't believe Orwell could have done better, considering that the contents of these measures were developed by and for lobbyists and interest groups to whom the skills and knowledge of children are not the top priority.

Federal education policy has been moving in this direction since 1965. It took a breather, at least within the executive branch, between 1981 and 1993, but the past two years have seen the pent-up "governmentalism" of that decade unleashed upon the land. For a time, some otherwise-conservative education reformers, myself included, supposed that it was possible to have a national education reform project that would work like a true partnership and not evolve into another rule-bound federal program. The last two years have proven us wrong. In addition to Goals 2000 and H.R. 6, we have seen the executive branch give blanket endorsement to scholarships based on race; take the heat off those who would mandate "diversity" as a criterion for accreditation and thus turn political correctness into a precondition for federal aid; propose the race-norming of state assessment results; and persecute states that employ test-based standards for high school graduation. Ultimately, it is now plain, the federal government is bound to break whatever it touches in education--and waste a goodly amount of the taxpayer's money in the process. Rather than tinker around the margins, therefore, the time has come for a great and thorough change.

The Federal Role in Education

The U.S. Constitution never mentions the word "education", whereas it's embedded in the constitutions of every one of the fifty states.

Yet today the Education Department alone is home to some 240 separate programs that spend, in the aggregate, nearly $500 for every student (elementary, secondary, post-secondary) in America. And that's without considering the education programs run by other agencies such as Health and Human Services (Head Start, financial aid for medical students, etc.), Labor (myriad job training schemes), the National Endowment for the Humanities, the National Science Foundation, the Defense Department, and so on. Across the government, estimates for federal education support in Fiscal 1994 totaled $68 billion in "on-budget" outlays and nearly $20 billion more in "non-federal funds generated by federal programs" (most of the latter being private capital for federally-guaranteed loans to college students).

Though one can find seeds of federal involvement with education in the Nineteenth century (including the Northwest Ordinance, the Morrill Act, and the founding of an education statistics-gathering unit just after the Civil War), the present federal role in education was predominantly shaped during the mid-1960's as part of the "Great Society" and the "War on Poverty". Most of today's federal programs and activities in education continue to reflect the purposes, priorities, assumptions and values of that era. The architects of the education programs of the Great Society were certain that the nation's education problems were fundamentally problems of shortage--and their solutions lay in augmenting the supply of education services and the access of those who had been deprived.

I am not here to quarrel with this mid-sixties reasoning. There were genuine quantity-and-access problems at the time, and it was legitimate to enlist the national government in their solution. But the world has changed in the three decades since these programs were born and these assumptions fixed in policy. The essential nature of the education problems facing the United States is altogether different today. And programs conceived for one purpose are seldom suited to another. This, I submit, is the central reason that current federal activities in the field of education are unsuitable to produce the performance improvements and efficiency gains that analysts urge, that parents, taxpayers and employers demand, and that governors, legislators and community leaders now seek from their schools.

Though "quality" has recently entered the lexicon of federal program managers and advocates, it's not what those programs were intended for or how they were designed. It's not how they spend their money or the thrust of their regulations. It's not something they have successfully induced in the past. And there's little reason to believe that their efficacy will change in the future, however many "reinvention" activities we engage in. We really shouldn't expect it to. That would be like taking a panel truck designed to deliver milk and entering it in the Indianapolis 500. It won't do well in this setting because it was not built for speed. (And it will probably get in the way of faster and more nimble vehicles and may cause them to crash.)

Let me set forth five aging assumptions that underlie most Education Department programs and activities. All five come straight from the social reform handbook of the mid-sixties. As I go, I will briefly indicate why they are ill-suited to the pressing education dilemmas of the mid-nineties.

1. The great problem of American education is that some people get more of it than other people do. Access to educational offerings and *services must be expanded and underwritten, particularly for needy portions of the population (the poor, handicapped, minorities, non-English speaking, etc.) that are not receiving enough services and have in some cases been denied them. Because states and localities are not meeting these needs and cannot be trusted to do so, it's the federal government's obligation to intervene.*

Today, access is virtually universal but the quality of what children have access to is mediocre, expectations are low, and results are unsatisfactory, both for those who are aided and those who are not. Federal interventions have begun to create perverse incentives (such as classifying more and more children as "disabled") and to impede bold reform efforts.

2. States and communities are stubbornly set in their ways, miserly, sometimes discriminatory, and ignorant about education research and effective practice. The federal government therefore needs to foster innovation, justice and the dissemination of knowledge.

Today, states and communities are taking the lead in trying to transform their schools, but federal programs and policies often get in their way. It's not likely that they would discriminate against their least fortunate children--but it's very likely that they want to try dramatically different ways of helping those children than federal laws, regulations and funding practices now permit. Moreover, in an age filled with CD-ROMs and on-line information services, with faxes, e-mail, cable television, conference-calling and widespread travel, state and local education agencies have ready access to knowledge and expertise, as do teachers and other school practitioners throughout the land.

3. A unified and essentially "monopolistic" public school system, regulated into uniformity and managed centrally, is the best way to distribute educational resources according to national priorities and is, accordingly, the proper focus of federal policy and programs.

This assumption goes back to the "scientific management" ideas of the 1920's and the belief that "public" schools mean schools run by government agencies. Today, however, many people conceive of public education as consisting of schools that *serve* the public but that may be organized and run in a thousand different ways, thus fostering innovation, competition and quality. Yet federal programs discriminate against many of these alternatives, including non-government schools, charter schools and home-schooling.

4. Redistributing resources from people, states and regions that have more to those with less is both a proper function of the national government and a way to improve education. Hence "poverty" and other indicators of "neediness" should be the primary basis for receiving federal education assistance.

Whatever one thinks about the redistributionist ethic in general, it's clear that it has perverse effects within federal education programs, such as "punishing" schools and individuals that do well and pull themselves out of ignorance and poverty. Moreover, the strings tied to the money turn into red tape, bureaucracy and regulations that stifle the types of originality that American education desperately needs.

5. Experts know best what kind of education people should receive. The professionals who "deliver" education are, therefore, Washington's primary clients, even though the resources provided to them are sent in the name of needy consumers.

Consumers now have very different ideas about education reform than do "experts", and many consumers would make different decisions about the use of resources if they had any say. The federal government's deference to "producers" is not confined to education, of course, but in this field it shores up the status quo, keeps power with the "establishment" and deters radical change. It also underwrites bureaucracy, subsidizes the very organizations that lobby it for still more money, and pumps billions of dollars each year into the bank accounts of middle class professionals.

The assumptions and priorities that I have just summarized underlie practically all of the Education Department's programs and will guide the expenditure of nearly all of the money that Congress is being asked to appropriate for federal education programs in fiscal 1996. It will be said--indeed is already being said before committees of this Congress--that the well-being of children is at stake, that equity, justice and decency demand a continuation of these programs and expenditures, that our schools have somehow turned the quality corner and are now on the path to excellence, and that maintaining the present federal role will propel them down that path at a faster clip. That is the Clinton administration's view and it is shared by the education establishment and pressed by the innumerable Washington lobbyists employed by the hundreds of organizations that comprise that establishment.

The only problem is that it isn't true. The fact is that nearly everything the Education Department does is based on yesterday's outdated assumptions, on pious but unproven hopes, on dubious claims, and on reasoning that most serious analysts find faulty. The fact is that there is no evidence to support the view that the average American child will learn more, or that the typical American school will become more productive, or that the quality of American education as a whole will improve one iota, as a result of continuing the federal role as it exists today.

The Education Department

The Cabinet-level Education Department is fifteen years old this month. I worked there myself from 1985 to 1988.

A bill to carve the present Department from the then-Department of Health, Education and Welfare was sent to Congress by President Jimmy Carter in fulfillment of a bargain that he, as a candidate, had struck with the National Education Association during the 1976 election: a separate department in return for the N.E.A.'s campaign support. (The details of this pact--and Vice President Mondale's insistence that Carter honor his end of it--are recounted in chapter 7 of Governing America, former H.E.W. Secretary Joseph A. Califano, Jr.'s memoir of the Carter administration. Simon & Schuster, 1981.) But the proposal was not universally popular, even among Democrats. Opponents included American Federation of Teachers president Albert Shanker, Harvard professor David Riesman, *The New York Times*, *The Washington Post* and Senator Daniel P. Moynihan.

Almost all of the present Education Department was cut from the former Department of Health, Education and Welfare. President Carter had proposed a more comprehensive assemblage including Head Start, school breakfast and lunch programs, schools serving Native Americans and U.S. military dependents, etc. But the resistance from constituencies of such programs was intense.

In its first year (FY 1980), the Education Department housed 150 programs funded at $14 billion. Today, as noted above, it contains almost 250 separately-authorized programs and employs nearly 5000 persons. Its FY '95 appropriation totals $31.5 billion, including approximately $12 billion for elementary/secondary/vocational education, $6 billion for special education and rehabilitative services, and $13 billion for postsecondary education (primarily college student loans and grants).

The Reinvention Illusion

If we accept the basic assumptions of the mid-sixties about what are the problems in American education and what sorts of things the federal government should be doing to solve them, there's no doubt that the Education Department could be made more efficient in carrying out its assignments. After all, today it's one of the least efficient organizations in the world.

With that in mind, I read with interest a recent account of a bureaucracy-reduction activity that has been underway at the Department for the past eighteen months, known as the "low-hanging apples" program. The cute name refers to cumbersome rules and procedures that create delays, impediments and costs so obvious and presumably so simple to end that doing something about them is analogized to plucking the fruit that one does not even need a ladder to reach.

The account I read reported that 95 such "apples" had been spotted. Four examples were given:

* It's no longer necessary to punch in an accounting code at the Education Department for every copy you make on the Xerox machine.

* Employees can now initiate the process of getting agency documents printed by the G.P.O. by using one form rather than two.

* Because today's fax machines automatically log what they've transmitted, it's no longer necessary for Department staffers to maintain manual logs of facsimile transmissions.

* When it comes time to reward employees under the General Performance Appraisal System, several individuals can be named on a single form rather than submitting a separate one for each person.

Of course those are bureaucratic improvements of a minor sort. From the standpoint of improving American education, however, on a scale of one to a hundred they may move the nation from 3.001 to 3.002. And if one believes that greater efficiency at the Education Department may make life more difficult for those trying to improve American education, the slight movement may be in the opposite direction.

What about larger-scale reinvention efforts? Some, on their face, seem to move in a sound direction. The administration deserves credit, for example, for proposing to eliminate or consolidate several dozen programs. One can scarcely quarrel with its goal of simplifying and expediting the grant-making process (one of the Education Department's most dysfunctional bureaucracies). If there's to be federal "technical assistance", I do not doubt that it would be more efficient to deliver it through a smaller number of centers with broader-gauged functions. And so forth. But when it comes to education, the National Performance Review is fundamentally flawed by virtue of the fact that it rests on erroneous assumptions about what the federal government ought to be doing in this domain. It partakes of the mid-sixties diagnosis of what's wrong and what should be done about it. And in that diagnosis and proposed cure it is fundamentally wrong and thus the treatment could leave the patient in even worse shape. Making it more efficient in pursuing misguided ends seems to me a wholly dubious undertaking, like giving a sharper scalpel to that surgeon who amputated the wrong foot.

A Different Philosophy

What should we do instead? I suggest that the necessary overhaul of the federal role should be based on four clear principles or assumptions:

First, education in America is the constitutional responsibility of the states, the social responsibility of communities, and the moral responsibility of families.

Second, except when the civil rights of individuals are menaced, the federal government should *never* impede the capacity of families, communities and states to decide how best to provide education to their children, and should *never* substitute its judgment for theirs.

Third, goals, standards, assessments, the dissemination of information and ideas, and the encouragement of bold innovation are legitimate leadership and "bully pulpit" activities of national officials, but must always be truly voluntary on the part of states and communities. Nor should federal funds be used as "carrots" or "sticks" in ways that effectively diminish state and local control.

Fourth, insofar as the federal government is engaged at all in the field of education, it should dedicate itself to (a) fostering family responsibility and local control, (b) assisting states to fulfill their responsibilities as they see fit, (c) providing sound statistics, prompt and accurate assessment results and other information, and (d) safeguarding individuals from illegal discrimination.

Comprehensive Devolution

What do those principles imply by way of programs and policies? Here we approach the heart of the matter. It's my view that Congress should take every single activity currently housed in the Department of Education and do one of three things with it: (a) send it home to the states and communities; (b) entrust it to another federal agency that is suited to conduct it in harmony with related activities; or (c) abolish it on grounds that the federal government can no longer afford to spend money on programs that have outlived their usefulness or that can be handled satisfactorily by others. I won't try here to fill in every detail or answer each question that might be asked about this far-reaching recommendation, but the examples that follow indicate its main features.

Sending responsibility home

* Virtually all major programs assisting elementary/secondary education should be combined into one or two "block grants" and returned to the states and communities. There may or may not be a net reduction in federal aid from this consolidation, depending on what share of federal budget-balancing must be borne by education. Whatever the sums, the block grants through which they flow should be completely flexible as to what they can be used for. (Here, as in welfare, some governors have indicated a willingness to receive less money if it comes with no strings.) These decisions belong to communities and states, to families and individual schools, and the federal government ought not tell them what they can and cannot do. There should be no deterrents to such innovations as charter schools, vouchers and private management, should states or communities wish to pursue those approaches. The federal government

should no longer define legitimate education reform, nor should states and communities have to submit plans to Washington for approval.

The core of the block grant(s) should be programs currently found under the headings of "education reform" (including Goals 2000), school improvement, education for the disadvantaged, bilingual education, and vocational and adult education--approximately $10 billion in all. (If one mistrusts block grants on grounds that they will inevitably attract "strings" and conditions in the future, an alternative is to devise a resource base transfer whereby some federal tax is reduced by an amount equivalent to the federal programs that would then be voided, thus leaving it to state and communities to raise and deploy these revenues as they see fit.)

* Another block grant to the states would combine higher education programs other than student aid. (The latter need overhauling, too, but that's a complicated business. Until they can be properly transformed, I'd keep them operating, transferred to another suitable agency.)

* Special education and rehabilitation services warrant consultation with the governors and others. The soon-to-be-introduced bills keep those programs intact for the time being, mindful that the I.D.E.A. program is, in any case, due for reauthorization. This is an aid program, to be sure, but it is also the largest "unfunded" education mandate, i.e. federal regulations require the expenditure by states and localities of many billions more than the federal aid provided. And it is deeply entangled with civil rights enforcement.

<u>Transfers</u>

* All civil rights enforcement in the field of education should move to the Justice Department, with the admonition that this important federal function be vigorously carried out when discrimination against individuals is involved, but not be used as a tool for granting or withholding rights and benefits on the basis of group membership.

* The gathering, analysis and reporting of education statistics and the conduct of the National Assessment of Educational Progress should probably be transferred to the Census Bureau (with the latter activity remaining under the policy direction of the independent National Assessment Governing Board.)

* Aid for college students and special education programs should, at least for the present, be returned to the management of what is now the Department of Health and Human Services. (Another intriguing proposal before the Congress would consolidate these and other education programs into the Labor Department. Yet another idea would send student loans to the Treasury Department so that the I.R.S. can collect what is owed the government. Perhaps the prospect of a stay in Leavenworth would finally reduce the multi-billion dollar loan default problem.)

* Indian education programs would be transferred to the Interior Department.

Abolition

At least fifty of the Education Department's programs have entirely outlived their usefulness, or support activities that the federal government could beneficially stop subsidizing, or provide marginal aid for activities that are fundamentally the responsibility of others but have been maintained as federal "categorical" programs due to the strength of special interest lobbies. Such programs should be abolished or "de-funded" and the savings returned to federal taxpayers. (I estimate these at $2 to 3 billion annually, i.e. as much as $15 billion over five years.) Or they could be devoted to other worthy national purposes, within the field of education or beyond. Illustrative candidates for abolition include federal technical assistance centers, regional "educational laboratories", library support programs, literacy programs for prisoners, women's educational equity, law school clinical experience, Olympic scholarships and "star schools". On the "technical assistance" front alone, the Department's Inspector General found 734 separate centers operating in Fiscal '91 at a total federal cost of about $300 million.

Savings would also result from dismantling the regulatory infrastructure, including most of the costs of Education Department management (about $444 million) and the National Education Standards and Improvement Council.

Structural Implications

Inasmuch as adoption of these substantive recommendations for the federal role would leave the Department of Education with nothing to do, there would be no need to retain it. But it's important to think of its termination as the logical conclusion of a total restructuring of the federal role in education, not as a label change or symbolic beheading. In the days before the Department of Education was created, the federal government made almost as much education mischief as it does today. Those programs, regulations and red tape were simply housed in another agency. We'll gain little if we retain the programs and red tape while tacking a different name over the door of the building in which they're housed. Indeed, such a shift could even be harmful to the extent that it "hides" those activities in less visible locations. In my view, the way to think about the Education Department is first in terms of what it does, *then* in terms of its structure and status.

But because I believe that every one of the Department's activities that are worth preserving in some form could better be handled elsewhere, I see no need for a separate federal education agency of any kind.

My purpose is not to reduce the attention that the nation pays to education. Indeed, there's never been a time in our history when education was more important--or more in need of a complete makeover. Whether one is concerned with developing virtue in the young, preparing tomorrow's adults for life in the information age, widening the shared knowledge base of a diverse population, strengthening our economic competitiveness or enabling poor people to move from the back of the line to the front, we have few assets of greater value than effective education.

"National leadership" can be helpful in focusing people on problems and opportunities. We should look to the President to ensure that the national project of educational renewal continues apace. But true leadership means energizing people and communities to change, not shackling them with mandates and regulations--and calling it leadership. We do not need a raft of federal programs. We do not need a giant bureaucracy. We do not need a federal department. What we need is a national movement. I believe that the prospects for such a movement--and for real educational renewal in America--will be far brighter when the Congress signals unmistakably and irrevocably that responsibility rests with teachers and parents, with communities and states, not with federal bureaucrats.

Reversing the flow of this river is no small undertaking. But it would do immeasurable good for our children, our schools, our communities and our future.

Thank you for your attention.

I am sorry to have to be here today and to have to spend time discussing these proposals to consolidate or eliminate the Department of Education. Improving education in the nation is a vital national concern. We should not be wasting time talking about how to rearrange boxes on an organization chart. We should be focusing on what we can do to help children and schools and communities.

What does your proposal really do to help children? Isn't it just rearranging boxes and cutting spending for education?

The proposal to consolidate the Departments of Education and Labor is based on the premise that the work of the Departments overlaps significantly. But, in reality, the vast majority of the staff and budget of DOL have nothing to do with education.

Of DOL's $34 billion budget, two-thirds of its budget goes to unemployment insurance, pensions and other programs totally unrelated to training. Only about $7 billion is for employment and training.

Of DOL's 17,600 staff, less than 2,000 work on employment and training issues. The remainder work on issues such as worker health and safety, enforcement of minimum wage and hour laws, and labor statistics.

Given this very small overlap, how can consolidation make sense?

Consolidating the Department of Education into a Department of Education and Employment sends important signals about what we as a nation think about education. It sends the signal that we are de-emphasizing education. It sends the signal that education's only role is training in narrow workplace skills. It sends the signal that we do not believe that education is essential to the development of a person's life-- their knowledge, creativity, and civic values. At a time when education is so critically important to our nation's future, are these the signals we should be sending?

The proposed Department of Education and Employment would have a heavily regulatory focus. Of the three Undersecretaries in the proposed new Department, two -- the Undersecretary for Workforce Policy and the Undersecretary for Civil Rights -- would focus primarily on enforcement and regulation.

The Department of Education has been making great strides in reducing regulations and developing flexible partnerships with states and communities. Wouldn't including education in a Department that focuses primarily on regulation and enforcement undermine these efforts?

Mr. Gunderson, you have proposed a consolidation of Education and Labor because of the overlap you see in their education and training programs and your desire to create a more coherent education and training policy. But what of other areas where there is overlap. For example, the Department of Interior runs the Indian Education programs. The Department of Defense administers schools for the children of our armed services personnel. The National Science Foundation runs math and science programs. The Department of Agriculture runs the School Lunch programs. How did you decide what should be consolidated? Why weren't these other programs, agencies and Departments included?

Right now, the Department of Education is the smallest Cabinet Department and even has fewer employees than many agencies such as OPM and NASA. It is also the most efficient -- with only one employee for every $6 million in budget authority. And its accountable -- when people have concerns about education they know where to turn and can get answers.

When education was part of the old Department of Health, Education and Welfare, people complained that the Secretary of HEW couldn't devote much attention to education, that decisions couldn't get made, and that there was a lack of coherence and responsiveness that impeded State and local educators. These concerns are one reason the Department of Education was created.

Doesn't consolidation just create a mega-bureaucracy that would have these same problems -- a Department that is larger, less efficient, and less responsive?

Wouldn't your proposal to eliminate the Department and scatter its functions among other agencies create a bureaucratic nightmare for states, communities and schools. Now they can all look to one agency. Under your proposal, they would have to go all over the government. How would there be any coherence or accountability or efficiency?

How would HHS be able to administer the student loan programs? A critical element of the student loan programs is protecting the taxpayers' money by ensuring that only sound, reputable schools are eligible to participate in the program. The Department has developed expertise in this area -- wouldn't giving oversight to another agency create the risk of loosing millions of taxpayer dollars to fraud and defaults?

In your proposal to eliminate the department, I do not see that you have proposed for any federal agency to continue the important tasks now done by the Department in educational research and statistics? Would there be no research in education and no way of gathering information to help states know how they are doing in educating students?

You claim that since the Department of Education was created, test scores and educational achievement have gone down. That's why you want to eliminate the Department.

How do you square this with the facts? For example, since the 1980s:

- ***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 (Chart 2).

- ***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. In 1994, 28 percent of AP candidates were minority students, compared to 13 percent in 1982 (Chart 3).

- ***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. The trend in reading has generally shown improvement (Chart 4). 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.*** Participation by members of racial/ethnic 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 African American students.

- ***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.

"The Free Press poll, with a scientific sample of adults, showed almost four of five residents believe Michigan schools should have a standard basic curriculum, but be allowed to expand it and teach it the way they want.

"'We really need a mandate so that all children get at least the basics,' Broughton said.

"Since the beginning of the year, the state Board of Education has debated -- and has seemed to be leaning against -- mandating academic standards through a core curriculum. Many state board members argue that such mandates interfere with local control of school districts.

"'Mandating them would keep things on a level field for all kids,' said Herma Snider, 62, of Oxford, whose five grown children attended Lake Orion Community Schools."

and many conservatives have advocated a federal role in research and data collection even though they have opposed broader federal aid programs. The usual argument made in favor of a federal role in research is that no individual state, university, or foundation will have the resources or long-term interest to sustain a research agenda in education.

Efficiency of Administration

During the debate over the Department's creation, it was argued that it would lead to a more efficient administration of federal aid. When education programs were administered through the Department of Health, Education, and Welfare, there were 7,700 people employed in its Office of Education. Currently, the staff at the Department totals about 5,000, and this smaller staff administers more education programs and a larger budget than did the Office of Education. Administrative costs are now only two percent of the Department's budget. Also, the Department is the smallest Cabinet agency in terms of employees, but has the 7th largest budget. Opponents of the Department, however, still contend that, by its very existence, it wastes taxpayer money because of the cost involved in financing the bureaucracy necessary to administer federal education programs. They argue that, by eliminating the Department and scattering the administration of the programs among different federal departments and agencies, money could be saved.

Proponents point out that if the administration of programs is transferred among other departments and agencies as some have proposed, especially for student aid programs, there may be no cost savings because the federal government will still need to pay the salaries of employees to administer the education programs no matter where they are housed. Some proponents have argued that instead of disbursing the Department's programs, more education programs should be brought to the Department from other agencies because the Department has streamlined its administration of programs. The General Accounting Office found that 244 education programs are currently administered by the U.S. Department of Education, but 308 education programs are administered by federal departments and agencies other than the Department.

One congressional proposal is to combine the Departments of Education and Labor. Although no bill has yet been introduced, the proponents of this approach argue that this combination will lead to greater efficiency. Some opponents of this proposal argue that such a merger would down-grade the importance of education and signal that the only education worth pursuing is one directly oriented to employment.

Questions

1. Is its value in symbolizing the increasingly important role that education needs to play in an economically healthy and democratic country important enough to justify continuing the U.S. Department of Education, or can education be improved locally without a sustained national interest?
2. Would eliminating the Department send a message to states and localities that the federal government is reducing its commitment to education at a time when they are engaging in efforts to revamp their education systems to help the U.S. become more competitive internationally?
3. Is there undue federal influence over elementary and secondary education, and would eliminating the Department remove any such improper influence?
4. Would the Department of Education be strengthened by moving education programs that are administered by other departments or agencies into the U.S. Department of Education?
5. Would combining the Education and Labor Departments facilitate a realistic approach to both education and training?
6. Would research regarding schools and schooling be less likely to be undertaken if the Department of Education was eliminated?

This publication was produced by the Center on National Education Policy as a service to teachers, other educators, and parents to explain recent Federal initiatives concerning education. The Center, which is co-sponsored by Phi Delta Kappa and the Institute for Educational Leadership, is located at:

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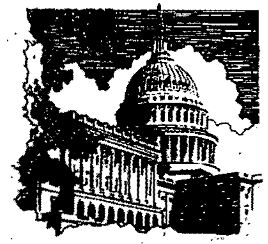

INFORMATION BULLETIN #4

SHOULD THERE BE A U.S. DEPARTMENT OF EDUCATION?

As a result of the November 1994 elections and the change in political control of the U.S. House of Representatives and Senate, the U.S. Department of Education may be abolished. Several conservative politicians and groups have put forth proposals to eliminate the Department, and these proposals are now being given serious consideration in Congress.

Opponents of the Department contend that it exercises undue influence over education matters in states and local communities. They argue that it is improper for there to be a federal education department since the provision of education is not explicitly specified as one of the powers of the federal government under the U.S. Constitution. Finally, they argue that maintaining the bureaucracy of the Department wastes valuable federal dollars. Two individuals who are advocating this point of view are William Bennett, who was education secretary during the Reagan Administration, and Lamar Alexander, who served as secretary of education under President Bush.

However, another former U.S. secretary of education during the Reagan Administration, Terrel Bell, has actively been promoting retaining the U.S. Department of Education. Mr. Bell recently wrote, "Only a national Cabinet agency can adequately direct attention to the immediate and long-term needs of our nation. Even its harshest critics have suggested some federal role in education. But anything that does not have the status, budget, staff of professionals, and programming ability of a Cabinet agency is insufficient."

Former U.S. secretaries of education are not the only ones who are joining the discussion about the existence of the U.S. Department of Education. The debate in Congress has already begun on legislation to eliminate the Department with most support coming from conservative Republicans. Among those on the side of maintaining the Department are most congressional Democrats, President Clinton, and the current Secretary of Education Richard Riley, as well as some Republicans such as Senator James Jeffords of Vermont, the chairman of the education subcommittee of the Senate.

Why Was the Department Created?

The law establishing the U.S Department of Education in 1979 stated that "...the establishment of a Department of Education is in the public interest, will promote the general welfare of the United States, will help ensure that education issues receive proper treatment at the Federal level, and will enable the Federal Government to coordinate its education activities more effectively." The constitutionality of a federal role in education is based on the "general welfare" clause of the Constitution which the U.S. Supreme Court has interpreted as authorizing federal aid to education and to other areas not explicitly outlined as a federal power in the Constitution. Prior to 1979, the administration of federal education programs was conducted through an office in the Department of Health, Education, and Welfare.

At the time of its creation, proponents of the Department argued that such a department would, at the very least, provide a symbolic show of support for the importance of education nationally. They felt that, while education is a state responsibility and a local activity, there is a strong national interest in education since it directly impacts the nation's ability to compete internationally and to defend itself in a time of war. Supporters also believed that by creating a Cabinet level position, there would be a direct line of influence and communication with the President on matters relating to education. Finally, proponents of a U.S. Department of Education believed that it made sense to consolidate the administration of most of the major federal education programs which, prior to 1979, were scattered throughout the government. It should be noted that the primary forces behind the creation of the federal department of education were teachers and other educators.

Arguments For and Against A U.S. Department of Education

Symbolism

Today, the more education a person has attained, the greater the likelihood that he or she will make a decent living. According to the National Assessment of Vocational Education, in the 1980s, the salaries of college graduates grew by 10 percent, while the earnings of high school graduates dropped 9 percent, and the wages of high school dropouts fell by 12 percent. Anthony Carnavale and other economists have pointed out that the best chance for a person to make a good living is to get more schooling.

Furthermore, today countries are competing more economically, and increasing the educational achievement and training skills of their citizens is seen as a means of preparing a better workforce. Based on data from the Organization for Economic Cooperation and Development (OECD), nearly every major industrialized nation is experiencing increasing educational attainment among its younger population. According to OECD, in 1992 nearly two-thirds of youth age 25 to 34 in the major industrialized nations had attained upper secondary education while only 40 percent of adults age 55 to 64 had achieved this level of education.

Clearly, education is more and not less important today, both for individuals and for countries. Proponents of retaining the U.S. Department of Education argue, therefore, that this is no time for the United States to abandon a national interest in education by abolishing the federal agency meant to highlight the need to improve American education. Opponents argue that education should be a state and local matter, not a federal interest, and that education can be improved without national attention stimulated by a federal department.

Proper Federal Role

The Department was created not only to highlight the need for improvements in education, but also to create a proper federal role in education. Currently, the federal government provides support for loans for 6,578,000 students and grants for 3,858,000 students to attend institutions of postsecondary education and training. This accounts for approximately half of the Department's funds. The other half mostly provides aid for disadvantaged and disabled students in elementary and secondary education and for the general improvement of education.

Few opponents of the Department mention eliminating loans and grants for millions of students in postsecondary education. Instead, they usually aim their criticism at what they assert is the Department's undue influence on elementary and secondary education. Opponents cite as examples of this undue influence the Goals 2000: Educate America Act, which requires states receiving these funds to establish high academic standards, and Title I of the Elementary and Secondary Education Act (formerly known as "Chapter 1"), which also requires participating states to establish such standards for educationally disadvantaged children.

Supporters of the Department contend that the federal government ought to encourage the states to set high standards, and further point out that programs such as Goals 2000 and Title I are voluntary: states and school districts do not have to accept the federal assistance; if they choose not to participate in a program, they are not bound by the program's requirements.

Opponents of the U.S. Department of Education argue that with the federal department comes the threat of a national curriculum which is counter to our country's tradition of local control over education. Proponents of the Department counter that this charge is unfounded because the Secretary of Education is expressly prohibited, by law, from exercising "any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution, school, or school system..."

Opponents of the Department also say that federal programs are too burdensome on local school districts because they lead to too much paperwork. In this regard, they sometimes refer to the federal civil rights laws and the law concerning the education of disabled children (the Individuals with Disabilities Education Act) although they do not generally propose to repeal these laws.

Proponents of the Department counter that federal programs have been streamlined by the recent reauthorization of the Elementary and Secondary Education Act (E.S.E.A.) which permits much greater flexibility in the uses of funds at the state and local levels. The Goals 2000 Act, as well as the new E.S.E.A., also authorizes, for the first time, waivers from federal laws and regulations. Proponents also note that unless civil rights laws and the education of the disabled statute are repealed, some federal agency will have to administer those laws.

Some opponents of the Department will also criticize federally-supported research projects as examples of misuse of funds. However, former president Nixon

Need Brookings Study - Rewrite?

June 1, 1995

TO: SUSAN FROST
FR: Kim Nakahara
RE: House Sub-Committee Hearing of May 23, 1995

SUMMARY

The Committee on Government Reform and Oversight's Subcommittee on Government Management, Information and Technology heard testimony from six witnesses (four of whose testimonies are detailed below): Mike Smith, Donald Wurtz, Chester Finn, William Hansen, George Munoz, and Paul Posner. The topic of the hearing was the role of the U.S. Department of Education and its effectiveness in fulfilling its mission.

TESTIMONY

Chester Finn -- Mr. Finn titled his statement, "Re-thinking the Federal Role in Education," and identified seven reasons why we should not have a U.S. Department of Education: 1) the federal government is a meddlesome, bullying force in education; 2) all of the department's programs are aimed at addressing the problems of the 1960s, which no longer exist; 3) we don't need one; 4) the department is a result of a political deal (between President Carter and interest groups); 5) the department is more attentive to groups than to actual consumers; 6) all programs of the department can be terminated, consolidated, or transferred; 7) the focus should be on family authority and state responsibility.

William Hansen -- Mr. Hansen's statement cited the Department's minimal involvement in education programs during the Reagan and Bush administrations (i.e. 1989 Conference of Governors, Reduction in Force), as a basis for the elimination of the federal role in education. His underlying theme is that all of the programs which the department currently administers occurred before the department existed, and could obviously be handled by other agencies. His proposal would place 70% of the department's programs back at HHS or Labor.

George Munoz -- Mr. Munoz emphasized the need for a U.S. Department of Education, claiming that the department provides focus, direction, and support. As states do not have a legal obligation to educate their residents, the Department provides principles and financial assistance. Under Secretary Riley, the Department has greatly improved in the areas of leadership, follow-through, and strategic planning. The Secretary has created a system,"where good ideas get translated into action, and where the department regulates education only when necessary."

Paul Posner -- Mr. Posner claims that the Department of Education presents several opportunities for consolidation. For example, while the Department operates 240 programs, 30 other agencies offer 308 additional educational programs. However, Posner repeatedly cautioned that when consolidating programs, Congress must consider what they ultimately want to accomplish.

QUESTION & ANSWER

The question and answer session concentrated on three broad areas: elimination of the Department, student loans, and block grants.

Elimination of the Department of Education

Finn firmly believes that the responsibility for education lies with the states, and not with the federal government. He feels that while there is clearly a national need for education, "we can have a national need without a federal role." Moreover, he believes that aside from the Secretary himself, the Department employees have little influence on or contact with the issue of competitiveness. He cited a new study by the Brookings Institution which claims that the current strategies utilized by the department are not getting to the mediocrity of education.

Finn further contends that the elimination of the department is not a budget issue, but rather about how to best deliver services. He says that since we're not better off, we should look at how to better solve the problem. An example of a program which wastes money is Chapter One. Although he does not advocate for the elimination of funds to assist low-income children, he claims that a program which has changed seven times in thirty years is clearly ineffective and we're still waiting for proof that this program can work. His solution to improve education for low-income children would be to block grant all of the elementary and secondary education funds to the states. The Ranking member raised the possibility that the states might not spend the funds appropriately, to which Finn responded that we must trust the states, because they have greater accountability.

Student Loans -- Collection by the IRS

Many of the questions focused on student loan collection. Of the six panelists, five voiced concern over awarding loan collection duties to the IRS for two main reasons: 1) the IRS is a tax collection agency, not a loan collection agency; the average tax collection is $30,000, whereas the average loan collection is $6,000; 2) the IRS does not have the means to undertake this program at this time.

Moreover, Don Wurtz explained that in order for the government to bill student loan defaulters through the IRS, we would have to change the tax laws and IRS would have to create a new division to carry out this task. The department currently uses every collection tool that is recognized by OMB. Wurtz also explained the loan collection process: the initial default is usually not acted upon, because banks currently receive their money anyway and thus have little interest in collection. There is also little incentive for the guarantee agency to collect as they make a 27% profit regardless of the outcome, and thus the process reverts to the Department of Education. Wurtz pointed out that under the Federal Direct Loan program, we will be able to collect from students before guarantee agencies make a 27% profit.

Student Loan Defaults

Chairman Horn was particularly interested in Charts 7a, 7b, and 8, which accompanied Mike Smith's testimony and which indicated that student loan defaults had significantly decreased over the past three years. He then pointed to the Department of the Treasury charts which indicate that student loans comprise the largest percentage of delinquent non-tax receivables for the federal government, and asked about the apparent discrepancy between the charts provided by the two departments. For example, of the $241.3 billion <u>total</u> non-tax receivables, educational loans comprise 6% or $15.6 billion. However, of the $115.7 billion <u>delinquent</u> non-tax receivables, education comprises 29% or $14.5 billion. The problem, explained by Wurtz and echoed by Munoz, is in the classification --

when student loans are entered by the Department of the Treasury, they are already delinquent, whereas USDA loans are not.

Block Grants
Smith, Wurtz, Munoz and Posner all expressed reservations over embracing block grants as a solution. Smith and Wurtz believe that the effectiveness of the solution would depend upon the structure of the grant. Munoz believes that block grants are more efficient for much larger programs (we're only providing 6% of local educational funds). Finally, Posner feels that the issue of block grants should have been addressed at the beginning, not at the end. Before investing in block grants, a whole host of federal questions must be asked such as, "are we going to target areas that can't raise the money?"

ANALYSIS
The major arguments against the Department of Education are that: 1) the Department's programs are outdated; 2) the States have greater accountability, and we should trust them to effectively administer educational programs; 3) all of the programs currently administered by the department could be terminated, transferred, or consolidated; 4) the appropriate federal role in education is in statistic gathering and assessment, civil rights and special education, and student aid (if the structure is changed). Beyond that, the federal government should merely serve as a resource transferring body; and 5) polls which show support for the department are misleading -- people support it because it sounds good. Finn claims that a parallel example to the Department of Education is the police department.

Republican opponents seem to voice the common theme that the Department's programs are outdated. However, it seems clear that the problems which these programs were created to address (i.e. equal access) have not yet been solved, and not only continue to persist but also to compound the problems of the 1990s. Furthermore, opponents seem fixated on establishing that American education has not improved. Perhaps the Department could utilize excerpts from Mike Smith's testimony which highlight recent gains in education, and distribute them to the public?

One major flaw in Finn and Hansen's argument, from my point of view, is their lack of a concrete plan of action. They clearly haven't thought about the consequences of downsizing an organization of the Department's scope and magnitude, and cannot offer viable alternatives. Trouble spots in their proposal include oversight of the block grant process. For example, how will the federal government ensure that the States spend the money appropriately? We will have to create regulations and a regulatory board, which means that the bureaucracy that they're trying to eliminate may prosper and grow.

Regardless of the impetus for the Department's formation, since 1979 it has been a positive and consistent voice for education, and has evolved into an entity which performs a vast array of positive functions. As long as there are students, there should be a Department of Education.

[253] From: Susan Frost at WDCT02 6/1/95 4:15PM (4706 bytes: 1 ln)
To: Mike Cohen at WDCB01
Receipt Requested
Subject: Department of Education
----------------------------- Message Contents -----------------------------

Per our discussions, the following are some thoughts on how we can frame the debate on the Department of Education:

BACKGROUND

The abolition of the department became a real issue (rather than a rhetorical reference to get support from the right side of the Republican Party) when Kasich included it in his FY 1996 Budget Resolution. The Secretary's press briefing that same day not only made sure there was an immediate response in opposition but also guaranteed that there would be a debate -- not silence.

The "brains" behind the abolition effort seems to be Checker Finn supported by Diane Ravitch. Republican freshmen are on the front lines.

Gunderson, who is close to Gingrich and the leadership strategy, has told us that the reason he proposed a merger of DOE and DOL was to head off the freshmen. Unfortunately, his merger proposal is another bad idea. Now we have two proposals in the House that we have to try to stop.

Neither the Freshmen nor Gunderson have submitted a bill. Therefore we have no independent assessment of cost savings. Once the bills are introduced, the Congressional Budget Office can score the savings.

The only action to date has been the proposal in the House budget and the Freshmen press conference outlining the abolition. There has been no action on Gunderson -- even the GAO report has not been released.

Oversight hearings on the operation of the department have been held. The Deputy testified before Shays Oversight Subcommittee and Mike testified before Horn's Subcommittee on Government Management, Information and Technology. Shays and Horn are moderates and seem to be generally supportive of the Department BUT they are not in control of this agenda. Neither is Gunderson.

The real control --- like everything else --- is being exercised by Gingrich. He seems to be undecided on the merger or the abolition. But I don't believe he has any intention of backing off passing one of these this year. And he'll probably be able to do it --- on reconciliation, as a separate bill that includes Energy and Commerce, or as an amendment on "must-do" legislation like the Debt Ceiling Bill.

The Senate has been silent on both. One would hope that means that nothing will get through this body --- we are not sure, however, if the Senate will stay silent. Both DOLE and GRAMM actively call for our abolition. One only has to look at the tax cut issue to see the parallel --- the two sides may be in different positions but in the end they will probably compromise and move somthing all Republicans can agree to --- or wait until next year.

POINTS TO CONSIDER

This issue will be alive and well through the rest of this Congress. Republicans are making it a defining political issue and banking on the public's dislike for bureaucracy to carry the debate -- although none of the polls are reflecting this -- so far the public is very much on our side.

No one and everyone is in charge of coordinating our efforts on this issue. Strategy should involve Secretary, Mike, Madeline, OPA, OLCA, OIIA, Senior Officers and White House. Need to figure out a person who will coordinate --- keep everyone informed and on message.

We should assume the worst and move from that position. If no one steps in front of this train, it will run over us. The department is not the only casualty -- most the programs and in the end the federal role in education is at stake. The Republicans tie the dismantling of the department with the dismantling of the federal role at the elementary and secondary level and reducing higher ed to only student loans --- over time.

- Position - Keep ED -
- Message strategy - why we need a department
- Leg. strategy - who are supporters
  - which vehicle
  - which strategies
- Budget
- Approps
- Constituency mobilization
  - Ed - ElSec
    - Higher
  - Bus
  - Gov's
  - Advocacy
- Reinvention - NPR II
  - [illegible] Carroll
  - downsizing
  - N
- White House
- DOL

To Mike C.

(1)

I thought it might be helpful if I did a summary of where we are on the budget and appropriations issues as of this moment and some "educated" guesses on where things are headed.

At the end of the details, I attempted to step back from all of this and define where we want to end up.

Those of us who can will meet on THURSDAY at 11:45 to discuss "strategy" -- Secretary's Dining Room.

RESCISSIONS

Congress will send the conference report on rescissions to the White House when they return next week. They didn't want to give us the opportunity to get the press on the veto while they were out of town.

The Administration made every attempt to cut a deal short of accepting the education cuts before the House and Senate passed the report. There is still a very small chance for Congress to amend the report and avoid a veto -- technically it can be done but very unlikely.

It appears that Livingston is adamant about keeping the ED cuts for two reasons: first, they want to make a political statement about the FEDERAL programs and reinforce the freshman view that ed should be dismantled at the national level.

Second and probably more important to them is the numbers game they have to play. The only way to get outlay reductions in FY1996 from forward funded ed programs is to rescind funds from the previous year. {$600 million in rescissions translates into about $500 million of outlay reductions in FY96 -- the same $600 million cut out of this year's appropriation bill, only yields about $100 million in outlays. Unlike budgeteers, appropriators only think in one year compartments. They have to meet their outlay targets for FY 1996 -- period -- and they believe our rescissions are essential.

Fortunately the White House has kept the focus on the message and not fallen for the numbers game. Livingston has threatened that if the White House does not sign the bill, he will double or triple the cuts in their priorities in the FY96 bill. Most folks believe he was going to that anyway.

What's next?

- The President is being advised to make a BIG DEAL of vetoing the rescission bill in order to send a clear message outside the beltway that (1) he's very relevant--he can stop this bill from becoming law (2) he's standing up for education at all levels --one of the three issues he's outlined that any budget must address.

- Hopefully we will be able to highlight or "amplify" that message from here using examples of what cuts would do in Safe and Drug-free, Goals and School to Work. As you know we are trying to expand that list just a bit to cover technology and TRIO cuts for different reasons.

- Its hard to get the groups and the press to focus on a potential veto. If the real thing happens we should try to get as much credit as possible for standing firm on education.

- Once the veto occurs, there is an 80 to 90 percent chance of a new rescissions package that all sides agree to -- White House will (should) stand firm on education numbers. The problem with passing a new bill is how to get the votes. Republican freshmen have vowed to vote against a compromise and Democrats are loathe to vote for any package of cuts. But most folks are assuming it will happen.

RECOMMENDATION: Discuss ways to get credit for veto -- press and groups.

HOUSE/SENATE BUDGET CONFERENCE

We expect the House and Senate to go into conference as soon as they return. The tax cut is the big issue and the one that divides Republicans the most. Gingrich has said that a fast conference is a must and is trying to figure out a way to accommodate Kasich, Dole and Gramm and others. The Senate has set aside $170 billion for tax cuts to become available when spending cuts are passed. The House has $350 billion for tax cuts.

Defense would get $92 billion more over 7 years in the House version than the Senate version (the Senate follows the Administration's numbers).

Medicare (-$250 billion) and Medicaid (-$175 billion) are cut dramatically in both versions.

Domestic appropriations is cut $190 billion over seven years from a FREEZE in both versions. This would translate into about 30 percent cuts in all ed programs over the same period. There is not much we can do about the overall Function 500 cut in conference since the Senate failed to pass the $40 and $28 billion restoration amendments.

BUT -- Student Loans is another matter. Inschool interest subsidy is eliminated in the House version (-$18 billion) and restored by the Snowe/Simon amendment in the Senate version (-$4.4 billion remaining that may have to be taken out of the loan program in other ways -- increasing percent of direct lending would be our solution!). The final number ---- reconciliation instruction to save "x" to the authorizing committees ---- is a BIG conference item for us. Chances of saving interest subsidy in reconciliation bill depends on that number.

RECOMMENDATION: Work with authorizers and bipartisan group that voted for Snowe amendment to hold Senate position in conference. Get credit with Democrats and moderates on this issue!!

FY1996 APPROPRIATIONS

See Sally's memo on 602b allocations.

Given the $2.2 billion outlay cut to the subcommittee, we can assume that the appropriations cuts will have to total between $5 and $7 billion. NIH is Porter's and Hatfield's first priority -- no cuts. Hatfield's budget amendment that passed with 85 votes restored the 10 percent cut to NIH by doing an across-the-board cut on all other subcommittees -- hopefully the Senate subcommittee allocation will reflect that amendment.

Its too early to predict what the subcommittees will cut and by how much. Unlike the rescissions bill, Hatfield does not have much room to modify the House cuts. But he will mark up his bill much later -- probably September -- and alot can happen between now and then.

Porter is much more supportive of education than his committee. The House will mark up on July 10th -- tentatively. They will move the bill to the floor before the August recess. Word has it that Goals is really in deep trouble. Special Ed and Pell Grants and Impact Aid are somewhat protected. All other programs are vulnerable. Most that we proposed to eliminate are gone but they will outdo us by making sure they eliminate many more.

RECOMMENDATION: Set some parameters and develop strategy for appropriations -- HOUSE AND SENATE

→ THE PRESIDENT

The White House has made it clear that Republican cuts in Medicare and Education are unacceptable. Tax cuts for the wealthy are also unacceptable.

Republicans counter with the fact that the President's budget makes no attempt to go to zero deficit by "x" time and therefore he lacks credibility on the issue.

At some point, everyone expects the President and Congress to make some sort of overall budget deal. That could come at any time BUT most believe that we have to get the word out on the Republican plan and how bad it is before we negotiate something else.

RECOMMENDATION: Get as much information out as possible on what the Republican budget looks like for education -- both in terms of this year and the downward path for the next seven years. Coordinate this message with OMB and White House.

STEPPING BACK ---- Where are We Headed - What's "Success"?
FOR THE PURPOSE OF DISCUSSION -- Setting goals, measuring performance, being accountable!!
Given the political reality -- Where do we want to end up when the first session of Congress ends?

GOAL #1: PRESIDENT SEEN AS CHAMPION OF EDUCATION AS A NATIONAL PRIORITY

o Major Elementary and Secondary Programs Aimed at Disadvantaged held harmless, i.e. Title 1, Special ED, Bilingual, Indian Ed, Pell Grants, SEOG, College Work Study, TRIO

o President's initiatives intact and minimal cuts from last year's level , i.e. Goals 2000, School to Work, Technology ("minimal to be defined")

o Other school improvement programs -- Safe and Drug-free Schools, Eisenhower Professional Development either in a combined form that runs through SEAs and is accountable or as free standing programs -- no more than 10 percent cut overall.

o Need to define overall objectives for Perkins and IDEA

o Department of Education remains the structure to run the programs

GOAL #2 -- PRESIDENT SEEN AS MODERATE WHO CAN ACHIEVE DEFICIT REDUCTION (balanced budget), SAVE TAXPAYER'S MONEY, AND INVEST IN PEOPLE AND THE FUTURE (middle-class) -- Our contribution to this effort:

o At least a net of 60 programs (line items) are eliminated from our recommendations including any revised recommendations

o Direct Lending moves to at least 60 percent this year to achieve additional savings of at least $3 billion; defaults continue downward path to save "X" millions

o Student Loan inschool interest subsidy is saved from the chopping block -- limited savings applied from grace period or other changes if absolutely necessary

GOAL #3 -- PRESIDENT'S ACTION ON EDUCATION TRANSLATES INTO VOTES IN 1996

o We accomplish the above AND get credit for it in the press, in Congress, with government and business leaders and with groups

o FY 1997 PRESIDENT'S BUDGET continues to define him as the "Education President"

Washington Post, May 30, 1995, P. 12

... And a Case in Point

THE FIGHT over whether to abolish the Education Department, which has been going on since about the day the place was created, is billed as a debate about the federal role in education. It is only tangentially that. By far the most hot air is being expended on the parts of that role that have the least effect on education.

The federal role in education falls mostly into two big categories—aid to higher education and aid to elementary and secondary schools—and arguments about them have little directly to do with whether there is a department of education; both had their greatest growth in years when no such department existed. In federal support for higher education, the government is a major player: The states spend more, but federal money is spread throughout the system, from student financial aid to support for academic research. In the second category, aid to elementary and secondary schools, the federal proportion of spending is far smaller, about 7 percent. The rest comes from states and localities. This money is distributed through a variety of programs whose purpose, generally speaking, is to counter the inequities between rich and poor schools by targeting money to poor schools and poor children.

Over the years the shape of this aid—the largest component of which is known as Chapter 1—has been a matter of tussling, mostly over attempts to focus the small amount of money more effectively on schools that really need it against continual and inexorable pressure from appropriators to spread the funds around to all districts, rich and poor. The administration pushed hard in 1994 to get appropriators to target the money better—some 90 percent of all districts currently get it—but succeeded only in shifting around a few formulas that allowed "concentration grants" to the poorest schools. The aid could be used a lot more effectively than it is, but its basic mission is straightforward, and the beneficiaries—especially of the concentration grants—are among the nation's poorest. It is this money, some $6 billion, that some House members are proposing to convert to block grants and send to the states stringless, in essence undoing whatever progress has been made on that front and spreading an already minor amount of money even more thinly.

The arguments offered in defense of having a department of education bear on this question only indirectly. Defenders speak of the symbolic prominence implied in having a department and a department secretary, about the organizational efficiencies afforded by having all the programs in the same place and about the fate of Goals 2000. Goals 2000 is an outgrowth of the education reform movement that attempts to tie even tinier sums of money to states' willingness to adopt voluntary educational standards and to work toward meeting its six goals for school quality by the millennium.

But the real goals of federal aid to education are much simpler than that. We don't see that the organizational structure under which these programs are administered matters half so much as whether Congress abandons efforts to direct the money where it can do some good. That is what the fight should be about.

UNITED STATES
DEPARTMENT OF EDUCATION NEWS

Contact: Rick Miller (202) 401-2571

PUBLIC SCHEDULES
For the week beginning May 29, 1995

U.S. SECRETARY OF EDUCATION RICHARD W. RILEY

Tuesday, May 30

noon	Addresses University of Pennsylvania Foreign Educators luncheon German Embassy 4643 Reservoir Rd. NW

Wednesday, May 31 (Boston)

11:30 a.m.	Tours John Hancock Child Care Center 370 Stuart St.

Friday, June 2 (Texas)

8 a.m.	Addresses San Antonio 2000/Greater San Antonio Chamber of Commerce breakfast Marriot Rivercenter Hotel (Salon E and F) San Antonio
11 a.m.	Visits Hawthorne Elementary School 115 W. Josephine St. San Antonio
2 p.m.	Joins Rep. Lloyd Doggett in visit to Winn Elementary School 3500 Susquehanna Lane Austin

Saturday, June 3 (San Jose, Calif.)

10:15 a.m.	Delivers commencement address at National Hispanic University 14271 Story Rd.

U.S. DEPUTY SECRETARY OF EDUCATION MADELEINE M. KUNIN

No public events are scheduled.

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Testimony of

Marshall S. Smith

Under Secretary
U.S. Department of Education

May 23, 1995

Committee on Government Reform and Oversight
Subcommittee on Government Management, Information and Technology

Chairman Steve Horn

The U.S. Department of Education: Working for Learning

Thank you for the opportunity to speak with you today on the role of the U.S. Department of Education, its mission of ensuring equal access to education and promoting educational excellence, and the transformation it is undergoing to carry out its mission and serve the American people more effectively.

The Federal Contribution to Education

<u>Serving the National Interest in Education</u>

The federal government has had a limited but very important role in education for over 130 years. This role started with federal support for the land grant college system in 1862 and expanded after World War II through such measures as the GI Bill, the National Defense Education Act, Head Start, and postsecondary student aid. Federal involvement in education supports America in sustaining an informed, involved citizenry and in developing the educated workforce we need to compete in a global economy. People with more education are more likely to vote; they tend to live more satisfying lives and to contribute to their communities.

Likewise the U.S. Department of Education has a limited but very important role—a role that citizens of this country recognize and espouse. Indeed, recent polls show the public's strong support for the Department.

- When asked how necessary they think the federal Department of Education is, fully 80 percent of respondents said that the Department is necessary; 70 percent believe it is "very necessary" (NBC/*Wall Street Journal*, January 1995).

- In a poll released just last week, over three-fourths of the public (77 percent) oppose eliminating the U.S. Department of Education to cut the deficit. Public opposition to eliminating the Department was indeed higher than opposition to reducing cost of living adjustments in Social Security. The same percentage (77 percent) reject cuts to student loans and other education programs to reduce federal spending (*Time*/CNN, May 1995) (Chart 1).

The U.S. Department of Education addresses five areas of critical national concern:

1. *Increasing Access to Postsecondary Education*

As college becomes more and more expensive for average Americans, the Department provides 70 percent of all student aid, about $32.5 billion, to give students greater access to postsecondary education—the best system in the world. Pell Grants assist 4 million low income students; student loans help 6.5 million low and middle income students; and Federal Work Study provides aid to 700,000 students each year.

2. *Helping States, Communities, and Schools Raise Academic Achievement and Meet the Needs of Their Students*

The Department delivers almost $15.4 billion to states and school districts to assist local elementary and secondary schools in providing a solid education to all children. The Goals 2000: Educate America Act (endorsed by every major business, parent, and educational organization) supports community and state efforts to raise student achievement to world-class levels. The Title I program directs about $7 billion to more than 6 million children who attend our highest poverty schools, to strengthen the teaching of basic and advanced skills. These programs represent a partnership between the U.S. Department of Education and the states in which we provide incentives for school reform and states and communities set their own goals and plans for improving student achievement. The Department spends nearly $3 billion to help communities meet the educational and developmental needs of over 5 million children and youths with disabilities. Additional support goes to help teachers improve their skills, build public-private partnerships to get technology into the classroom, and help schools become safe and drug free.

3. *Facilitating the Transition from School to Work*

The School-to-Work Opportunities Act provides seed money to help states and local communities prepare youth for good careers and equip them to learn for a lifetime through partnerships of schools, businesses, and community leaders. All states received grants in 1994 to develop strategies to build School-to-Work systems that meet the needs of their students and economies. By the fall of 1995, over half of the states will have received one-time five-year grants to build these school-business partnerships. The Department proposes to refocus the Perkins Act on helping prepare more young people for good jobs out of high school and for further education.

4. *A Clearinghouse of Good Ideas and a Catalyst for Improvement*

In every state and community, educators and families are learning about effective ways of teaching and learning through Department-sponsored research, evaluation, and technical assistance. The Department helps people identify what works and learn about the most promising strategies for improving their schools and their children's performance. Statistics on national trends and indicators of performance, such as the National Assessment of Educational Progress, keep the focus on areas of educational growth and on areas needing improvement. The Department is investing in more effective and efficient ways to share the good ideas through 1-800 numbers, e-mail, and the Internet. The Department responds to almost 1,000,000 information inquiries a year, providing 48-hour turnaround on answers.

5. *A National Voice for Education*

The U.S. Department of Education is a voice for excellence and progress, a voice that speaks to the public at large as well as within the cabinet. The 1983 report *A Nation at Risk* focused public attention on the centrality of education to America's future as a world leader. All previous Education Secretaries, both Republican and Democrat, have called for strong academic standards of the kind that the Goals 2000: Educate America Act now supports at the local and state level. Most recently, through the initiative of Secretary Riley, over 120 organizations have come together in a "Family Education Partnership for Learning" to support the American family, the foundation of a solid education. This initiative has been accomplished without creating a single new program or spending additional funds. As an outgrowth of the partnership, the Secretary has launched a reading and writing initiative, the kick-off of which he announced yesterday to encourage parents, other adults, and older students to read with younger children this summer.

<u>Setting the Record Straight: American Education Has Improved</u>

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 programs on quality concerns, better student achievement and teaching. While U.S. education can certainly do better, and in many places education is not improving fast enough, there have been a lot of success stories since the 1980's, many assisted by the U.S. Department of Education.

- ***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 (Chart 2).

  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 <u>without</u> weakening course content or driving up dropout rates, according to analysis of experience in various parts of the nation and aggregate results. Recent reports indicate that the trend is continuing. *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.

- ***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 is 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 (Chart 3).

- *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. The trend in reading has generally shown improvement (Chart 4). 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.* Participation by members of racial/ethnic 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 African American students. Verbal scores increased for all minority groups, including all groups of Hispanic students 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) (Chart 5).

- *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.

For those who are surprised by these facts, I would further point out that American business and American workers have regained their status as the most productive in the world. This would not have been possible without a more educated workforce. Indeed, in this century, educational increases in the workforce have accounted for almost one-third of the growth in the nation's wealth. We should be proud of our nation's schools, public and private.

Nonetheless, a great deal of work lies ahead. Though we have turned the corner, many of the nation's schools continue to lag behind some of our chief economic competitors—this is a substantial cause for concern. The Department intends to be a supportive partner in helping states and communities accelerate the pace of school reform and encourage improvement throughout the country.

Moving Toward a Performance-Driven Department

The Department has had widespread management weaknesses. A GAO study conducted as late as September 1992, published in 1993 with the apt title "Long-Standing Management Problems Hamper Reforms," documented a historical lack of management vision; a critical need to improve basic management systems; and a need for a cultural change from a highly centralized agency focused on the short-term, with poor internal communications. Especially troublesome was the Department's lack of a formal planning process and formal coordinating management structure.

David Kearns, former Deputy Secretary of the Department and CEO of Xerox, recognized these problems and began to address them by introducing management techniques of continuous improvement that were successful at Xerox. Under the direction of the current Deputy Secretary, former Governor Madeleine Kunin, we are turning around our management problems. To accomplish these improvements, we are listening to our customers' concerns, focusing on our critical mission through strategic planning, and using our strategic plan to transform the way we function as a department. We are well on our way to becoming a performance-driven organization, one that is a leader in implementing the Government Performance and Results Act (GPRA). To that end, we are using strategic planning to help us streamline our programs, operations, and personnel.

Focusing on Our Critical Mission: Our Strategic Plan

Over the past two years, the Department's first-ever strategic plan has driven budget priorities, resource and personnel allocations, and strategies for carrying out reform.

The strategic plan has established four clear priorities. The first three priorities in the plan focus on our programs and initiatives and build upon new legislation—Goals 2000, the Improving America's Schools Act, School-to-Work, and Direct Loans:

#1: To help states and communities enable all elementary and secondary students to reach challenging state and local academic standards.

#2: To help states and communities to create a comprehensive school-to-work opportunities system in every state.

#3: **To ensure access to high-quality postsecondary education and life-long learning.**

To accomplish these priorities requires a fourth priority:

#4: **To transform the Department into a customer-responsive, high-performance organization to support the three substantive priorities.**

Our strategic plan, modeled upon GPRA, has set ambitious targets for performance in each of the four priority areas. They include:

- Between 1994 and 1998, the proportion of students who meet or exceed proficiency levels in reading and math on such measures as the National Assessment of Educational Progress will increase by 10 percentage points.

- By 2000 at least 450,000 youth, 50 percent of high schools and community colleges, and 50,000 employers will be participating in School-to-Work Opportunity systems. Participation will increase graduation rates, increase student achievement, increase the number of students completing a postsecondary certificate or degree program, and increase the number of students prepared for and participating in career ladder jobs.

- When fully implemented, the Direct Loan program will save taxpayers more than $1 billion a year.

- By 1998, the Department will have implemented a redesigned, integrated financial management system that substantially reduces costs, automates functions now processed manually, enhances reporting capabilities, and improves program delivery.

We are proud that the U.S. Department of Education is one of the first agencies to implement GPRA and hold itself accountable for results.

Strengthening the Department

The purpose of the fourth priority is to make the Department more effective in helping improve U.S. education. Putting this into action has required that we focus on five major areas: (1) streamlining our programs to save taxpayers' money; (2) transforming our management to make it more efficient and effective; (3) cutting regulations; (4) cutting paperwork; and (5) providing increased flexibility for states, districts, schools, and our other customers.

Streamlining Programs to Save Taxpayers' Money

Over the past two years, we have cut, consolidated, and reshaped programs. This will both save money and allow us to be more effective. We have proposed saving a total of at least $16.7 billion by 2000 by eliminating programs that do not produce results or that overlap with other federal functions, reforming the student loan program, and streamlining other existing programs:

- Between 1996 and 2000, we propose to save $12 billion through accelerating the Direct Loan program to 100 percent of new loan volume by 1997-98. This phase-in of the program will enable all schools and student and parent borrowers to take advantage of the Direct Loan program's simplicity and flexibility (Chart 6).

- We have decreased the student aid default rate[1]; we have lowered it from a peak of 22 percent to 15 percent, and we intend to keep driving it down even further (Chart 7).

- We have increased our student loan collection efforts, principally through the tax refund offset program—in 1990, defaulters returned $879 million to the federal government; in 1994, we collected $1.5 billion. The cost to the taxpayer of defaulted loans has been cut in half (Chart 8).

- In our FY 1995 and 1996 budgets, we have proposed eliminating 59 education programs and consolidating 27 others for a savings of $4.6 billion by 2000. During the coming year we will propose ways to substantially further reduce the number of our programs.

Transforming Our Management

The Department is transforming its management structure and personnel practices to implement the best management practices of business and industry. Specifically:

- The Department is saving an additional $100 million by reducing our personnel from 5,131 in FY 1995 to less than 4,700 FTE (about 9 percent) by FY 2000.

    This reduction is from a staff that had already decreased to significantly less than the 7,700 employed in 1979 by similar offices within the former Department of Health, Education and Welfare and six other agencies.

    Moreover, our Department is already efficient. We have the smallest ratio of employees to grant volume in the government: 1 employee per $6 million. And our administrative costs are low: just 2 cents of every Department dollar.

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[1]Cohort default rate: The percentage of student aid borrowers entering repayment status in any given year who default by the end of the following year.

- We are implementing streamlining plans that cut supervisory layers, reducing the ratio of supervisors to staff by more than one-half by 1999.

- Sometime in the next few months we will announce plans to substantially reduce the number of senior management officials and offices.

- We will soon complete pilots that delegate most personnel classification and hiring authority from the central personnel office to line managers, reducing red tape and laying the groundwork for shifting these responsibilities to line managers throughout the Department by FY 1996.

- All SES employees now have performance agreements that reflect how they will contribute to implementing the strategic plan.

- We have engaged employees in revamping our operations through the "low-hanging apples" team, which addresses cumbersome but easily resolved management problems that impede progress. The team has over 100 recommended to improve efficiency and effectiveness, and most of them have already been implemented..

- The Department is using technology effectively to connect all employees electronically by the end of 1995, improving communication and helping our staff to work even more efficiently.

Cutting Regulations

The U.S. Department of Education is experiencing a regulatory revolution, as set forth in our strategic plan. We agree that regulations got out of hand during the 1980's and early 1990's, but note that many regulations are mandated by statute—we look forward to working with you to revise these statutes to reduce regulatory burden. Faced with this situation, we have worked hard to deregulate where we can, and we are succeeding. As part of President Clinton's regulatory reinvention initiative, under the Vice President's leadership, we are well on the way to meeting our challenging deregulatory goals.

- We have reached out to talk with hundreds of customers and have reviewed every single Department regulation.

- <u>Today we eliminated 88 of those regulations—399 pages in all</u>. That's 30 percent of our total regulations.

- We have targeted dozens of other regulations for elimination, reinvention, and simplification, in consultation with our customers and partners. Our action on them will be announced shortly as part of the President's regulatory reform initiative.

Moreover, under our new "Principles for Regulating," we regulate only when essential to meet program goals, and then as flexibly and with as little burden on states, schools, and teachers as possible.

- Some of our most significant programs, including School-to-Work and Goals 2000, have been implemented without issuing a single regulation.

- Regulations for the Improving America's Schools Act (IASA), passed in October by the last Congress, have been kept to a bare minimum beyond those mandated by Congress. Most IASA programs have no new regulations; of 49 elementary and secondary programs, 38 will need no regulations, 7 will require limited regulatory guidance, and only 4 will need full regulations to carry out the program. For most, instead of regulating we're providing clear, practical information to help states and districts implement the new law.

- To protect students and the taxpayers' investment, we are targeting our oversight regulations and activities on abuses, where rules are needed. An example of our performance-based approach is in the area of student aid. We have to ensure that schools have the means to provide refunds to students who withdraw. We scrapped a burdensome proposed rule that would have required all 7,300 colleges and universities to set aside a reserve fund to cover refunds, and instead require only the handful of schools with a history of refund problems to provide a letter of credit.

Cutting Paperwork

We've listened to our customers' concerns about paperwork burden, and made significant strides in reducing it.

- In student aid we have eliminated duplicative forms, excessive parental signature requirements, and hard-copy reports where electronic transmission would work better for everyone. For example, by replacing paper Student Aid Reports with an electronic system, we eliminated 4 million paper forms. In the Direct Loan program, we provide participating schools with computer software, with a direct on-line connection to the Department to help schools get funds to students efficiently.

- We encourage states to submit a single consolidated application for all of their Elementary and Secondary Education Act programs in the Improving America's Schools Act (IASA), not only eliminating paperwork but also promoting comprehensive planning. We expect that almost all, if not all, states will be submitting consolidated applications.

- We have reduced our reporting requirements for states and districts through statutory changes, anticipating the President's request (as part of his regulatory reinvention initiative) that wherever possible agencies reduce the frequency of required reports by 50 percent. In most cases, the legislation has reduced annual reporting to reporting every two or every three years, and the new Title I eliminates statutory requirements for annual performance reports and state evaluations. The effect of changes like these is to let states, schools, and teachers concentrate on program results, not paperwork.

Grantees told us that it was too hard and too slow to apply for education grant funds and to get the funds once they qualified. So we revamped our whole system. Specifically, we eliminated application requirements for non-competing continuation awards, allowing the recipients of 6,000 grants to submit just simple annual performance reports. Moreover, we are working to cut the number of grant awards made each year, which now total almost 10,000, by staggering competitions every other year or consolidating several priorities under a few competitions.

Providing Increased Flexibility for Our Customers

Our new legislation is helping us change the way we do business with states, districts, schools, colleges, and families, to be more <u>flexible</u> and help energize reform at the state and local level. Key strategies include:

- Ed-Flex, a new demonstration authority for up to six states, provides an unprecedented opportunity to encourage innovation along with performance accountability. The Goals 2000: Educate America Act authorizes Ed-Flex demonstrations that enable officials in the Ed-Flex states, not the federal government, to decide on waiver requests. Oregon, through a simple review process, is the first state to participate.

- The Improving America's Schools Act (IASA) for the first time has a broad waiver authority for most of the Department's elementary and secondary education programs. Waiver requests under IASA have already been submitted to the Secretary. Palm Beach, Florida and the Metropolitan District of Decatur Township, Indiana are the first two locales approved for a Title I waiver.

- The expansion of the schoolwide option for Title I gives all high-poverty schools the opportunity to blend Title I and other federal funds with state and local resources to upgrade the quality of teaching and learning in entire schools and throughout the entire program. In effect, this is a performance-based school grant to the point of actual delivery of services, the school. Upwards of 20,000 schools can take advantage of this option.

- The Charter Schools program provides start-up funds to encourage parents and teachers to create new public schools that can bring energy and new ideas to public schooling.

- The School-to-Work Opportunities Act, along with the Administration's proposals for the reauthorization of vocational education, provide waiver authority to allow states and local communities to integrate the reform of vocational education with broader education reforms and to strengthen the connections between education and training programs.

- Administrative funds consolidation allows states and districts, under the Improving America's Schools Act, to combine their administrative funds for Elementary and Secondary Education Act programs, giving them the opportunity to set their own priorities for administration, technical assistance, and evaluation and eliminating the artificial barriers that have gotten in the way of administering programs effectively.

- In postsecondary education, under Title IV institutions can now submit proposals to the Department to participate as "experimental sites" to try out experimental regulatory and management approaches. For example, institutions can propose that the Department waive requirements in exchange for performance measures appropriate to the institution and the objectives of the regulations in question. Many schools have expressed interest in this new opportunity.

We are building partnerships with states, districts, and postsecondary institutions to provide substantial flexibility in exchange for improved performance. In vocational and adult education, we are proposing to consolidate the more than 35 separate programs authorized under current laws into only two flexible state grant programs. These proposals, recently introduced in Congress, would greatly reduce state administrative and planning requirements and give states flexibility within broad frameworks in exchange for an emphasis on measuring and monitoring performance.

Direct Loans: An Example of Success

The Direct Loan program typifies our management success. For the first time in the Department's history, a loan program has received an unqualified "clean" opinion, the best rating possible, from an outside auditing firm.

The Student Loan Reform Act created the Direct Loan program to begin replacing the Federal Family Education Loan (FFEL) program, an unwieldy and duplicative system that results in poor performance for borrowers and schools and wastes federal funds. In less than 11 months, 104 schools have begun participating in the Direct Loan program. More than 1,400 schools will participate beginning in July 1995.

Contrary to accusations by special interests intent on maintaining the status quo (Chart 9), the Direct Loan program:

- Will save $12 billion by 2000 under the accelerated phase-in proposed in the President's FY 1996 budget.

- Simplifies loan application procedures, resulting in quicker and more accurate payments to students and eliminating long lines at the financial aid office typical of the FFEL program.

- Reduces costs and improves accountability by eliminating the complicated structure of the FFEL program, with its thousands of financial intermediaries (Chart 10).

- Makes loan processing more efficient and provides for the first time the on-line, real-time information needed to better manage and oversee the loan program.

- Maximizes competition through the use of competitively-awarded contracts to private vendors, eliminating the virtual monopolies certain institutions have enjoyed under the FFEL program.

The program's customers—schools and students—have been extremely enthusiastic in their support of the new, more efficient program:

- The program has succeeded in satisfying the participating institutions: 92 percent of Direct Loan institutions said they were either very satisfied or somewhat satisfied in a recent survey.

- One school said, "Direct Loans put the students back where they belong—at the center of this business." Another stated that the Direct Loan program "is beyond a shadow of a doubt the way a loan program should have been designed 20 years ago. For those of you who have concerns, so far the Department of Education has just been super!"

- A recent *Education Daily* survey of first-year schools lauded the Department for quickly answering questions, addressing problems, and being receptive to suggestions about the program.

- In their first report of a survey of community college participants in the first year of the programs, community college trustees stated that "all responses were positive to the question about the Department's management of the program and quality of service rendered."

The Importance of Education and the U.S. Department of Education

The Importance of Education

All of our management reforms have one ultimate purpose—to enable us to be more effective in improving the quality of education for America's students. High quality education provides major benefits both for our nation as a whole and for individuals, promoting individual and social well-being. People with more education tend to live happier and more productive lives than those with less education:

- *Greater prosperity.* In 1992, average annual earnings for those with a bachelor's degree were 74 percent higher than for those with a high school diploma, and 155 percent higher than for those who had not graduated from high school. Similarly, unemployment and poverty rates are lower for college graduates than for high school graduates, and the rates for both groups are much lower than for dropouts. For unemployment, the respective rates are 3 percent, 6 percent, and 11 percent; for families below the poverty level, they are 2 percent, 11 percent, and 24 percent. (Census Bureau, *Statistical Brief*, August 1994; Bureau of Labor Statistics, 1991; Census Bureau, *Current Population Reports*, P60-185, 1992)

- *Less welfare.* Only 5 percent of college graduates have ever participated in government assistance programs (AFDC, Supplemental Security Income, food stamps, housing assistance, or Medicaid), and only 10 percent of high school graduates have, compared to 24 percent of high school dropouts. Only 1 percent of college graduates and only 3 percent of high school graduates have ever participated in AFDC, compared to 7 percent of dropouts. (Census Bureau, *Current Population Reports*, P70-31, 1988)

- *Less crime.* Although only about 18 percent of the population has never finished high school, this group accounts for 41 percent of state prison inmates and 47 percent of prisoners on death row. (Census Bureau, *Current Population Reports*, P20-471, 1993; Census Bureau, *1990 Census*; Bureau of Justice Statistics, *Profile of State Prison Inmates, 1991*; Bureau of Justice Statistics, *Capital Punishment*, 1992)

- *More civic participation.* Fully 85 percent of college graduates and 75 percent of high school graduates, but only 50 percent of high school dropouts, are registered to vote. In the 1992 Presidential election, 81 percent of college graduates, 58 percent of high school graduates, and 41 percent of dropouts voted. With regard to volunteering, 77 percent of college graduates, 45 percent of high school graduates, and 22 percent of those without a high school diploma do volunteer work. (Census Bureau, *Current Population Reports*, P20-466, 1992; Independent Sector survey, 1992)

Public Support for the Department

The public understands the benefits of education and looks to the national government for leadership to help extend those benefits to all Americans. The American public sees quality education as a local concern that needs the support of governments, businesses, community members, and parents to succeed. Across the country, people tell us that they want the federal government to play a supportive role by helping students afford college; providing extra help to local communities and states that are working to improve schools, teaching, and learning; promoting family involvement in learning at home and at school; and helping create programs that prepare high school students for productive work.

Despite well-publicized claims to the contrary, there has been no "federal takeover" of the state and local roles and responsibilities in education. All decisions about what to teach and how to teach it, including sensitive issues like sex education, religion, evolution, and cultural diversity, are made at the state, district, and school level to reflect what is appropriate for local students and communities. Indeed the Department of Education Organization Act prohibits the Department from exercising any control over curriculum or instruction. Moreover, all of our legislative initiatives have increased flexibility for states and school districts, not decreased it.

The strategies the Department is pursuing respond to the public's needs. With a strategic plan and leadership willing to set ambitious performance targets, we are transforming the Department into a results-driven agency. We are cutting out the red-tape and overregulation that ties government into knots and frustrates customers. We are working with states and communities to develop partnerships that link increased accountability for performance with much greater flexibility. And we will work hard to continue to earn the public's support for improving education and carrying out our mission "to ensure equal access to education and promote educational excellence."

The Role of the U.S. Department of Education

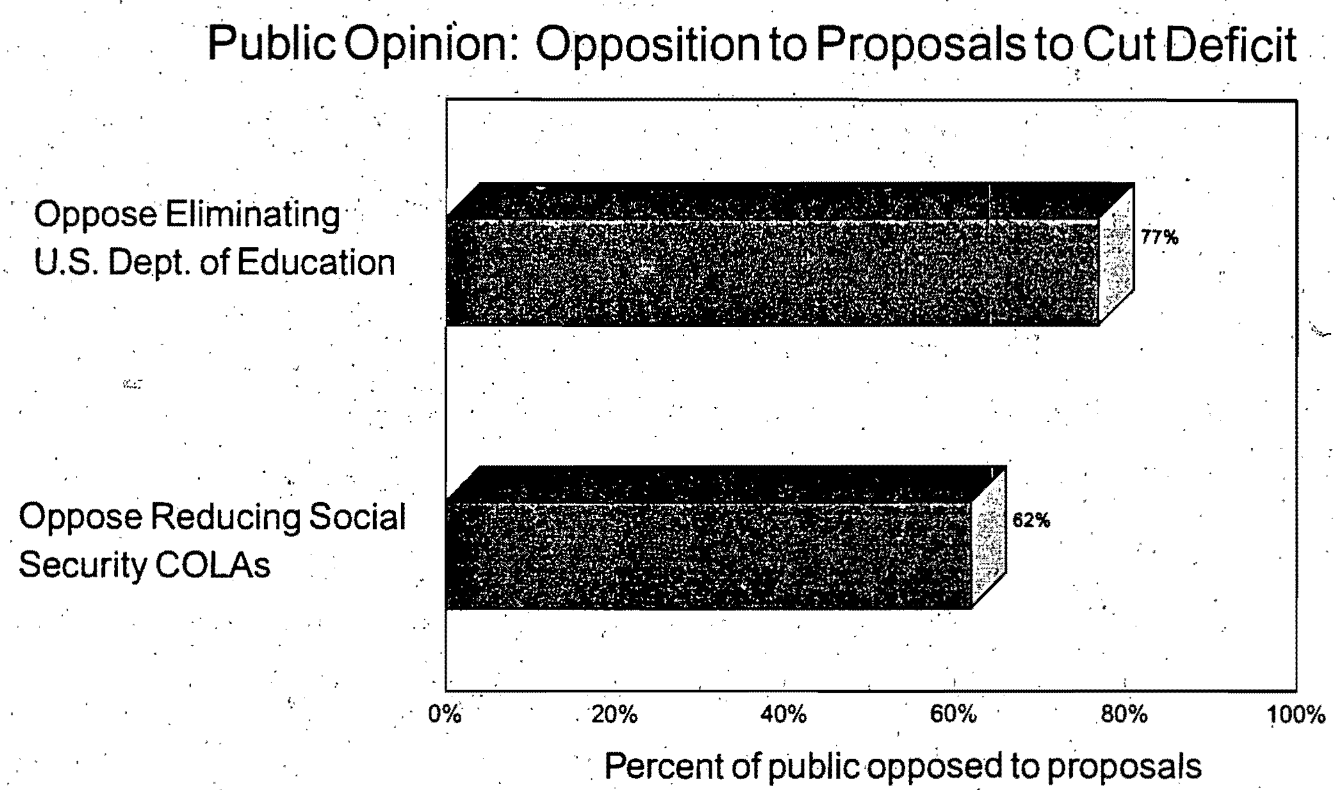
Even though the public believes that the federal government has an important role in education and supports the U.S. Department of Education, the future of the Department is in doubt. Various proposals have been raised, including a "neutron bomb" approach that would do away with many of our staff but leave most of the programs, scattering them haphazardly around the government, and a merger that would envelop the Department in a large, unwieldy bureaucracy. Unless Congress plans to abandon the 130-year-old federal role in education, these programs will just end up being administered by someone else, somewhere else.

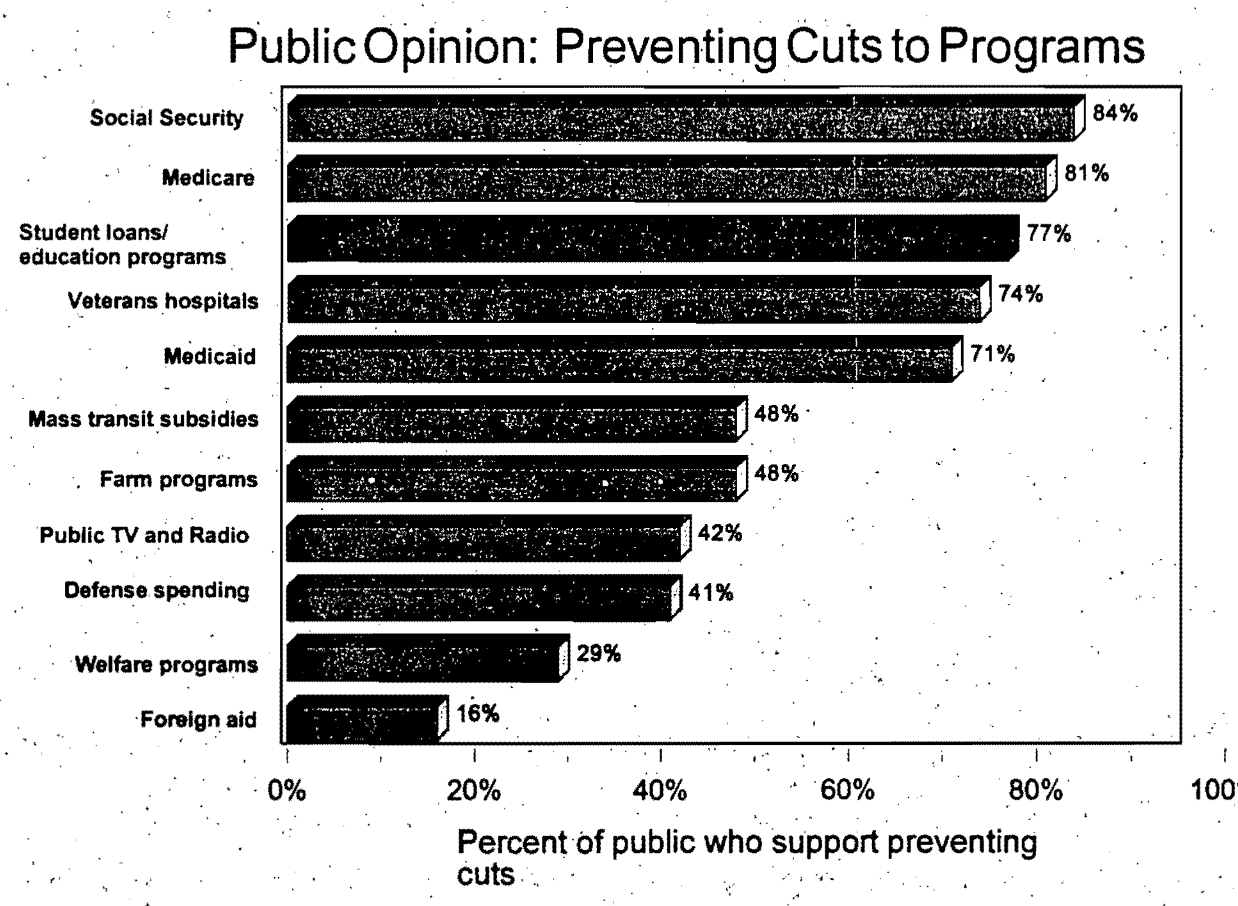
All of these proposals amount to nothing more than moving boxes around on an organization chart, without generating any real savings. In fact, there is a strong likelihood that costs would increase, if the history of the Department's creation, and accompanying reduction in staff, is any guide. When the Department was formed in 1980, it comprised programs that had been staffed by 7,700 people, yet within a few years its staff was reduced to approximately 5,000, where it has remained for the past decade. Merger with another Department would add bureaucratic layers and complexity for our customers, while spreading programs around would lead to duplicated overhead costs and a massive burden on customers searching for assistance and information. The likeliest outcome of any of the proposed changes will be dislocation and disruption of services to states, school districts, and students, along with the loss of a central voice for education (Chart 11). If the federal government remains committed to providing national leadership in education, the small and effective Department remains the best means of carrying out that role.

To quote Secretary Riley, "It is clear that the future strength of our nation lies in the education of our citizens and in how well prepared they are to meet the challenges of the 21st century. This is not the time to walk away from our children and (their) education."

Thank you.

Chart 1

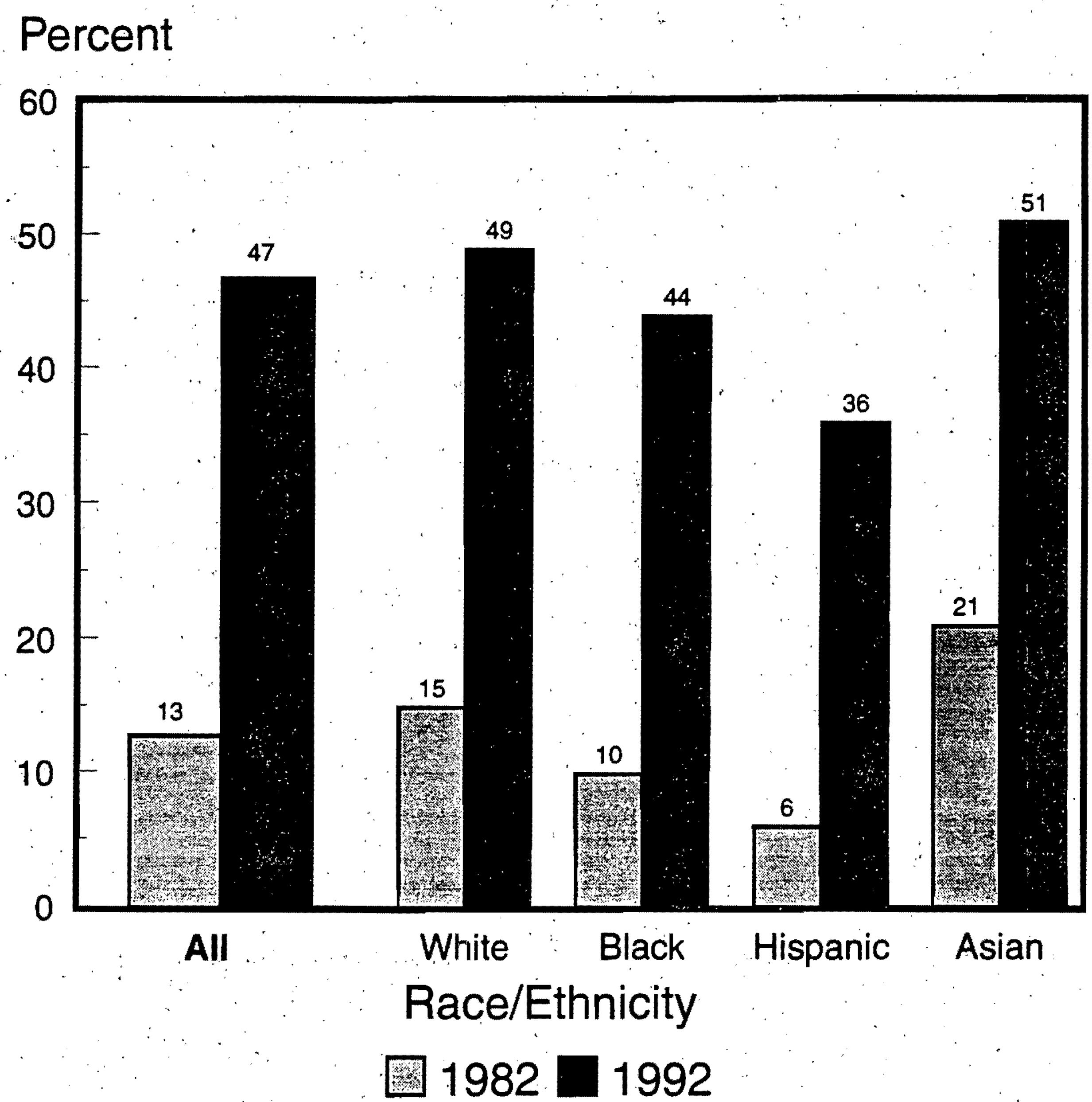




Source: Yankelovich Partners, Inc., 5/14/95

Chart 2

Percentage of High School Graduates Taking the Number of Courses Recommended for All Students by *A Nation at Risk*, by Race/Ethnicity: 1982 and 1992*



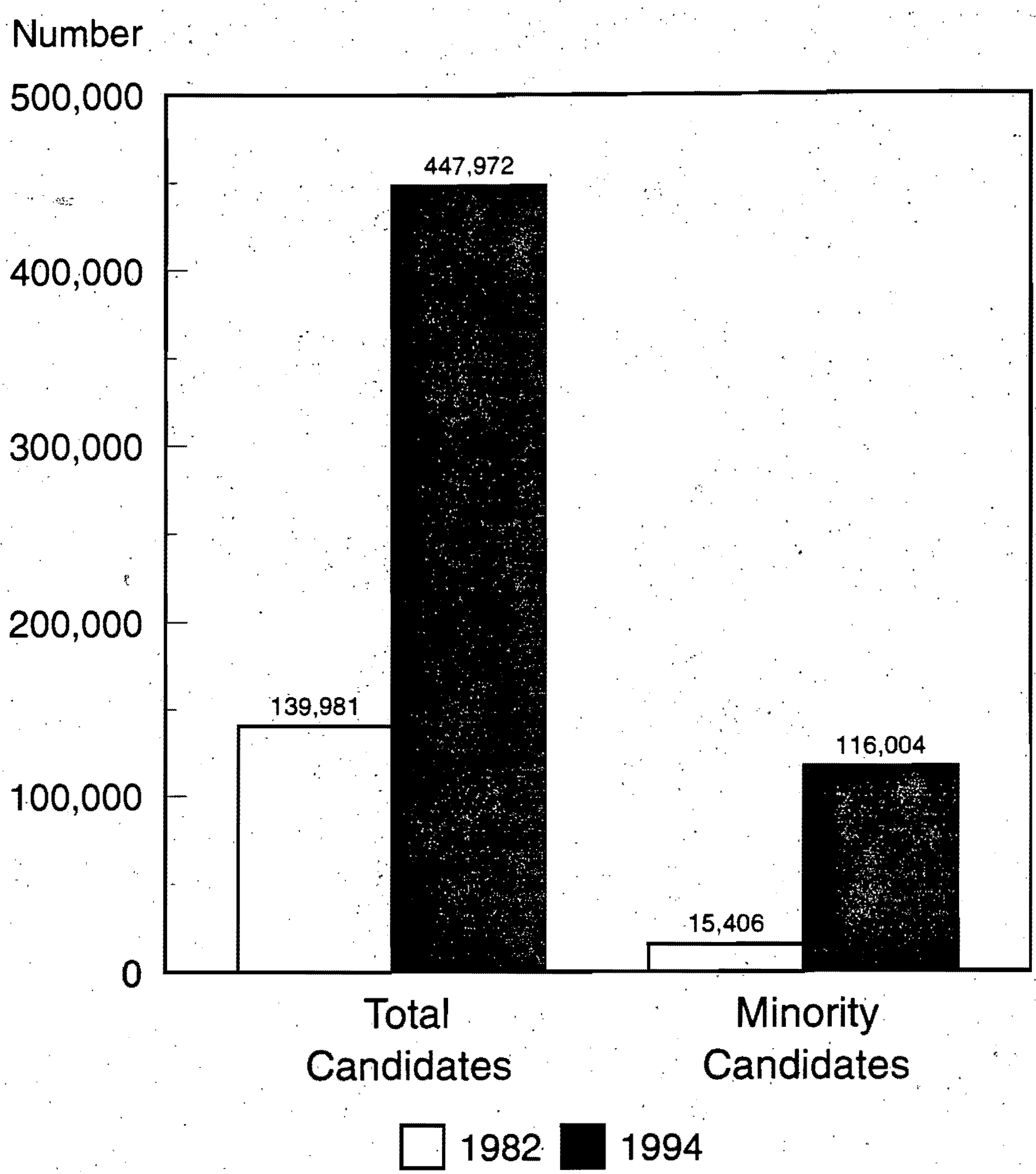
* Although *A Nation at Risk* included one half a unit of computer science in its recommendations, it is not included in this analysis because very few students participated in computer science classes in 1982. Its inclusion in this measure would exaggerate the change in academic course taking since 1982.

Note: Courses include 4 units in English, 3 units in social studies, 3 units in science, and 3 units in math, where a unit represents a year-long course.

Source: U.S. Department of Education, National Center for Education Statistics, *The 1990 High School Transcript Study*, Washington, D.C., 1993.

Chart 3

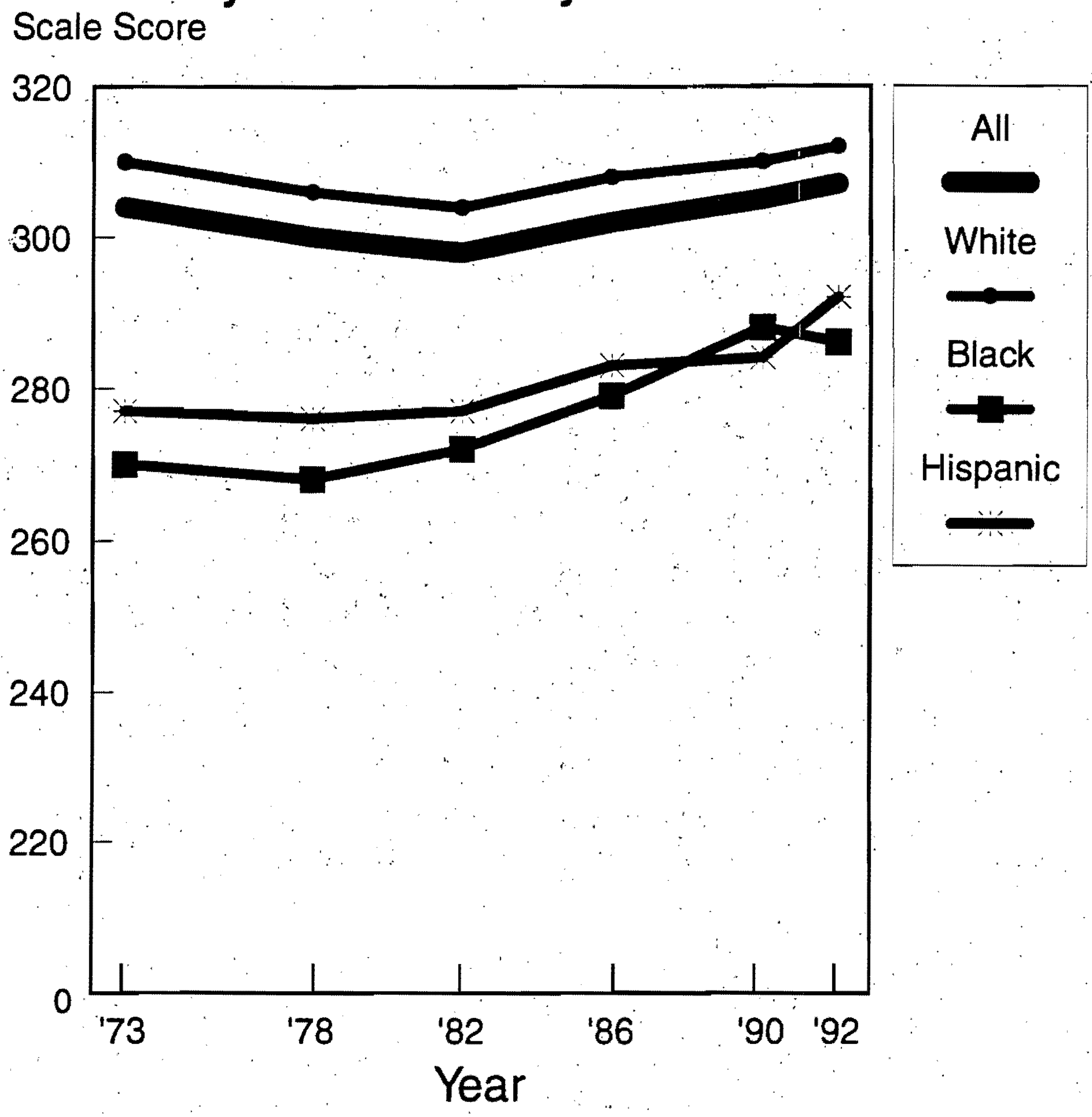
Number of Candidates Taking Advanced Placement Examinations: 1982 and 1994



Source: The College Board, *The AP Program: National Summary*, 1982, 1993, and 1994.

Chart 4a

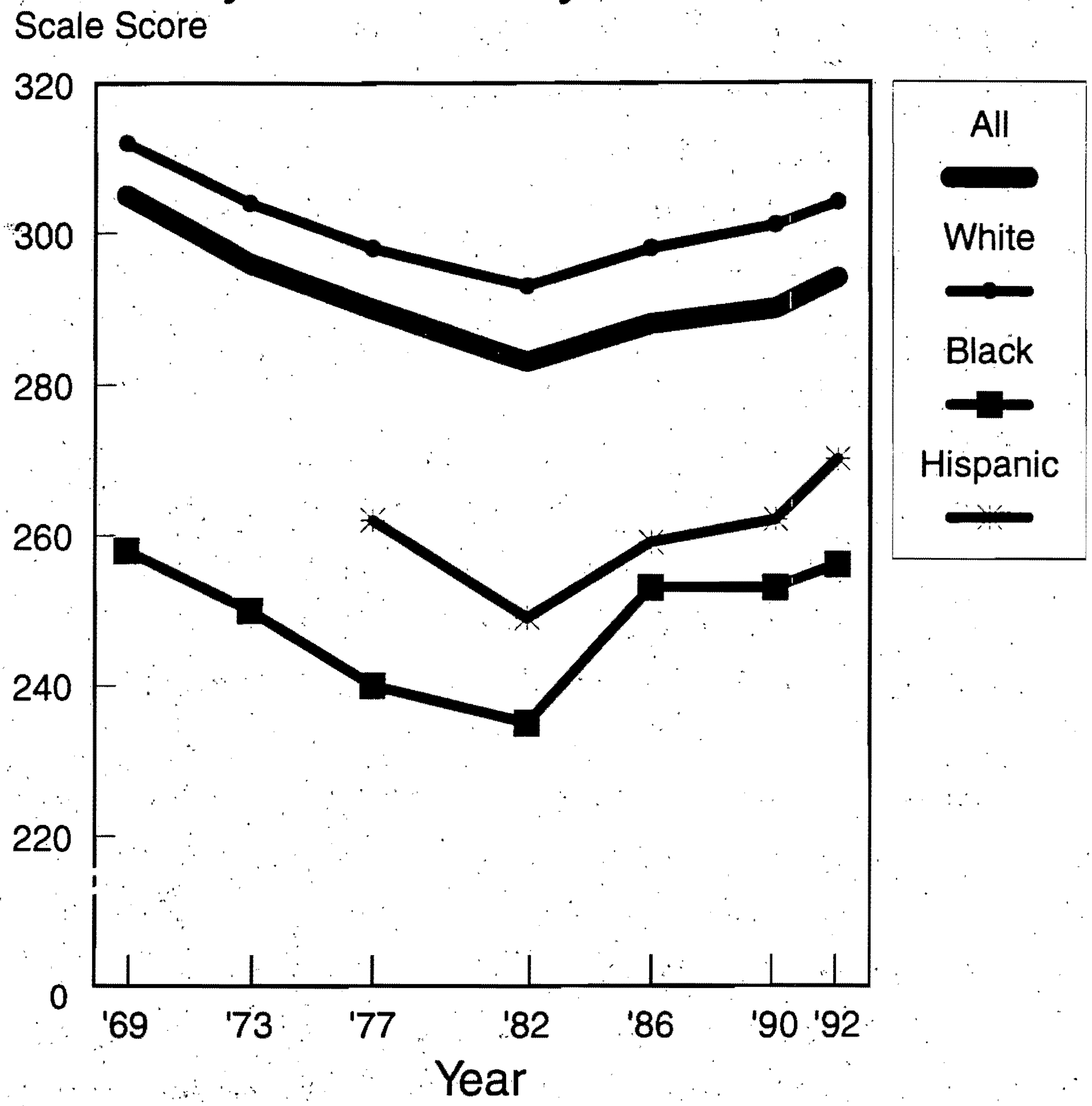
Average Math Proficiency of 17-Year-Olds, by Race/Ethnicity: 1973 to 1992



Source: U.S. Department of Education, National Center for Education Statistics, *Trends in Academic Progress: Achievement of U.S. Students in Science, 1969 to 1992; Mathematics, 1973 to 1992; Reading, 1971 to 1992; and Writing, 1984 to 1992,* Washington, D.C., July 1994.

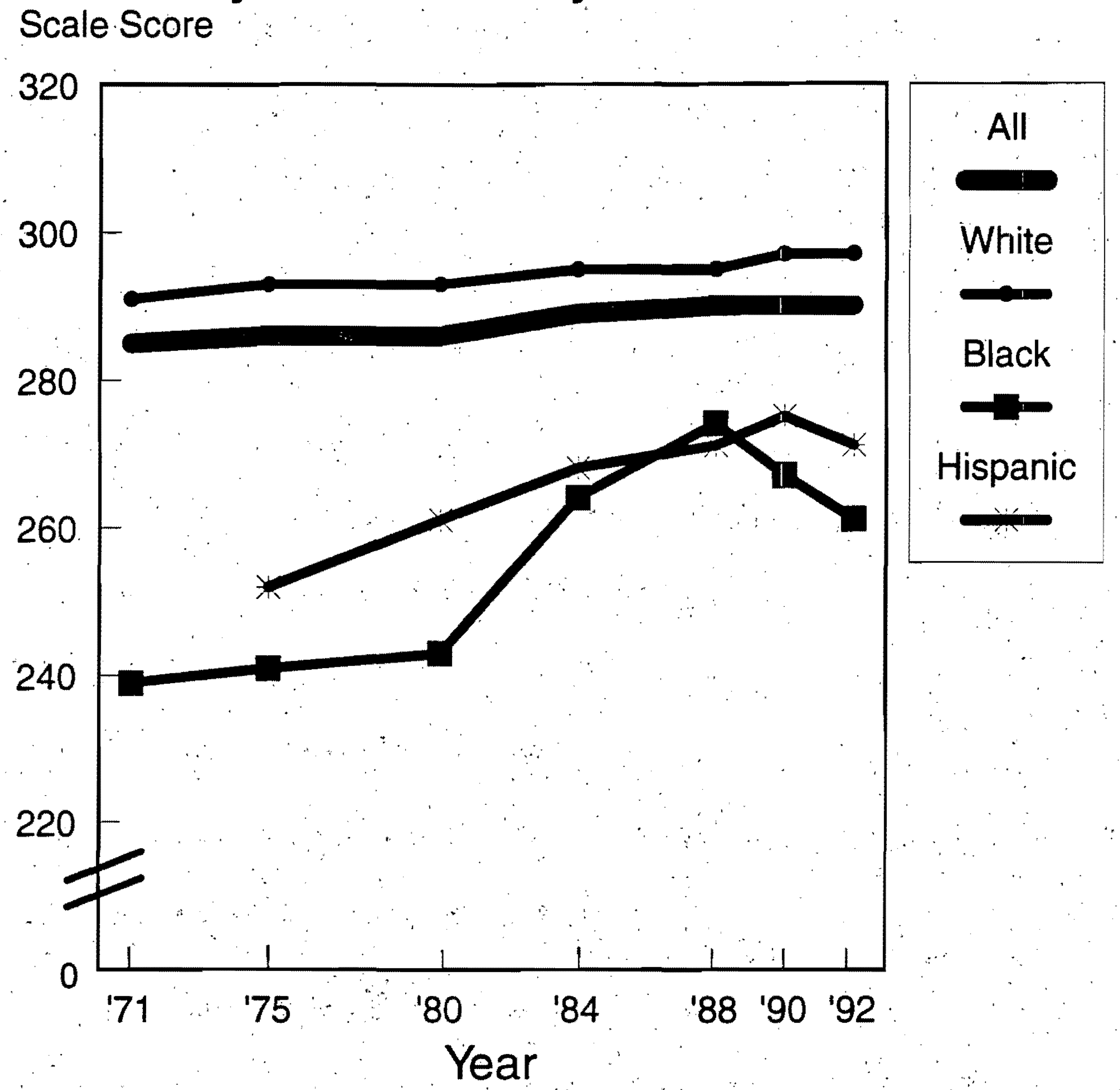
Chart 4b

Average Science Proficiency of 17-Year-Olds, by Race/Ethnicity: 1969 to 1992



Source: U.S. Department of Education, National Center for Education Statistics, *Trends in Academic Progress: Achievement of U.S. Students in Science, 1969 to 1992; Mathematics, 1973 to 1992; Reading, 1971 to 1992; and Writing, 1984 to 1992,* Washington, D.C., July 1994.

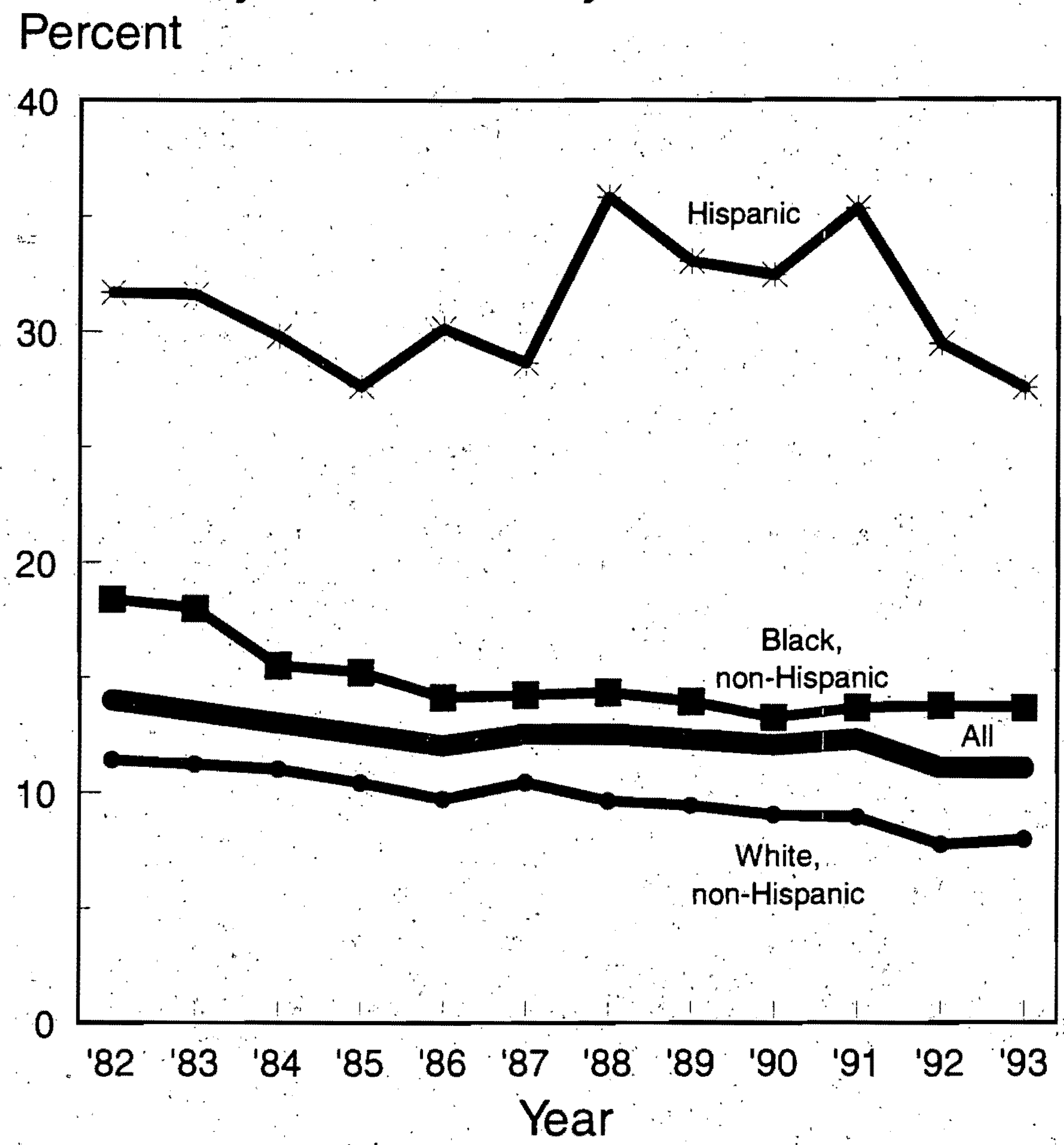
Average Reading Proficiency of 17-Year-Olds, by Race/Ethnicity: 1971 to 1992



Source: U.S. Department of Education, National Center for Education Statistics, *Trends in Academic Progress: Achievement of U.S. Students in Science, 1969 to 1992; Mathematics, 1973 to 1992; Reading, 1971 to 1992; and Writing, 1984 to 1992*, Washington, D.C., July, 1994..

Chart 5

Dropout Rates for Persons 16-24 Years Old by Race/Ethnicity: 1982 to 1993



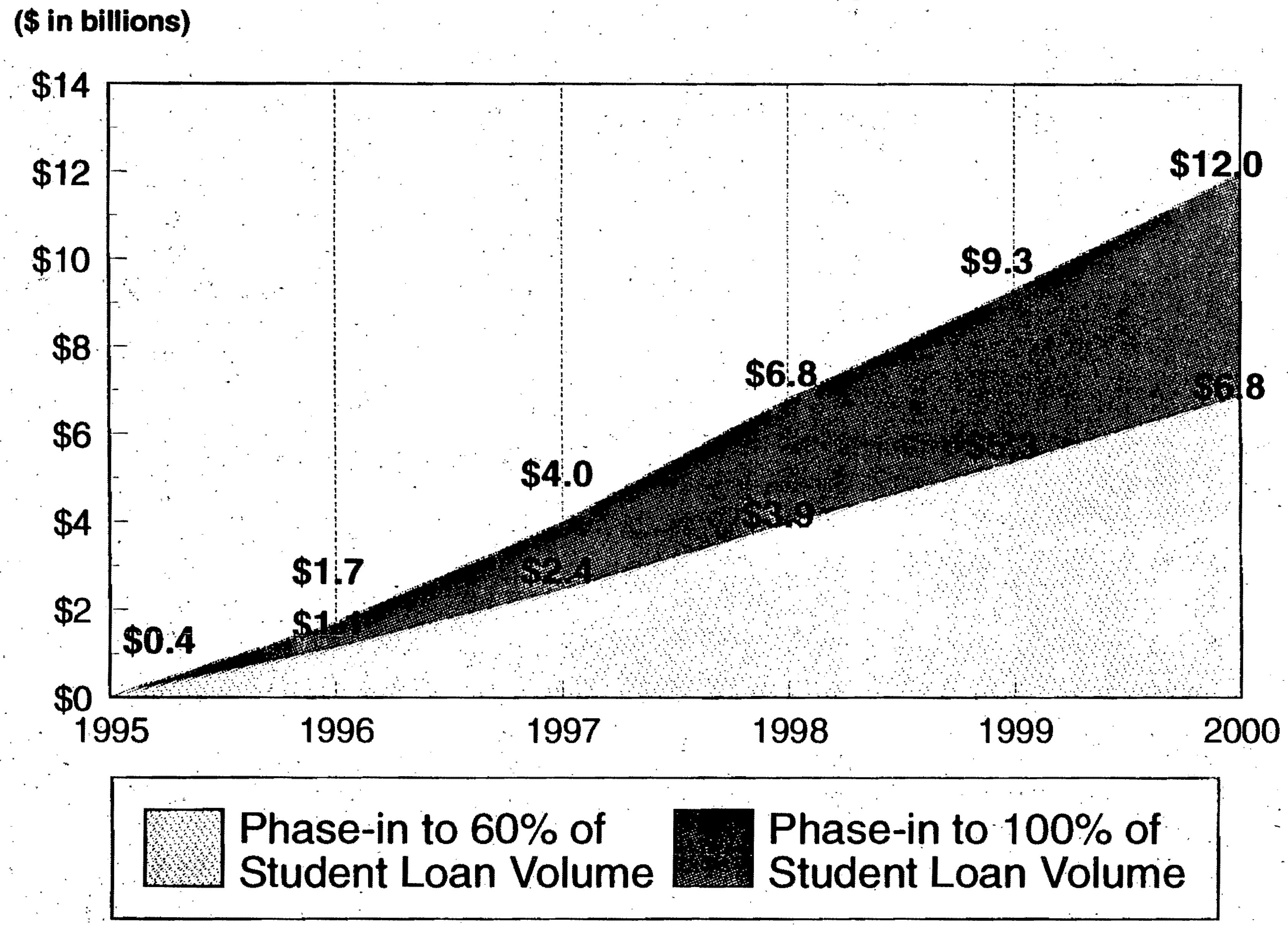
Note: The 1992 data reflect new wording of the educational attainment item on the CPS

Source: National Center for Education Statistics, *Dropouts in the U.S.: 1993*, 1994.

Student Loan Reform Act of 1992

Chart 6

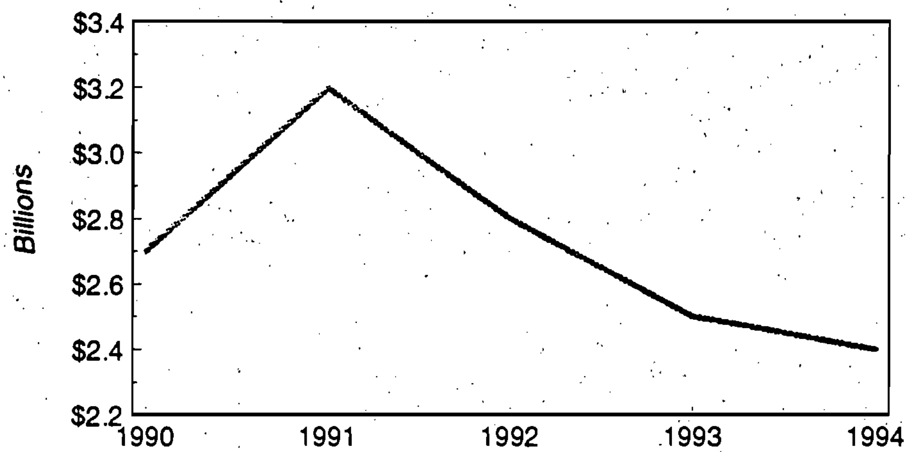
Direct Loan Savings



Student Loan Defaults

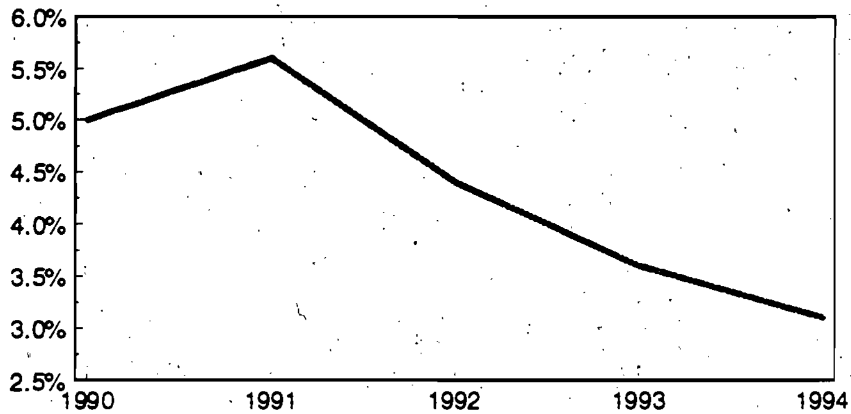
Gross Student Loan Defaults

Chart 7a



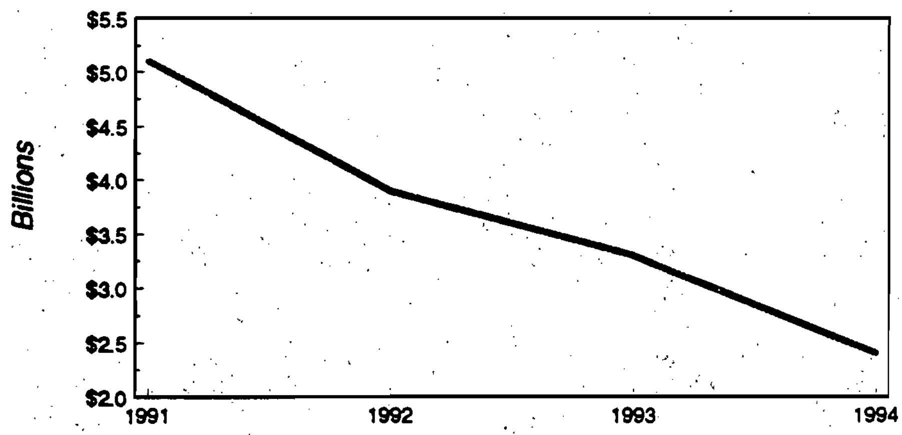
Defaults as Percent of Loans Outstanding

Chart 7b



Net Taxpayer Cost of Student Loan Defaults

Chart 8



Fiscal Year

Chart 9

WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM: MYTHS AND FACTS

What Critics Say the Program Does*	What the Program *Really* Does
Hires hundreds of new bureaucrats at the Department of Education.	The Department is planning on making significant reductions in both total staff and staff needed to manage and operate the student loan programs. 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 is expected to decline from 5,131 to 4,698.
Institutes a federal takeover of the program's funding and management.	Both FFEL and Direct Loans are federally managed programs, the costs of which are paid for by the federal government. Direct lending merely eliminates unnecessary middlemen, greatly simplifying administration and saving taxpayers billions of dollars. Under Direct Loans, the vast majority of work will still be conducted by private contractors, many of whom will be the same organizations currently conducting this work in the FFEL program.
Issues top-down mandates and rules for students and colleges.	On the contrary, Direct Loans provides much greater flexibility to schools to manage their loan programs so as to better serve borrowers. One of the primary reasons schools want to participate in the Direct Loan program is the freedom and control it gives them over their financial aid operation. The overwhelming satisfaction expressed by participating schools is evidence that the program delivers on this promise. In addition, all regulations issued in the Direct Loan program were negotiated with institutions through the negotiated rulemaking process.

* Taken from the May 9, 1995 statement of William Hansen, submitted to the House Subcommittee on Government Management, Information and Technology, Government Reform and Oversight Committee.

What Critics Say the Program Does*	What the Program *Really* Does
Burdens colleges with more regulations and eliminates performance incentives.	Direct Loans is less burdensome and provides greater incentives for high performance than FFEL. Due to the additional responsibilities given to schools under the Direct Loan program, they are subject to some additional regulations. However, schools are compensated for this burden (schools receive a $10 fee for preparing the promissory note) and the vast majority find it much less burdensome then the FFEL program. All Direct Loan contracts have performance incentives built in. This is in contrast to FFEL, where lenders make large profits regardless of their performance.
Introduces open-ended budgets based on political objectives.	In both Direct Loans and FFEL, the cost to the Government is based on loan volume and interest rates. By replacing higher cost private capital with Government funds, the Direct Loan program saves taxpayers billions of dollars. Our savings estimates are consistent with those reached independently by the non-partisan Congressional Budget Office.
Eliminates private sector competition in the student loan industry.	We encourage competition in the Direct Loan program. All contracts to help operate the Direct Loan program are competitively awarded based on the offeror providing the greatest value to the Government. Our only consideration is what is in the best interest of students and taxpayers. This in contrast to the FFEL program, where there is no requirement that contractors be competitively selected.
Abolishes the role of states and the private sector in student credit programs.	The vast majority of work in the Direct Loan program will be conducted by private contractors--many of whom will be the same organizations currently involved in the FFEL program.

What Critics Say the Program Does*	What the Program *Really* Does
Replaces competing local, private customer-service organizations with one federal bureaucracy.	The Direct Loan program is not centrally administered but rather relies on thousands of schools and allows them to determine how best to serve their students. This is in contrast to lenders who have no real involvement or interest in the student. In terms of servicing loans, ED's contractors will be competing based on how well they serve borrowers. Those that fail to continue to perform at acceptable levels will be terminated. This compares to the FFEL program, where there is no incentive to provide high quality service to borrowers and loans are sold at the lender's convenience.
Forces the Internal Revenue Service to collect student loans and imposes new wage reporting burdens.	Apart from offsets against tax refunds, the IRS has no current role in the collection of student loans and there are no changes in wage reporting requirements created by the Direct Loan program. The only IRS involvement in the Direct Loan program is to provide income data, with borrower's permission, to the Department for those borrowers choosing income-contingent repayment.

Chart 10

Structure of FFEL and Direct Loan Programs

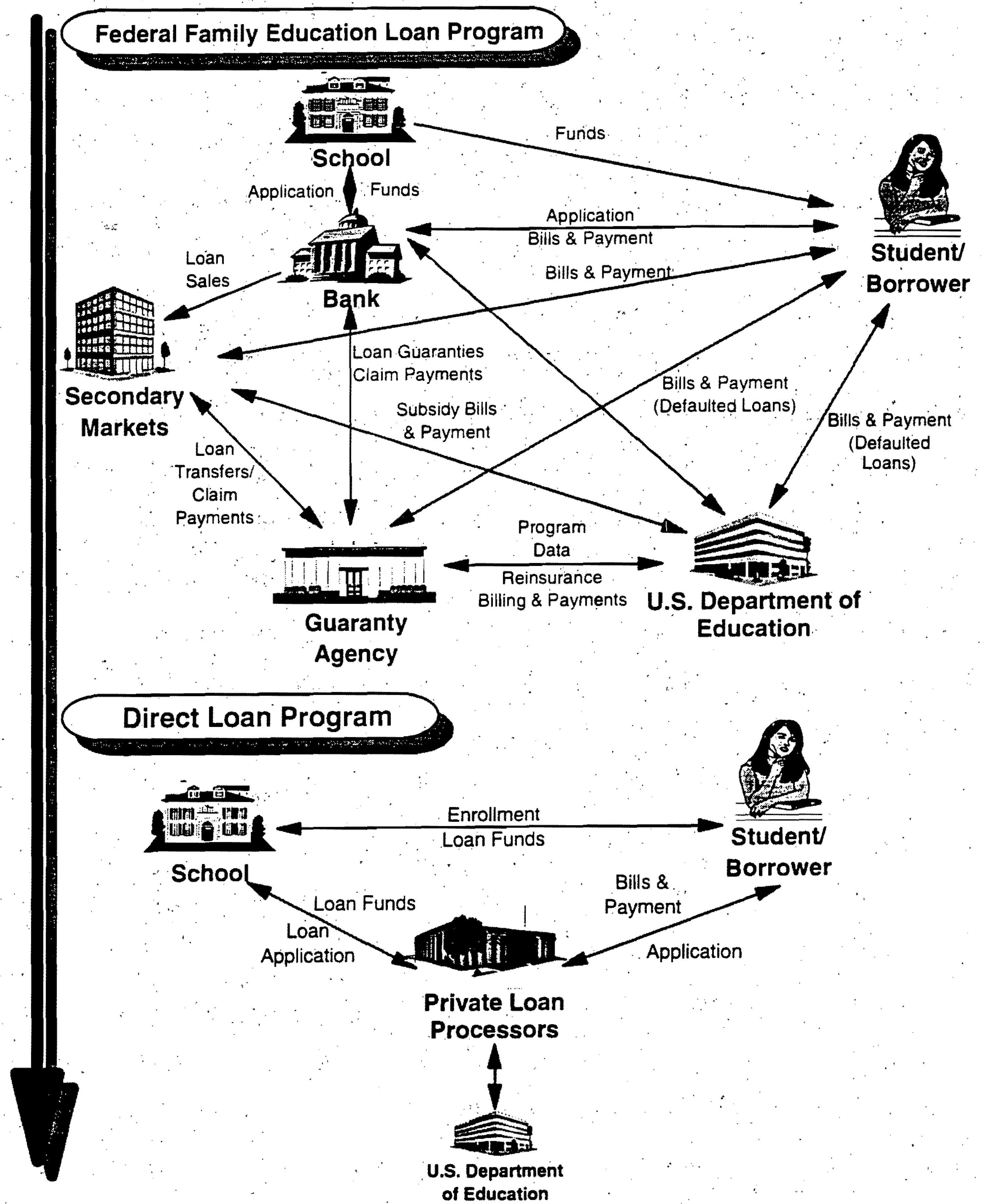


Chart 11

Dispersion of Current U.S Department of Education Functions