

Partnerships and Change¹

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It's a real pleasure to be here today. I'm very glad to be with you. When I received the invitation to be here, I was really very pleased to accept for a couple reasons. One is that you are meeting here in Orlando and I thought that I could plan a little time around this and really have a little respite.

The second reason is that you are a new group. I haven't talked to your group. And I would tell you that after being in my job for five years, I understand why nobody ever stayed in this job for five years before. It's tough to go back to the same audience with basically the same agenda and the same story, and try to give an exciting speech, year after year. But you're a basically new audience for me and so this was pretty exciting from that respect.

I would tell you, however, that my enthusiasm was tempered a little bit this week. First, any prospect for taking a little extra time was dashed when the bill reauthorizing the Higher Education Act went to the floor this Wednesday. It is still on the floor and they will be working on it Tuesday. There are 55 amendments proposed to it. Many of them have already been acted on. But my staff and I are working sort of around the clock to try to figure out whether these are good or bad ideas, and whether we should advise the President and others to take a position or not on them. So, I at least was able to take today off, but I didn't get the extra days I had hoped I might.

The second reason my enthusiasm was tempered a little bit is that I had dinner on Monday night with Judy Heumann, who is not only the Assistant Secretary for Special Education and Rehabilitative Services, but also a very good friend of mine. We were chatting about my trip down here and it became apparent in our conversation that not only does she really know her stuff, she also knows your stuff. While I like to think I know my stuff pretty well, I clearly don't know your stuff all that well, and that became evident as I was talking with Judy.

So I became a little bit concerned about how effective I was going to be in making my presentation. Now, that left me with a dilemma. Do I talk to you about what may be of most interest to you, but about which I frankly don't know very much? Or do I talk to you about what I know best, even though it may not be what is most interesting to you? So here is what I decided to do. I'm going to talk about what I know best and try to convince you that you're interested in it. (laughter.) And we'll see how that goes.

I really want to accomplish four things here this morning. First, I want to leave you with a better understanding of the Clinton administration's overall agenda for post-secondary education and how we are doing with respect to presenting and getting that agenda passed. Second, I want you to understand how relevant this is to you so you go away feeling like indeed this was worthwhile. But I also want to show also how relevant it is to the disabled individuals you serve. Third, I want to leave you with an understanding about how this all comes about in Washington, which is very important. Not only is the reauthorization legislation important, but it is also very important to understand the appropriations committees and appropriations process, the budget committees, and budget process. It is also important to understand the way in which we implement and manage those programs within the Department of Education. Finally, I want to find some way to do this in the context of the partnership theme of this conference, so that it seems germane to what you've been talking about over the last four days. I'm going to attempt to do this primarily by

¹ This is an edited transcript of Dr. Longanecker's conference presentation.

focusing on the reauthorization of the Higher Education Act, for a couple of reasons. One, it's my whole life and it's all I can think about now, so I'm better off talking about that. But also, it's the most temporal activity under way right now and so it makes sense to talk from that starting point.

The administration began its work on reauthorization of the Higher Education Act by trying to set a context for this policy process, and we did that way back in 1994. Actually, we began it in 1993, with the first two higher education initiatives, which most of you will remember. In 1993, shortly after coming to town, we proposed, got legislation for, and shortly thereafter initiated a new student loan program, called the Direct Student Loan program, which is a very good student loan program. If your schools are involved in that, I'm sure you'll attest. If the schools are not, you might want to go back and talk to your campus administration. It's good for the taxpayers and the schools, and it's good for the students who are served by the program.

The student initiation program, is closest to the heart of the President of all the programs we passed. We restored integrity to the Pell Grant program that provides close to 8 billion dollars for roughly 4 million students in this country. The integrity of that program was at risk, both in terms of the way it was being managed and the way it was being financed. So we spent a great deal of time in 1994 trying to restore fiscal and administrative integrity to that program.

In 1995, we made our first attempt at getting targeted tax relief for students and their families in higher education. Unfortunately, we were not successful in that initial venture. In 1996, we increased the Pell Grants by \$240 that year. That was the largest increase in history to that point and the subsequent year we were able to get the increase up by \$300, a new maximum increase in history. In 1996, we also had a massive increase in the College Work-Study program.

Last year, in 1997, we had the well-known Hope Scholarship and Lifetime Learning Tax Credits, which will provide 35 billion dollars of additional assistance over the next five years to families and students attending college in America. We also initiated an America Reads Challenge, which is designed to try and help all students come to up to reading to grade level reading by the time they finish the third grade.

Having done all those things, we are now approaching the reauthorization. We have been consistent and persistent in trying to set the stage for it. However, when we started talking about reauthorization per se back in 1994, we began by talking about four specific challenges that we saw what the Higher Education Act needed to address. The first challenge was that the demography would force future enrollment demands beyond what would be easily available in supply. We know that simply looking at the demographics of this country would force an increase in enrollments in undergraduate education of roughly 20 percent over the next decade. But we are also working very hard to make sure that more people go to college. And so we knew that was a problem.

The second general challenge that we saw was that even though there would be a huge increase in demand, there would likely be a limited number of public resources available to fund that demand. The third challenge sort of follows from those. If resources are limited, then we will face radical changes in the delivery system. And we will need to make changes if we are going to try to achieve access in that environment, particularly with respect to technologically delivered education. Finally, the fourth challenge that we identified was that the existing Higher Education Act, while it serves current and past needs pretty well, wasn't particularly well suited to addressing those future needs that we envisioned.

So, a logical first question is, "How are our original assumptions about the major challenges holding up now four years later?" Well, with respect to demographics and demand, everything we predicted is true. We increased the demand for higher education, which is the result of what will come from the Hope Scholarship and tuition tax credits and the efforts to encourage more adults to go back and continue their education. So not only did we already have a

problem, but we actually have exacerbated that problem of demand and supply – for good reason, we believe.

With respect to the availability of public resources, we missed the mark a bit. State resources have actually increased for higher education over the last two years. That was certainly substantially different than the environment in 1993, when almost all states had a long history of over the prior ten years of reducing their support for higher education.

At the federal level, obviously there has been a substantial infusion of funds through the tax credit, through increases in Pell Grants, through substantial increases in the volume of student loans that were provided and the costs associated with the loan program, and through increases in the College Work-Study program. So, despite our earlier pessimism, we have been able to get substantial increases in support over recent years.

Some of you may know that I spent time in Minnesota. If you are familiar with *Lake Wobegone* and the *Prairie Home Companion* radio program, you know that they talk about Norwegian bachelor farmers. And what they would say is that no good deed shall go unpunished. Actually, the Tao would say the same thing – you have the yin-yang thing going. So I suspect the Chinese bachelor farmers would say that, just like the Norwegian bachelor farmers.

At the federal level, the scenario is not bright for the near term. There was a big turn-around in federal support for higher education in August of 1996. In my speeches before August of 1996, I was very pessimistic. But I remember precisely when the turnabout came. I was in Pullman, Washington, giving a presentation to the National Advisory Committee on Student Financial Assistance, which was meeting at Washington State University. And I was getting prepared to give my standard pessimistic speech.

My staff sent me an e-mail that indicated that a logjam had been broken and the Congress had put a substantial increase in funding that came almost out of nowhere for Pell Grants and for the College Work-Study program. That was in late August of 1996 and polls just came out showing that the most important issue to America was education. Support for education was the issue that was garnering the most support for Mr. Clinton in his re-election campaign at that time. What could potentially cost a lot of congressmen their jobs was a persistent attack on the Department of Education and the federal education programs. They needed to realize how important education was.

And so guess what? Education suddenly became important at the federal level. I'm sure it was just a coincidence. Since then we have had pretty strong support. Unfortunately, support is not there this year or does not appear to be in the 1999 budget. The President's budget has provided substantial increases in funding for education as it has for the last four years. But the congressional budgets, while not totally defined yet, certainly don't have any indication of that continued support.

As many of you may have heard, there is a great deal of support in those budgets for transportation, highways, bridges, and mass transportation. But there is not additional money in those budgets for education, at least any that we can find. The reasons are political and quite partisan. The President is considered to be vulnerable at the present time, and therefore the programs that he believes most strongly in, such as the education programs, are more at-risk than they have been at the past.

While the reauthorization bill that looks pretty robust and pretty supportive of higher education, it means nothing unless the resources are provided to support those programs. And, at least at the present time, there is nothing to indicate that in either the appropriations process or more directly the budget limits that there will be resources available to fund the education programs beyond current levels, if we are even able to sustain current levels.

One of the areas that is probably the most obvious here is something some of you may have been following in the *Chronicle of Higher Education* about the student loan fix. In 1993, we created the Direct Student Loan program, with a promise that we would substantially reduce the cost of student loans to students in 1998. We would reduce their interest rate, and that we would do so at the expense of the lenders who have made an exceptional return on investment

in student loans in the past. While that was proposed to be done in 1993, it was argued that we shouldn't do it in 1993 and that we should give the banks some time to plan for this.

So it was scheduled to go into effect in June of 1998. Starting about last summer, the banks began to complain that the cut in revenues to them would be too substantial from that reduction in student interest rates. As a result, they might not be able to stay in the program. But every dollar that we talk about providing to those banks is a dollar that could be going to other forms of student financial aid.

For example, it could be going to increases in the Pell Grant. It could be going to increases in the successful TRIO program or in new programs that we'd like to initiate. In fact, we are now talking about providing an additional benefit over the next five years of 2.7 billion dollars to banks to sustain a yield on student loans that exceeds the average yield that banks make. Keep in mind banks already make about twice the return on equity of other businesses in the United States.

We are proposing to sustain a yield on student loans. These are federally guaranteed loans. There is no risk associated with these. There is no reason why the yield should have to be as large as it is on average for the rest of their portfolio where they bear the risk. In this case the federal government bears the risk. But they have proposed that they will pull out of the program if they are not able to sustain a yield that would be substantially above their normal rate of return.

So what I'm suggesting is that in this case, the budget process becomes extremely important. I would also be cautious about the growing support from the states, particularly those many of you here are from California. California is a state that has provided some additional support for higher education over the last couple years. But when you're looking at that additional support, you have to also look at the increasing demand and the number of students that need to be served. It's not clear at all that in fact the increase in support is substantially enough to continue to provide the level and quality of service given the increase in demand that is going to occur.

With respect to that general issue of financing, though, I think we did sort of miss the mark. The world is not quite as dire as we had projected in 1993.

With respect to the third challenge, the emerging delivery system, again I think we were on target there, if not too conservative. This is clearly going to be the avenue for the greatest growth in the delivery of educational services in the next decade. We have the emergence of virtual universities. We have the Western Governor's University developing as well as others. There is just a tremendous amount of development in this area. At this conference, I know that you have also seen some remarkable evidence of the use of technology on campus as well as for distance education. So I think we were on the mark there.

I think our assessment of the Higher Education Act as being good for the present time, but not good enough for the future, was also quite accurate. So we were pretty much on the mark on those four assumptions. It was based on those assumptions we laid out four objectives for reauthorization of the Higher Education Act.

Our first objective is access to higher education to assure educational opportunity. But this is opportunity with responsibility, as the President was known to have said during the campaigns. The second objective was to insure access to an effective, high quality education. This is pursuing really Secretary Riley's strong passion for high standards in education at all levels.

The third objective was simplification and program improvement. We want to make the programs simpler to administer for students, for institutions and for ourselves. We also want to improve the management of our programs, and to provide better information and outreach to the students and parents.

Well, with respect to the goal of expanding educational opportunity, I think the administration has done a pretty good, but not great, job. We proposed an increase in the Pell Grant program, an important continuation of the

legacy we have provided over the last couple of years. We proposed a substantial reduction in the borrowing costs for students, supporting that reduction in student interest rates that was supposed to go into effect July 1. We also proposed that we eliminate the origination fee on student loans over the next four years. So we feel strongly that in that regard we had done some good work.

We also changed the formula for student aid in ways that we felt were good. In some respects, these were changes that would, I think, particularly help disabled individuals by providing them the opportunities to stay in school and not be penalized if they have to drop out of school.

With respect to distance learning, we provided a substantial change in the way federal regulations affect that. Today, if you're a student in a distance learning program in which more than half of it is offered off-campus, you are not eligible for federal student financial aid. We don't think that is right, so we proposed a change that would treat distance learning as it treats all other learning environments. We also proposed a substantial increase in the TRIO programs for student support services. Some of your institutions may participate in these programs, and I'm aware of five or six institutions whose TRIO programs focus on disabled individuals.

In this law, we tried to provide rewards for families who save for their children's education. There is a perceived penalty for families that save for the education that we don't think is right. So we tried to eliminate that.

Graduate education is also a very important area. We at the Department of Education provide more graduate fellowships than the National Science Foundation or the National Institutes of Health. But those programs in the past have not been as closely tied to our mission of assuring access. We proposed that the criteria be changed to focus on populations that traditionally have been underserved, including minority, women, and disabled individuals.

We think our record has been pretty good. However, we don't think Congress's record has been quite as good because they really provided a false promise on the Pell Grant. We proposed only a \$100 increase, from \$3,000 to \$3,100. Since every \$100 increase costs the federal government 300 million dollars, it was a substantial effort when we tried to make that increase. While that's not much in military budgets, 300 million dollars is a very substantial amount of many in the education budget.

The House and Senate, on the other hand, have passed bills that will look very substantial. They proposed an increase in the maximum Pell Grant from \$3,000 to \$4,500. That sounds great. Of course, their budget and appropriations bills include no money for any increase in the Pell grant program. So it's a bit of a false promise.

As I mentioned before, they also misdirected the subsidies in student loans. California Congressman Buck McKeon, who I think a great deal of on most issues, but not on this, sponsored the proposal in the House. That proposal would provide an additional 2.7 billion dollars in subsidies to the banks. It provides substantial increases in subsidies to the guaranteed agencies that have reserves in excess of 1 billion dollars; these are unnecessary. It does so at the expense of students, at the expense of federal taxpayers, and to some extent, at the expense of the Department of Education, because part of that increase is taken out of administrative funds that are available to finance the direct student loan program.

So we think that that is not a good sign for the future. There is no room within their proposal to eliminate the origination fee or other things that we think should be done. The legislature has also been timid on distance learning and the use of technology. They have said they would allow us to do some pilot projects, maybe up to five experiments with a few institutions, but not go beyond that. Focusing on five institutions out of the 5,000 that we work with isn't the idea that we had about the need for expansion of technology-based education.

In this regard, the House has done a better job than the Senate. So, we are hopeful that we will be able to continue working with these two committees as they move along.

We also established a goal for providing effective education and assuring a high quality education. I think this is one of the most disappointing areas in the legislation because there really hasn't been much happening here. The administration only did a half-good job in this regard. It's a mixed bag. It's perhaps the area I'm most disappointed in. Early on in the discussions about reauthorization, there was a great deal of energy about focusing attention on improving persistence in higher education. You know, American higher education does very well in getting students into college, but we don't do particularly well compared to other countries in getting our students through college.

We were talking about graduation rates earlier today. It's one of the areas that we really need to work on. Early on, we had a lot of energy from Congress and from the higher education community in support of doing something in this reauthorization to encourage and provide incentives for improving persistence. But, basically, the reauthorization proposals that we presented, finally, had virtually nothing in that regard. I had hoped that the Congress would trump us on that and take advantage of our lack of foresight, but they did not do so. So it's unlikely that we will have a substantial initiative in that area, as many of us hoped.

We did propose a very strong performance-based oversight system of institutions of higher education. We envisioned a system that would allow us to focus our attention *only* on those institutions that need our attention most, not on *all* institutions. Today, we require the best-run institutions in the country to provide the same amount of information to us and to receive the same basic heavy-handed oversight, as the institutions that are most vulnerable. That doesn't make a lot of sense. We had proposed a very substantial change in that, but it looks unlikely that we will be able to get it.

We had also proposed standards for accrediting distance learning, which we thought was important as we moved forward. We want to use new technology, but we have to make sure it's a quality experience. Twenty years ago, we had a lot of experience with correspondence education that wasn't particularly good. So we wanted to make sure that this was a very strong proposal. We have been able to get the House to accept that, but have had less success with the Senate.

Perhaps the best piece of this bill, though, has to do with teacher education and professional development. We are putting forward a two-pronged proposal that would provide substantial funding for the best institutions, for the best schools of education in the country. The goal is to help bring along other schools of education to provide strong teacher development. It also has a very strong recruitment component to draw people from communities that had traditionally not been served well, and who are willing to teach in communities that most need strong teachers. It includes fellowships for those people to go into education. We are doing reasonably well in promoting that initiative.

Now, Congress hasn't done very much to help us in this, but, based on our lack of performance in this area, it's hard for me to be too critical of Congress. We're looking at a mixed bag of simplification and program improvement. The administration presented a number of very strong initiatives. We wanted to simplify the need analysis so much so that people could have simply provided us with their name and Social Security number, and we could have secured their financial information from the IRS. They wouldn't have had to go through the complex Free Application for Federal Student Aid (FAFSA). We had some very substantial initiatives in that regard that we lost to the Congress. While I think we had a very substantial agenda in that regard, it didn't work out too well.

The fourth agenda item is where the most exciting activity has gone on – better information and outreach to students. This has clearly been the area with greatest success. We have a proposed early intervention program called “High Hopes for College” which I hope all of you have heard about.

We found that the most at-risk students were basically being closed out of higher education quite a bit before when they got into high school. Students were not taking a curriculum or planning for a future that included postsecondary education when they entered the middle school years. Along the lines of the “I Have a Dream” program,

we have proposed a new program called “High Hopes for College.” This program will establish intentional partnerships between America's colleges and universities, which are the best part of our system of education in this country, and our middle schools, which are not the best part of our education system in this country. The middle schools that serve high proportions of disadvantaged students will be targeted to keep students and their parents thinking about postsecondary education as they move along through school.

We will provide tutoring, mentoring, and exposure to college to over a million students. It's not like the TRIO programs, which were pull-out programs. This will be a systemic part of the reform of the middle schools. So we will have not only the impact on the students, but have an impact on the school.

It's a very exciting idea. It was originally proposed by Congressman Fattah, and it received substantial report. It passed strongly in the House, but it's not yet in the Senate. However, we expect it will end up there soon. We think it will change the perception of the importance of post-secondary education and may have the most significant impact on youth and their families of any of the programs we have had in a long time. It is, in fact, a real K through 12, K through 16 partnership.

So in sum, the success of the higher education to date is a mixed bag. That is not surprising. There are always things that you hoped to get and you didn't. There are an awful lot of good things in this bill. There are not very many really bad ideas, with the exception of the paying lenders far too much money. There are still very good ideas that are missing, but that will leave some room for the next reauthorization.

The game is also not over. We have this bill on the floor of the House and expect to have it in the Senate in a few weeks. We will then go to conference where we expect a very quick conference on this bill. We will probably have a reauthorization bill before July 1. Presuming we have that, though, then we still have to go through the budget process and the appropriations process. We have to make sure that we get the resources. On top of that, we have to make sure that we find ways to administer this bill within the Department that allow us to move aggressively to providing better service for students consistent with the new law.

We are concerned because there are still things that could derail us. The President indicated that unless four things are changed in the House bill, he will veto the bill. The two most significant of those are the proposed Riggs amendment, which prevents higher educational institutions from using race. We don't think it's the federal government's business getting into making decisions about who should or should not get into post-secondary institutions.

Secondly, we are concerned about the substantial largess being provided to the bankers in the House bill. We think that both concerns can be resolved. We are optimistic that in the end we will have a bill that we will all be proud of, and that will add another leg to the legacy that we have been working on over the last few years. The reauthorization it includes very positive components such as direct lending, and building partnerships between students, schools, and government. Other strong areas include the national service component, which is a partnership between the federal government and communities, and lifelong learning tax credits, which are partnerships between individuals and the federal government. The College Work-Study expansion and the America Reads Challenge are community-based partnerships. There really are a lot of partnerships going on. I'm hopeful that we will have a reauthorization proposal very soon. And then we would have to continue our work in partnership with Congress to make sure that we get the funding to make that happen.

So, that is what I came to say today. Hopefully, I have left you with a little bit of understanding of our administration's higher education agenda and where it stands today. I wanted to show how it relates specifically to you and to the students that you serve. I also wanted to illustrate what it's like to work ideas through the Washington maze, not only reauthorization of the Higher Education Act, but the appropriations and budget committees and the

implementation process. Finally, I felt it was important to demonstrate how dominant the theme of intentional partnerships is in the policies that are being passed these days in Washington.

I want to thank you very much for the invitation to be here today and I hope this was a wonderful conference for you. I look forward to seeing you again. Thank you.