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DEPARTMENT OF EDUCATION FISCAL YEAR 2010 BUDGET

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

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CONTENTS

	Page
Hearing held in Washington, DC, March 12, 2009	1
Statement of:	
Hon. John M. Spratt, Jr., Chairman, House Committee on the Budget	1
Hon. Paul Ryan, ranking minority member, House Committee on the Budget	2
Hon. Gerald E. Connolly, a Representative in Congress from the State of Virginia, prepared statement of	4
Hon. Arne Duncan, Secretary, U.S. Department of Education, accompanied by Thomas P. Skelly, Director, Budget Service	4
Prepared statement of	7
Responses to questions for the record	46

DEPARTMENT OF EDUCATION FISCAL YEAR 2010 BUDGET

THURSDAY, MARCH 12, 2009

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The Committee met, pursuant to call, at 10:07 a.m. in Room 210, Cannon House Office Building, Hon. John Spratt [chairman of the Committee] presiding.

Present: Representatives Spratt, Schwartz, Kaptur, Becerra, Doggett, Blumenauer, McGovern, Tsongas, McCollum, Andrews, DeLauro, Larsen, Bishop, Connolly, Schrader, Ryan, Hensarling, Jordan, Lummis, Aderholt, and Harper.

Chairman SPRATT. I would call the committee meeting to order.

The Committee convenes today to hear Secretary Arne Duncan for his first time testifying on Capitol Hill as the Secretary of Education.

Mr. Secretary, you certainly have hit the ground running. Since you were confirmed on January 20, the Congress has provided the Department of Education with almost $100 billion in the Recovery and Reinvestment Act to beef up State education efforts. The Recovery Act targeted vital funding to Title I, special education, to boosting college aid—primarily with a $500 increase in the maximum Pell Grant—and, finally, the bill gave the Department of Education an unprecedented $54 billion for the State Fiscal Stabilization Fund that we hope we will help keep States from laying off teachers and shutting down education services.

On top of that, Congress this week approved the appropriations bill for 2009, which provides education with $63 billion for its annual budget.

In addition, the President has submitted his fiscal year 2010 request, which is the subject of the hearing today. In the face of a crumbling economy and rising deficits, the Obama Administration has made getting the economy back on its feet its number one priority. I agree that is what it should be.

As part of this effort to build a stronger economy, particularly for the future, the budget includes strategic investments in education, as well as health care and energy. With respect to education, the President's budget prioritizes college, making it more affordable and more accessible with a planned increase to the assistance provided through the Pell Grant program.

Your budget also proposes to overhaul the current Perkins Loan program, to fund a new college access and completion fund to help low-income students attend and finish college, and to provide addi-

tional tax credits to help students cover the cost of college. In part to help offset the cost of the budget's increase in college aid, the budget proposes a significant change to the student loan programs, proposing to originate all new loans in the Direct Loan program, terminating future loan activity under the FFEL, the guaranteed student loan program. OMB scores this proposal as providing $48 billion in savings over 10 years, and we will certainly want to hear more about it in your testimony today.

In elementary and secondary education, the budget enumerates goals amplified last week by the President in his speech that include supporting effective teachers, high student standards, and proven strategies. The President's budget has not identified funding levels for specific programs, but it clearly envisions reprogramming funds to match his priorities and to minimize waste and inefficiency.

I am pleased today that we will have an opportunity to ask questions about the budget's education proposals. Secretary Duncan is well qualified to tackle all of these issues, having led the Chicago public system for at least the last 7 years in a reform effort that raised student achievement and engaged all stakeholders—teachers, principals, businesses and education advocates—and achieved, I am told, very impressive results. Now he is turning that same knowledge and enthusiasm to the Federal education program, and we welcome your hand at the helm and want to be of help and assistance to you throughout your tenure here.

We understand that what the President submitted is just a budget outline with key mandatory spending proposals and just the top line for education appropriations. As a result, the budget still lacks the funding levels for specific discretionary programs which, I will tell you, Mr. Secretary, is of keen interest to those in this room. We look forward to reviewing those details when they are provided in the weeks ahead.

Now, before your testimony, let's turn to Mr. Ryan, the ranking member, for his statement. Then we will hear from Secretary Duncan.

Mr. Ryan.

Mr. RYAN. Thank you, Chairman.

And I want to also welcome Secretary Duncan. Congratulations on your post. You were in charge of the Chicago schools. You have tremendous experience, valuable experience; and we are glad you are bringing it here to Washington to put it to work. So congratulations and welcome to your first hearing as Secretary.

I also want to commend President Obama for his emphasis on personal responsibility and accountability when it comes to our children's education, for his reminder that we parents are the biggest factor in ensuring our children's academic success. That often means turning off the TV and the computer games and helping with homework. I thought that was one of the best messages in the campaign.

I also want to commend you, Secretary Duncan, for advocating such reforms as opening up more charter schools and introducing merit pay for teachers. I believe these types of innovations will go a long way toward increasing student achievement.

But while I find these statements encouraging, what really matters is how that talk gets translated into policies. I am a little concerned that some recent actions by the President and Congress seem to be at direct odds with that rhetoric. The omnibus appropriations bill, for example, will effectively terminate the D.C. Opportunity Scholarship Program, taking away the opportunity for a better life for 1,700 disadvantaged kids and forcing them back into failing schools.

I support the Pell Grant program, but I am disappointed by the President's choice to move this program onto the mandatory side of the ledger, effectively making it into another auto pilot entitlement, immune from congressional oversight at precisely the time when we should be reforming existing entitlements, not adding new ones to the mix.

The budget also calls for the creation of a new college access and completion innovation fund, also to be added to the mandatory spending side of the ledger. I will note that this new program would duplicate two programs created just last year, the college persistence and access and the Project GRAD programs, both of which are intended to help increase college graduation, a worthy goal.

I will also note that the budget only funds this new program for 5 years, after which time its funding is zeroed out. So we will be interested in exploring, first, why the Administration would use such tight resources on a duplicative program and, second, whether it is truly the Administration's intent to both create and then eliminate a new entitlement program in the span of 5 years.

Finally, I would like to share my concern with the budget's proposed government takeover of all Federal student loans. I would like to hear if and how the Department was prepared to take on this new volume of student loans; and, also, I look forward to a serious discussion of the risks of all this extra borrowing and spending that will present to our already strained Treasury.

Now, we have long known that higher spending doesn't automatically equal better schools or better student achievement; and I think we can all agree that, particularly in times such as this, we have got to be sure we are making the wisest, most fiscally responsible choices possible. For the education budget, that means ensuring we are directing dollars toward only those programs that truly work, demanding accountability from administrators for higher test scores, and injecting real competition into the public school system. From this focus, combined with transparency and accountability, I believe will come the gains in education that we are all seeking to achieve.

I look forward to our discussion today on how we might better achieve those ends.

Thank you, Mr. Chairman.

Chairman SPRATT. Mr. Secretary, before we proceed, we have a couple of housekeeping details.

First of all, I would ask unanimous consent that all members be allowed to submit a statement for the record at this point.

Hearing no objection, so ordered.

[The prepared statement of Mr. Connolly follows:]

PREPARED STATEMENT OF HON. GERALD E. CONNOLLY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. Chairman, I would like to thank you for holding this hearing and asking Secretary Duncan to appear before the House Committee on the Budget to testify with respect to the Fiscal Year 2010 budget. The education of our children—preparing them to achieve their potential and to become productive, contributing members of society—is one of the highest priorities of government. Failure to properly invest in our children's education has many negative impacts, ranging from the increased costs of public benefits and public safety expenditures to decreased economic production and tax receipts. In today's interconnected economy, we cannot afford to lose our technological edge and allow American schoolchildren to fall further behind their global counterparts.

I was pleased to see the President's focus on expanding investment in early childhood learning. Children don't begin to learn on the first day of kindergarten; the learning commences from the moment they are born. Too often, childhood development is ignored during the first years of a child's life, leaving our sons and daughters underprepared as they begin their schooling.

As a former local government official, I know the importance of investing in our children's development. I initiated Fairfax Futures, a program to provide and advocate for greater investment in early childhood learning opportunities. We now know that these investments have long term returns in employment, educational advancement, and lower crime rates. The organization, now in its fifth year, represents a partnership with the business community, various public sector agencies, early childhood educators, community organizations and families.

One component of the President's education budget that should give pause is the proposal to dramatically alter the student loan program. While I am in favor of encouraging greater efficiencies in government where feasible, there should be some concern with the government's proposed complete takeover of student loans. We have not yet ascertained the impact on the private sector of this sweeping change and I believe it important to investigate its entire effects on the budget, our students, and the thousands of private sector employees.

As No Child Left Behind comes up for reauthorization, I would ask that the Administration will remember the impact on state and local governments. While encouraging greater scholastic accountability is a laudatory goal, the previous administration woefully underfunded No Child Left Behind and the program's extensive requirements were a significant unfunded federal mandate on our state and local governments. In Fairfax County in my district, the school system was forced to spend over one hundred and thirty million local tax dollars since the program's inception in 2002, simply to comply. Through the American Recovery and Reinvestment Act, President Obama and this Congress provided significant educational investment to our state and local governments. As currently established, No Child Left Behind represents a tax increase on state and local governments, and I hope that our commitment to enhanced education funding will continue.

I look forward to Secretary Duncan's testimony and working with him as we fashion an education budget that improves upon our investment in the future of America's children.

Mr. Secretary, your statement has been filed and will be made, in its entirety, part of the record. So you can proceed as you please and summarize it in any manner you wish. You are the only witness today. We have a lot to talk about, so the floor is yours, and take all the time you need.

STATEMENT OF ARNE DUNCAN, SECRETARY, U.S. DEPARTMENT OF EDUCATION, ACCOMPANIED BY THOMAS P. SKELLY, DIRECTOR, BUDGET SERVICE

Secretary DUNCAN. I will keep my remarks pretty brief and look forward to the conversation.

Thank you so much, Mr. Chairman and members of the Committee. And before I begin, I want to introduce our wonderful Budget Director, Tom Skelly, who you probably know much better than I, because he started coming to these hearings in 1974. So he has got a great history, and we are lucky to have him as part of the team.

Thank you so much for this opportunity to testify on behalf of President Obama's fiscal year 2010 budget for the Department of Education.

The 2010 budget needs to be viewed in the context of the American Recovery and Reinvestment Act, because both of them will drive education spending in our country over the next 2 years.

Despite two wars, a struggling economy, and competing priorities from health care to energy reform, this President has put the full weight of his office behind the effort to improve education. He and his wife have visited schools. They have used every opportunity to link their powerful personal stories to education.

Taken together, the President's budget proposal and the stimulus package represent a historic commitment to improve the quality of learning in America. We have a real chance to lay the foundation for a generation of reform that can restore American leadership in education. To do that, however, we must ask much more of ourselves and each other.

In his speech on Tuesday, the President issued a series of challenges to every single stakeholder in this issue, to States and to districts, to unions and to reform groups, to elected officials and to parents, to teachers and, importantly, to our students themselves. He called for an end to the finger pointing, the end of worn out debates and of low expectations. He asked us to set aside ideology and politics. In short, he asked us to stop fighting with each other and start fighting for our children. Thanks to his leadership and the support of Congress, we have never been in a better position to do just that.

Today, we have the money to stabilize States to prevent teacher layoffs; and we have seen recent studies from the University of Washington that talked about as many as 600,000 teacher jobs being cut. We have the opportunity now to save literally hundreds of thousands of teachers' jobs so we can keep our teachers teaching and our students learning.

There is a significant boost in Title I funding to help low-income children achieve an education that is more on par with children from middle- and upper-income backgrounds. We can support programs for students with disabilities so that they can share more fully in all of the opportunities of life in our country.

We have created a competitive grant program to encourage States to aggressively pursue needed educational reforms, and we are making the biggest boost in higher education funding since the GI bill.

Because the Recovery Act provides over $100 billion in additional funding for everything from early childhood through college, the 2010 budget seeks only a modest increase. And behind the numbers is a clear philosophy. We believe that all kids can learn. Low expectations are the one sure way to guarantee failure. High expectations are absolutely a prerequisite for success.

That is why we must raise standards. Fifty States with 50 different standards is not good enough. We need to stop the race to the bottom and create a race to the top. Many State standards are well below other countries, and the President has called on States to begin moving towards college and career-ready standards.

We have to improve teacher quality. Nothing is more important than getting a great teacher in front of every single classroom in this country. And there are many proven strategies, from national board certification, to alternative routes into teaching to get more talent into the pool, to rewarding excellence through performance pay. And we must fund new and innovative programs that work for our students, including charter schools. The President called on States across America to lift charter caps in States where we have the artificial cap there.

We also must increase time in the classroom—afternoons, evenings, weekends, and during the summer months. As he noted, our academic calendar is based on the agrarian calendar, so many of our students go through what we call summer reading loss; they get to a certain point in June and when they come back to us in the fall they have fallen further behind. And I worry lots about low-income children who don't have opportunities to visit college campuses and go to libraries and get read to over the summer. We have to think very, very differently about how we spend our time.

This budget also reflects the President's belief that in today's highly competitive global economy more young people and adults must go to college; and so he proposes that Pell Grants be guaranteed, instead of discretionary. He also wants to boost Pell Grant funding and have it rise each year by inflation plus a point to keep up with rising costs. This is in addition to the added higher education funding in the stimulus package, which provides $31 billion more for college access and Pell Grants and higher tax credits for the middle class. This will serve literally millions of additional students, and it will bring us closer to the extraordinarily important goal outlined by the President last week: to be number one in the world in graduating young people from college by the year 2020.

Today, about 40 percent of our 25- to 34-year olds have either a 2-year or a 4-year college degree. Said another way, less than half of our country's young people have a college degree. We have to get that number up to at least 60 percent. The new economy demands it. We have growing jobs in areas like health care and technology and green energy, and our young people have to have the skills and the opportunity to enter those fields.

Education, we firmly believe, is the only real solution to our long-term economic security. We must educate our way to a better economy. As the President has said, the nation that out-teaches us today will out-compete us tomorrow.

Finally, the combination of the Recovery Act and the proposed budget reflect a deeply held belief that education is the civil rights issue of our generation. It is the only real and lasting path out of poverty for people who have been stifled for generations, victims of inadequate schooling and limited opportunity. All of the poverty programs in the world will never accomplish as much as a quality education for our children.

Education is absolutely at the heart of the American dream. And so today, on behalf of President Obama and the schoolchildren of America and the 22 million adults who attend college with Federal support, I respectfully request your support for this budget.

Thank you so much for the opportunity, and I look forward to taking any questions you might have.

Chairman SPRATT. Thank you very much, Mr. Secretary.
[The prepared statement of Arne Duncan follows:]

PREPARED STATEMENT OF HON. ARNE DUNCAN, SECRETARY, U.S. DEPARTMENT OF EDUCATION

Mr. Chairman and Members of the Committee: Thank you for this opportunity to testify on behalf of President Obama's fiscal year 2010 budget for the Department of Education, and to talk with you about how we plan to invest in our economic future by providing the high-quality education our kids need to compete in the global economy.

President Obama is asking for $46.7 billion in discretionary funding for the Department in fiscal year 2010, or roughly a $500 million increase over the 2009 level, that would build on the historic increases provided for education in the American Recovery and Reinvestment Act (ARRA, or the Recovery Act). We will release the details of this request next month.

Today I want to share with you the priorities of the President's plan to strengthen and reform America's education system.

The President believes strongly that one key for both individual and national success in the global economy is a college education. This is why he has set a national goal of ensuring that America is number one in the percentage of citizens holding college degrees. Today roughly 40 percent of 25-34 year-old Americans hold college degrees, and we want to raise that to 60 percent.

To reach this goal we have to overcome two core problems: Too many young people are unprepared for college and too many others cannot afford it. The President's 2010 budget for education addresses both of these problems.

First, because the President believes that the road to college begins at birth, the 2010 request will provide additional resources to help States build high-quality "Zero to Five" early childhood programs. These resources, in the President's request for both the Department of Education and the Department of Health and Human Services, will leverage State and local investment in early childhood education, raise the bar on the quality of early education, support coordination at all levels of government to ensure seamless delivery of services, and help give parents the information they need to choose a high-quality program that meets the needs of their children.

STRENGTHENING OUR PUBLIC SCHOOLS

The Department of Education request is focused on strengthening our public schools. We will help States develop and implement rigorous, college-ready academic achievement standards along with improved assessments, including assessments for students with disabilities and English language learners, to accurately measure students' knowledge and skills.

Another key focus of our 2010 request is improving the quality of the education workforce. The request will include proposals to bring greater accountability to teacher and principal preparation programs, to improve systems and strategies for recruiting, evaluating, and supporting teachers, and to provide incentives that will both reward effective teachers and encourage them to teach where they are most needed.

We also plan to work very hard at scaling up success in our education system. Under our 2010 budget, the Department would continue to use the Innovation Fund created by the Recovery Act to identify and replicate successful models and strategies that raise student achievement. We know that there are many school systems and non-profit organizations across the country with demonstrated track records of success in raising student achievement, and our 2010 request would help bring their success to scale. Our budget also would support comprehensive approaches such as Promise Neighborhoods, which would be modeled after the Harlem Children's Zone, that aim to improve college-going rates by combining a rigorous K-12 education with a full network of neighborhood-based social services. In addition, we want to partner with States to build their capacity to diagnose and address the root causes of low-performing schools.

HELPING MORE KIDS GO TO COLLEGE

All of these efforts—improved early childhood education, stronger standards and assessments, improved teaching, and scaling up successful models of high-quality teaching and learning—will help ensure that all of our children have the knowledge and skills they need for success in the workforce or further learning.

And to ensure that as many kids as possible are able to take that second option—to pursue further learning—our 2010 request includes four major proposals to expand opportunities for students to enter and complete a college education. These are in addition to our ongoing work simplifying the student aid application process to make it easier and less confusing to apply for Federal student financial assistance.

First, we want to create a stronger and more reliable Pell Grant program by moving the program to the mandatory side of the Federal budget. For the first time ever, Pell Grants will not be subject to the politics of the moment or the whims of the market—they will be a commitment that Congress is required to uphold each and every year. Further, because rising costs mean Pell Grants cover less than half as much tuition as they did 30 years ago, we are raising the maximum Pell Grant to $5,550 a year and indexing it above inflation.

Second, we are proposing to stabilize the postsecondary student loan programs and save taxpayers $4 billion annually by originating all new loans in the direct lending program and tapping experienced private sector companies to collect and service the loans. It no longer makes any sense to heavily subsidize a guaranteed student loan program that is barely functioning in the current financial crisis when we have a stable, lower-cost method of meeting the needs of all eligible students.

Third, our request would significantly expand the Perkins Loan program to give students with extra borrowing needs a better alternative to high-cost private loan programs. Our proposal would expand the number of schools offering Perkins Loans from 1,800 to up to 4,400, and potentially more than quintuple the number of students receiving Perkins Loans, from 500,000 to 2.7 million, and better distribute student aid among schools. The loans would carry a 5 percent interest rate, with interest accruing during school, and would be handled by private sector servicers instead of colleges shouldering the responsibility for loan collection. Since the budget was announced, we have heard a lot of excitement about this expansion. Let me address a few of the questions we have been getting about our proposal:

- The loan limits would be the same as in the current Perkins program: $4,000 per year for undergraduate students, $6,000 per year for graduate and professional students. As with the current program, these loans would not count as part of the total Stafford loan limits.
- The financial aid office at the college would determine who would be offered loans. We envision greater flexibility for the college than in the current Perkins Loan program.
- Borrowers would have access to the same repayment and forgiveness programs as are available in the Stafford loan program.
- Our proposal would not affect borrowers who already have Perkins loans made under the pre-2010 program. As those borrowers repay their loans, the participating schools would remit the Federal share to the Department of Education.

While we are expanding financial aid, colleges and universities have a responsibility to control their own costs. Under the current distribution formula for Perkins Loans and other campus-based aid, the more that a college increases tuition, the more money the college stands to receive from the Federal Government. This sends precisely the wrong message to institutions. We look forward to working with Congress to develop a formula for distributing the new Perkins loan funds that would reward institutions for providing more need-based aid and having reasonable tuition charges relative to comparable institutions.

Finally, our 2010 request will launch a 5-year $2.5 billion Access and Completion Incentive Fund that will support innovative State efforts to improve college completion rates for low-income students. This Federal-State partnership builds on ideas Congress included in the Higher Education Opportunity Act, such as the State Grants for Access and Persistence program designed to complement LEAP. A key goal of this program is to learn more about what works, and what doesn't work, in improving student persistence to degree. The Administration also intends to reach out to the philanthropic community as potential partners, and expects to make use of the Experimental Sites authority that we already have, to issue regulatory waivers for the purpose of research on programs to improve persistence. States would have considerable flexibility in the types of programs that can be funded, but they all must include a rigorous research component.

States would be allowed to set aside a portion of their funding to continue college outreach and information activities now made through FFEL subsidies.

CONCLUSION

The Recovery Act provided unprecedented levels of Federal support for our schools in return for a commitment to meaningful reform strategies. President Obama and I believe that the Recovery Act has created a historic opportunity to improve the

quality of our education system, and we are determined to make the most of that opportunity. Our 2010 budget request would build on the resources and reforms in the Recovery Act to help create a public school system that prepares more students for the opportunities provided by a college education and helps ensure that they can afford to take advantage of those opportunities. I believe these are goals we all can agree on, and I urge you to support the President's fiscal year 2010 request for education.

I will be happy to take any questions you may have.

Chairman SPRATT. One of the key initiatives that Congress has taken in the previous administration was to leave no child behind. You didn't directly address that, and we would like to hear your thoughts about ESEA and "No Child Left Behind" and the funding level for those programs in particular.

Secretary DUNCAN. We look to coming back later in the year for reauthorization and want to really think through how we continue to improve upon it. So let me tell you what I have liked about what has happened in the past, and where we want to go, and where we disagree with things that have happened.

First, what No Child Left Behind, I think, will always get credit for is shining an absolute spotlight on the achievement gap; and by that I mean the differences in educational outcomes between white children and children from the Latino and the African American community. This tough reality, this harsh reality is something none of us can be proud of, but it is also something that can no longer be swept under the rug. And we want to continue to look at data and do everything in our power to challenge that achievement gap and see that shrink.

What didn't happen before is the program wasn't funded. With the President's support and your leadership, we are putting significant, literally billions of additional dollars into Title I funding to help poor children, into IDEA funding to help those children with disabilities, and really putting our resources where our mouth is and helping schools and school districts in States have the opportunity to be successful.

Where I think we need to think very differently as we go forward towards reauthorization is that the No Child Left Behind law, I think, got backwards the idea of what needs to be tight in this country and what needs to be loose. The Federal role is always going to be a very limited one. Education is always going to be a local issue. What we need to do is provide clear guidance and clear goal posts.

Under No Child Left Behind, 50 different States set their own benchmarks, set their own goalposts. What that led to, I think maybe unintentionally, but what it led to is what I call a race to the bottom, States dumbing down their standards to hit some political goal. And so while No Child Left Behind was very loose about the goal, it was very tight, very prescriptive—I would argue overly prescriptive—about how you get there.

I want to try and flip that. I want to be much tighter on what the goal is. I want our States thinking about college-ready, career-ready, internationally benchmarked standards. Our students today aren't competing against children down the block or in the district or in the State. They are competing with children in India and China. And we need to be very cognizant of what it takes to be successful in the new global economy.

So I want to be much clearer about the goal. I want to have much higher expectations. I want to eliminate the race to the bottom and create a race to the top. And then I want to have clear ways to measure States' progress against that. But give States flexibility and the chance to innovate to achieve those loftier goals.

Chairman SPRATT. Can you give us some ballpark idea of what the likely increased spending will be for Title I elementary and secondary education, and No Child Left Behind?

Secretary DUNCAN. Well, there are significant increases, as you know, in the stimulus package; and going forward we would like to see those numbers continue to increase.

Chairman SPRATT. Now, another function of the Federal Government for—ever since Sputnik, when I was in high school——

Mr. RYAN. I wasn't even born.

Secretary DUNCAN. Congressman Ryan read about it in his textbooks.

Chairman SPRATT. The Federal Government understood that it had a distinct stake in the quality of elementary and secondary education, and collegiate education of America's youth. We began guaranteeing and funding directly student loans in the early 1960s, and it is a big part of the responsibility you are assuming as the Secretary of Education. You are making a far reaching proposal about the design and operation of those programs.

First of all, we are going from, per your proposal, a program that issues and guarantees loans to students, about 35 percent of which originate with the Department of Education today, 65 percent with banks and entities spread across the country. Are you satisfied that you have the infrastructure, the personnel, the capacity to handle this additional burden?

Secretary DUNCAN. I am. And let me start back where you started, which I think is a critical point, with Sputnik. I think Sputnik was a wake-up call for the country that we needed to think differently about education. And I would argue today we are not only at a point of economic crisis, I would argue we are at a point of education crisis, and that we need to, as a country, dramatically improve both the quality of education and raise the bar. But we need to see many more of our students graduate from high school and graduate from college. So we want to push to get dramatically better and increase those high school and college graduation rates.

I am absolutely convinced we have the staff to do this. We don't need to increase staff significantly at all. Many of the borrowers are serviced by the private side, and we are going to continue to do that.

What I think is so important today, Congressman, is, given how important it is for all of our young people to have the opportunity to go to college, given how much families, parents are losing jobs and taking pay cuts, there is tremendous uncertainty there. And we want our young people, not just juniors and seniors, but we want our third graders and fourth graders and fifth graders to really believe that, despite their family's lack of resources or whatever challenging circumstances they face, we want our young children to know that they are going to have the opportunity financially if they work hard to go to college.

Too often, we see those dreams start to die, not in junior and senior year but third and fourth and fifth and sixth grade, and students start to believe this isn't for them. So dramatically increasing access, dramatically increasing opportunity, trying to significantly alleviate the financial barriers for our young people going on to higher education is critically important.

There are very, very few good jobs out there, as you well know, for students with just a high school diploma; and we have to be thinking of about some kind of 4-year institutions, 2-year community colleges, technical schools, whatever it might be, and making sure every child in this country knows if they work hard and want to go on to some form of higher education the resources are going to be there for them.

Chairman SPRATT. How do you reach out and serve students from here to the Pacific coast, all over this great continental democracy? How do you reach everybody that aspires to a college education with a Federal student loan?

Secretary DUNCAN. That is a great question, and I think we need to do a much better job of really marketing what is available. So we are talking about sending letters to literally every high school principal in the country, to every college guidance counselor who works in the high schools and letting them know about the dramatic increases in funding, whether it is Pell Grants or Perkins Loans or the tuition tax credits for the middle class, that there are resources on the table that have never before been there.

We anticipate over the next 2 years an additional $31 billion being out there, again, the largest increase since the GI Bill. It is absolutely historic. We anticipate as many as 2.7 million additional students having access to financial aid who haven't had that historically and well over 7 million students having more money coming towards them.

So this is a fundamental change, a huge breakthrough. And, again, I think it couldn't come at a more critical time, when the opportunity to go to higher education is so critically important, and it has never been more expensive. And, unfortunately, our families have never had fewer resources to send their children on to higher education.

We haven't talked about there are many—not just, you know, 18-year-olds going to school—many 28-year-olds and 38-year-olds and 48-year-olds going back to school and going back to community colleges to get retrained; and we have to support them. We have to get them trained in these new economies so they can get jobs and continue to support their families. So it is hugely important that we increase access and opportunity to college.

Finally, I will say there is significant money, which you touched on, $2.5 billion over the next 5 years to make sure our colleges are not just admitting students but graduating them at higher rates. We really want to challenge all of us and hold ourselves accountable to increase those graduation rates. I worry a lot about students who are the first generation going to college and haven't had family members who have done these things. I worry about students who are learning English for the first time. And we want to put out there on a competitive basis and really challenge States to

innovate and think about driving up completion rates. That is very important to me as well.

Chairman SPRATT. In your printed testimony, you claim substantial savings, about $50 billion over 10 years, by going to Direct Loans administered by the Department of Education. What are those subsidies and fees and interest rate markups that you save or avoid as a result of going to Direct Loans?

Secretary DUNCAN. I will turn to Mr. Skelly to walk through details, but we sort of think philosophically and fundamentally that rather than subsidizing banks we should be putting that money into our young people and giving more and more, giving millions of young people the chance to go to school and to go to school for less money. So we just think directionally this is the right thing to do.

There is a huge chance for the private providers to help on servicing the borrowers, and so we want to keep that private competition going and private industry engaged with us. But, fundamentally, we think we have to invest more in the young people of the country.

Mr. Skelly can walk you through the details.

Mr. SKELLY. The main difference between the two Federal loan programs is that in a direct student loan program, the interest that the borrower repays comes back to the government. In the guaranteed student loan program, the interest stays with the banks. So there is about a 5 percent difference overall between the two programs, on average, using our interest rate assumptions.

Chairman SPRATT. Origination fees or anything like that?

Mr. SKELLY. Both programs have origination fees. Both programs subsidize students in need when they are in college. Both programs have the same interest rates for students. The programs are really very similar. The only difference is the delivery mechanism in a direct student loan program where you rely on private contractors. In a guaranteed student loan program, the lenders also rely on some of those same contractors. The programs are really very similar.

Chairman SPRATT. With respect to the Perkins Loan program, there is a substantial sum of money, as I understand it, that the participating educational institutions have access to and lend as a revolving fund. And your proposal, as I understand it, is to recall those funds over some period of time. What would you do then with the rest of the Perkins program? Would you contract out the operation of it, or would you administer it from Washington?

Mr. SKELLY. It would also be administered from Washington.

The Perkins Loan program started with Sputnik in 1958. Loans were made to students. As those students repay those loans, the schools have to service them or arrange for a contractor to service them. But the money goes back to the schools.

There is about $6 billion still left in those revolving funds from Federal funds that were contributed to them for the loans. That money, under the proposal, would be returned to the Federal Government as the loans are repaid.

In addition, though——

Chairman SPRATT. Would the schools be the intermediary still for originating loans?

Mr. SKELLY. We would make the loans in the program, taking the burden off the schools. There are only about 1,800 schools that participate in the Perkins Loan program currently, and under our proposal we would have 4,400 schools participate in the program.

Secretary DUNCAN. If I could, Mr. Chairman, just add, because of these actions we are going to go from $1.1 billion available in Perkins Loans to about $6 billion. As Mr. Skelly said, we are going to go from about 1,800 schools to over 4,400 schools, so more than doubling the number of schools that have access; and, most significantly, go from 500,000 students now who have access to Perkins Loans to 2.2 million. So dramatically increasing, exponentially increasing the number of young people with access to Perkins Loans.

Chairman SPRATT. Thank you both for your testimony.

Mr. Ryan.

Mr. RYAN. Thank you, Mr. Chairman.

I had a question about your budget; and, Mr. Skelly, you may want to get into this as well.

If you go to table S-6 in your budget blueprint, mandatory and receipt proposals, go down to the education column and look at "Create a new College Access and Completion Fund." It shows that you are creating a new entitlement program, a new mandatory spending program, spending $2.5 billion between 2010 and 2015. But then you terminate the program after that, and it is zeroed out.

So my basic question is, if this is designed to be a pilot program, which is what that usually indicates—you fund it for a few years, then it goes away—why put it in the mandatory column? Why make it an entitlement and then zero it out in 2016 and onward? That doesn't seem to make much sense to me.

And, also, if it is a pilot program, why not have it discretionary, where you have more congressional involvement, more congressional oversight, more congressional year-to-year oversight to see if it is being successful or not?

So I don't understand creating a new entitlement program, funding it for 5 years, and then zeroing it out.

Mr. SKELLY. There are different ways to approach these kinds of proposals, and certainly the Administration wants to work with Congress on how it could evolve. But the idea is to make sure that States have an incentive to help students complete college. They haven't had enough of an incentive yet.

Mr. RYAN. Well, sure. But it is a mandatory program, so Congress—their involvement is very limited. It is not—we don't do year-to-year oversight when it becomes mandatory.

Mr. SKELLY. You still have some oversight, as do we. We would have to pass legislation in addition to the budget, making sure that this program lasted. And you could have a program longer than 5 years. We just did the 5-year window for this budget blueprint.

Mr. RYAN. So is it the Administration's intent to do what it says in the budget, to zero this program out in the sixth year?

Mr. SKELLY. We were asking for funds for the first 5 years of the program in the budget blueprint.

Mr. RYAN. So it is the Administration's intent to zero it out in the sixth year.

Mr. SKELLY. After 5 years under this budget blueprint there wouldn't be additional budget authority for it.

Mr. RYAN. Okay. That is why I don't understand why it is a mandatory program then. If we are planning on eliminating it in 2016, I don't understand why we would make it a mandatory program. That is what I just don't get.

Mr. SKELLY. Well, the mandatory program would provide the funding for 5 years. On discretionary programs, you in Congress do an annual appropriation. So the decision about whether funds are there is made each and every year. Five years is still a lot better than 1 year if you are doing long-term planning.

Mr. RYAN. I won't belabor it anymore. I don't understand why—obviously, you are saying you are going to eliminate this program in 6 years. I don't know why it would be a mandatory program then. That doesn't seem to make sense from a budget standpoint. But let me go on.

On the D.C. scholarship program. This budget—and all new administrations—I am not criticizing the fact that you gave us a small blueprint, because every new administration does that. There is no way you can prepare a large, detailed budget in the beginning of a new administration. We are expecting your large, detailed budget in some time in April.

Mr. SKELLY. That is correct.

Mr. RYAN. What about the D.C. program—there is nothing in here about the D.C. Opportunity Scholarship Program. Will your April budget propose funding for the program? Will you address the details of the D.C. Opportunity Scholarship Program in your detailed budget? Will you propose that it continues or not?

Secretary DUNCAN. What both the President and I have repeatedly said is that school vouchers are not a long-term solution to our educational challenges. But, in this instance, we believe that we should find a way to keep from disrupting the students currently involved and enrolled in this program; and we look forward to working Congress to find a solution.

Mr. RYAN. Okay. So you think—so you will, in your detailed budget in April, propose continuing the D.C. opportunity program.

Mr. SKELLY. The D.C. choice program is not part of the Department of Education appropriations bill. It is in the financial services appropriation.

Mr. RYAN. But, obviously, you have interaction with it. Will OMB, when they give us the detailed budget, propose to continue the program?

Mr. SKELLY. We will have a lot of details in the end of April when we do our budget, but, right now, we don't have all the details of the budget.

Mr. RYAN. Not sure yet? Okay.

Another question. I think it is refreshing that you come from a large inner-city school district. I think that perspective and experience is definitely very welcomed. And given that 9 cents on every dollar of education spending from K through 12 comes from local and State sources, not the Federal——

Secretary DUNCAN. Ninety-one cents.

Mr. RYAN. Yeah, the other way around. Ninety-one cents on the dollar comes from local and State, what is your attitude on just the whole concept of local control versus Federal control?

A concern that many of us have—and, gosh, I have met with so many administrators, principals, teachers, over the last number of years about the last administration's No Child Left Behind Title I program, that it was kind of moving us in this direction of federalizing the curriculum. And the concern that many of us have, from both sides of the aisle, I think, is that since Washington only controls a small fraction of the money, Washington is going to dictate the terms of curriculum in our local school districts. And there are those of us who believe that some of the best ideas come from the grass roots, come from local administrators and local school districts that have unique problems.

I live in Janesville, Wisconsin. It is quite a bit different in Janesville, Wisconsin, the problems we have in our school district there than probably in Chicago, even though we are about an hour and a half drive away from each other. What is your attitude toward that? Do you believe that we are sort of on an alarming trend in the wrong direction toward federalizing our curriculum, and do you believe that we should reemphasize local control? Or what is your take on that?

Secretary DUNCAN. Let me be very clear. When I was in my other job a couple of months ago, I didn't want Washington running my business; and now that I am in Washington I am less interested—even less interested in having Washington run things at the local level.

What I see as our role is very simple. I want to spur innovation, I want to reward creativity, and I want to scale up what works. And it is easy for me to say this, and it is harder to do. You know, culture change is very, very hard.

But when the Department of Education used to call me, that wasn't a call I always welcomed; and it wasn't always a call saying, how can I help you get better? And what I want to do—easier to say than to do—is can we be the Department that drives best practices, that shines the spotlight on what is working and takes that to scale?

One of the reasons I am so optimistic about where we can go as a country is there have never been more great examples of great schools, great districts, great nonprofits, great charter organizations making a Herculean difference in students' lives in some of the toughest communities, most depressed areas you have ever seen. Many of these examples, frankly, didn't exist 10 or 15 or 20 years ago; and what I want to do is take to scale what works.

So my job is not so much to come up with great ideas. I am not that smart anyway. My job is to do a great job listening. All the really good ideas are already out there. And if we can share those best practices, if we can figure out what is working, reward excellence and, frankly, stop doing what is not working and get out of things that we shouldn't be in, I think we have a chance to make a dramatic impact in our students' lives.

Mr. RYAN. That is encouraging. I think we all agree with everything you just said. The question is on implementation of driving best practices. Does implementation of driving best practices mean

telling local school districts how to do it? Or does it mean encouraging laboratories of innovation of different ideas and encouraging that differentiation? I mean, not sort of heavy handed from the Federal perspective. And, look, the last administration, I have complaints with the way they did this, too. That is the concern here.

Secretary DUNCAN. Let me be very, very clear. I am simply interested in dramatically improving student achievement. I am the most nonpolitical, nonideological guy you will ever meet. I want to look at the data very closely. If groups can show us—again, districts, schools, nonprofit charter groups—can show us that they are making a demonstrable difference, really dramatically accelerating student achievement, I want to do everything we can to support that.

Mr. RYAN. You want to get out of their way and let them do that and not——

Secretary DUNCAN. I want to go further. Not only get out of their way, I want to fund them and invest in them to do more of what they are doing.

Mr. RYAN. The issue probably then becomes, with money comes strings; and that is just something I would encourage you to think about.

Secretary DUNCAN. I absolutely hear you. But let me just tell you, where you have groups that are doing a great job with a school or a handful of schools, if we can help them work with more children and more communities, that is the right thing to do. And you are starting to see, again, best practices in a wide variety of communities that are doing an extraordinary job.

Let me tell you how I want to do it. In the stimulus package we have $5 billion for what we call the Race to the Top Fund. $4.35 billion of that we want to incentivize States. Not mandate, not dictate, but reward those States that voluntarily—let me be very clear about that—voluntarily choose to think about a number of reforms that we think are critical. Think about college-ready, career-ready internationally benchmarked standards. Think about great data systems so we can track students' progress throughout their educational career. I want to be able to look a sixth-grader or eighth-grader in the eye and say, you are on the track to go to college and be successful, or you are not.

I am very concerned, honestly, that in many States today, because standards have been dummied down and we have had this race to the bottom, we are actually lying to children and we are telling them they are on track because they are meeting a low bar. When the child or a parent hears "I am meeting State standards," they probably think that they are in good shape. In many cases, unfortunately, that is not the case; they are barely prepared to graduate from high school and absolutely inadequately prepared, underprepared, woefully underprepared to go on to college.

So we want to incentivize States to think about common high standards. We want to incentivize States to think about great data systems that track students' progress, that track teachers against students and track teachers back to their schools of education so we can see where there is added value.

We want to think very differently about how we reward excellence among teachers and principals and again shine a spotlight on

those that are making a great difference on students' lives. And we want to think about how we turn around struggling schools. I really worry about those schools at the bottom, where the schools are, I would argue, perpetuating poverty and perpetuating students for failure.

So, on a voluntary basis, we want to work with a set of States that want to come forward and lead what we are calling a Race to the Top and really drive the country where I think we need to go.

Mr. RYAN. And they lead and they define and they choose the methodology, not the other way around.

Thank you. Appreciate it.

Chairman SPRATT. Ms. Schwartz.

Ms. SCHWARTZ. I thank you, Mr. Chairman; and thank you, Mr. Secretary.

I wanted to ask a question about something that you haven't mentioned yet and I think you will want to talk about.

First, congratulations and welcome. You have been very well received.

Education has sometimes been controversial, and it doesn't have to be. I think we have similar goals, but some of us have different ways of getting there.

So, first, I really appreciate your advocacy for scaling up best practices and getting this right. The dramatic investment in education and focus on education by the President and the Administration is important to our economic competitiveness; and I appreciate that being such a big focus of, first, the recovery package and now, of course, the budget in terms of investments we have to make for the future.

The issue I want to ask about is, I think that we do all agree—and I heard Mr. Ryan; we don't always agree, but I agree with him on this one—that we ought to really focus on what works and make investments in what works. And the area that I wanted to ask about was specifically on pre-K, on child care, and the issue that money has been dedicated in the Department of Education, rather than HHS, the fact that early education begins in child care and in pre-K and I would even say in kindergarten. The quality of what happens in child care matters a lot to whether children are prepared to learn, whether they are ready to learn. We use a lot of slogans on this. But if there is one thing we know, we know this works.

We also know that when children fail in their early years, I can tell you—this is your work—but when children fail in the early years, whether it is first grade or second grade, they almost never make up. And we can almost tell who is not going to graduate from high school by some of these statistics. And we know all of this.

And I understand that there is $5 billion in the Recovery Act and additional resources potentially in the budget. Could you speak more specifically to whether in fact this will focus not just on quality and how you anticipate doing that and how you might work with HHS that actually funds a lot of the child care slots to incentivize quality and to make sure that our children are really getting an education component in child care?

Secretary DUNCAN. I really appreciate the question. Let me just state philosophically how I feel about this, and I'll get into the specifics.

I think a great case could be made that this is the best investment we could make, that nothing is more important to get to our 2-year-olds, our 3-year-olds, our 4-year-olds, our 5-year-olds—I would like to think about the zeros and the ones and how we can get to them earlier. But if our children hit kindergarten ready to learn and ready to read and with their literacy skills intact and their socialization skills intact, they have a world of opportunity before them. And we know all the studies.

But my daughter was in kindergarten last year. And it was fascinating to watch that she had a set of classmates who, like my daughter, had been read to at home and had a house filled with books. But she had other classmates that hadn't quite had those opportunities. And to see the tremendous disparity in ability of children coming into the kindergarten and thinking about—she had a phenomenal teacher, but thinking about that teacher working with 31 children at this tremendous range of ability level and how can the best of teachers in the country do that well when there is such great disparity?

So whatever we can do to make sure every child hits kindergarten ready to learn, ready to read, knowing how to interact with other children, there is nothing more important we can do. So, as you said, there are significant dollars in the stimulus package, $5 billion for early childhood education.

I think we have to do two things. I think we have to dramatically increase slots and increase access for children there; and we have to, as you said, really think about quality. If this is glorified babysitting, then we are not changing students' lives.

And we talk about accountability at K to 12 and higher education. We want to really look at what school systems, school districts, as well as nonprofit providers and community providers, are doing to really, you know, make a difference in students' lives. If this is glorified babysitting, if children are at a child care center and they are watching TV all day, we are really not changing their life circumstances.

Ms. SCHWARTZ. Are you looking to help them meet national standards or national accreditation? That is an elaborate process for some of these small groups to do. Are you looking at teacher training? What are you looking at?

Secretary DUNCAN. We have to look at all of that. We have to look at teacher professional development. We have to look at accreditation.

My understanding is that, historically, the relationship of HHS has been less than functional; and I don't, frankly, care about budgets. I don't care who owns what. We have got to do a better job for kids.

So I am absolutely committed. I am looking forward. I am getting to know her, and I think Governor Sebelius will be wonderful if she is confirmed. I think we have a chance to really work in a very, very different fashion, combine all our resources, work much smarter and at the end of the day, do a much better job for our young children who need the most help.

Ms. SCHWARTZ. I look forward to hearing more of the detail. I know that in Pennsylvania we actually have some really good models and we have done some really good work on this. I know many States have. But we would love to see that really come, as you point out, to scale. That would be great.

Secretary DUNCAN. You have some great models in Pennsylvania that I am pretty aware of. Thank you.

Chairman SPRATT. Mr. Hensarling.

Mr. HENSARLING. Thank you, Mr. Chairman.

Welcome, Mr. Secretary, good to see you. And if I heard you correctly, we may share something in common if you had one in kindergarten last year. I had one in kindergarten last year as well.

Mr. Secretary, I am certainly encouraged by much of what I hear from you. I like to hear words like results and innovation and parental involvement.

However, I have concerns about some of the things that I see. I actually want to look even further past the budget window that is being presented here today. Under this budget, the Administration is proposing more entitlement spending. Prior to the Administration proposing that, already—it is well documented by GAO, CBO, anybody who looks at the budget—that the next generation—I guess, our two first-graders—are going to look at a Federal Government by the time they are our age that consists of nothing but Medicare, Medicaid, and Social Security and little else. There will be no room for all the Federal programs, Federal education programs proposed in your budget.

The President's budget is calling for an increase in the national debt of $2.7 trillion, which is about $23,000 per household over 8 years. The budget will double the national debt.

Now, maybe those of us in this room who enjoy administration and congressional salaries, we will be able to fund the education of our children. But, ultimately, what is the Administration doing to actually reform entitlement spending? And if we are drowning in a sea of debt, how are people going to be able to afford to send their kids to college?

Secretary DUNCAN. I will start and then turn it over to Mr. Skelly.

My clear understanding is the President is trying to cut the deficit in half over the next 5 years to really go the direction that you want to go. You may be asking specifically on the Pell Grants, why that would move from discretionary to mandatory. Is that part of your question?

Mr. HENSARLING. Well, my broader question is what is being done within these programs to ultimately ensure that families can afford to send their kids to college in 10 and 20 years?

Secretary DUNCAN. Well, I will speak to what we are trying to do on the Pell Grant side. By making it mandatory I think what we are doing is really creating a sense of stability. And I worry a lot about children in low-income families where the children are very smart, parents are working hard with them, they are turning off the TVs at night, they are doing the right thing, but family members have never gone to college, and they just don't think they belong to that world. They have never been exposed to it. The degree of isolation is tremendous.

And if we can say to young people around the country that there is going to be money for you and, again, tell them that in fifth grade and sixth grade and seventh grade and that they know that they are going to have real access and real opportunity——

Mr. HENSARLING. Well Mr. Secretary, if the debt doubles in 10 years, I ultimately don't know where that money is going to come from.

Forgive me. I have limited time here. I want to switch subjects here and read from an editorial that appeared recently in the Washington Post. Not the National Review, not the Weekly Standard, it comes from the March 2nd edition. It is titled Potential Disruption.

"Representative David Obey and other congressional Democrats should spare us their phony concern about the children participating in the District's school voucher program. If they cared for the future of these students, they wouldn't be so quick as to try to kill the program that affords low-income minority children a chance at a better education."

Again, this comes from the Washington Post.

"The Democrat-controlled House passed a spending bill that spells the end after the 2009/10 school year of the federally funded program that enables poor students to attend private schools with scholarships up to $7,500. We would like Mr. Obey and his colleagues to talk about possible disruption with Debra Parker, mother of two children who attended Sidwell Friends School because of the D.C. Opportunity Scholarship Program. The mere thought of returning to public school frightens me, Ms. Parker told us.

"But the debate unfolding on Capitol Hill isn't about the facts. It is about politics and the stranglehold the teachers' unions have on the Democratic Party. Why else has so much time and effort gone into trying to kill off what, in the grand scheme of government spending, is a tiny program? Why wouldn't Congress want to get the results of a carefully calibrated scientific study before pulling the plug on a program that has proven to be enormously popular? Can the real fear be that school vouchers might actually be shown to be effective in leveling the academic playing field."

My understanding is the Sidwell school is where the President is sending his children. The President signed the omnibus bill that kills off this particular program, which means effectively some of the President's children's classmates could be sent into other schools.

You say that you want to somehow prevent this potential disruption. But how are you going do it if you just signed the bill that kills the program?

Secretary DUNCAN. First of all, Congress can reauthorize the program. And, as I said earlier, both the President and I, while we don't think vouchers are the answer long term, neither one of us wants to see these children's education disrupted. If children are in a school and they are happy and they are learning and they are safe, to pull them out of that school doesn't make sense.

Mr. HENSARLING. But you could have put it in your budget and you chose not to, correct?

Secretary DUNCAN. No—go ahead.

Mr. SKELLY. The omnibus bill said that the money is there for students who are still in the program. But additional funds wouldn't be provided unless Congress reauthorizes the act. So it is up to Congress. The President's budget in detail will come out in April.

Mr. HENSARLING. Thank you.

Chairman SPRATT. Mr. Doggett.

Mr. DOGGETT. Thank you, Mr. Chairman. Thank you Mr. Secretary.

I have two separate concerns, both of which derive from the economic recovery law; and my questions are long. I am going to pose both areas and ask you to respond briefly to each and then to follow up with a timely written response on these questions.

Secretary DUNCAN. Yes, sir.

Mr. DOGGETT. My first area of concern is the one you were discussing with Ms. Schwartz, and that is quality early childhood education. I think the economic recovery law is the first measure of the Administration's commitment to what you just described as the best investment that we can make.

I am very familiar with what was done for child care, which, unfortunately, in too many States is glorified babysitting, necessary but glorified babysitting, Early Head Start and Head Start. However, other than perhaps the educating children with disabilities program, IDEA, there are no funds that have been specifically designated under your jurisdiction in the Education Department for quality early childhood education after the 15 percent provision in the Senate bill was abandoned, which would have been focused in that direction.

You indicate in your budget outline that you will have early learning challenge grants, and that sounds good, but it is hard to tell whether that will be too little, too late. This is an initiative that is not authorized. I don't believe the legislation has even been introduced yet; and if it does pass in the form you describe, then we will have to appropriate for it down the road.

I am concerned that the speeches on this are very good but that the follow-through needs to be now so that the States can be encouraged to develop, especially for 3- and 4-year-olds, quality prekindergarten programs that are research-based and that will be effective in achieving the goals that you just stated this morning. That's concern number one.

Concern number two, Mr. Secretary, is with regard to the State stabilization funds, the matter that you are familiar with that I wrote to you about a couple of weeks ago. I saw the goal of the 81.8 percent of State stabilization funds that are defined in the Economic Recovery Act as the education fund to be to assure to our local school districts that they were getting more resources to provide quality public education, and my concern is that in a State like Texas or in a State like South Carolina that there is great doubt whether that will happen.

I come from a State where the Governor has made a career out of condemning the economic recovery legislation at the same time he stretches out his hand to get just as much of that money as he can; in the case of the education fund, to siphon off much that would have gone directly to the local school districts. I did some in-

quiry before I voted for the Economic Recovery Act and found that in Texas, from '06, '07 to '08, '09, we had increased public education funding by 33 percent, and that the State budget board had recommended another increase since we are one of the rare States not actually in recession today, for the next couple of years.

My concern is that now the State of Texas wants to siphon off as much of that money that would otherwise go to the local districts according to Title I formulas as it possibly can, and it has all kinds of schemes and devices to do that. Let me just emphasize what the practical effect of that is for some of the small school districts in my district.

In Bastrop, they will get $6 million if that fund is distributed to them, and they need that money. If the State is able to take the State stabilization fund, they will see a cut of almost $4 million in that $6 million. Hayes Consolidated will see about half of the money it would receive from the economic recovery fund.

And you can say, well, State, Federal, local, what difference does it make? It means that the State will be substituting the Federal dollars for what it had planned to do and that the dollars we wanted to flow to help assure quality public education at the local level will not be any greater than if we had never passed this law in the first place.

I am very concerned about the guidance you are giving about devices, on textbooks, on increased enrollment and the like to assure that objective that I know we share really gets achieved, and that it will not be achieved in a State like Texas without some forceful leadership from your office.

Secretary DUNCAN. Two really profound questions. I will be brief in my answers, and I will give you a written response on both. And on the second one there is already a written response on the way.

I worry a lot about the children in Texas, and I worry a lot about the children in South Carolina. We had a great meeting this morning with Congressman Spratt and his colleague; and I think we came up with some pretty creative answers there, that we will be able, we think, to do the right thing by children. And we want to do it there and in Texas as well.

Local school districts control how the money is spent, not the Governors. The Governor has no authority to dictate use but is accountable that the money be used according to law.

But we will sit with you. I know our staffs have talked.

Mr. DOGGETT. Well, our concern is that the money will never flow because they divert it for State programs. So it never goes directly to the district. They just use the State funds, Federal funds to replace the State funds. That is where your guidance comes into play.

Secretary DUNCAN. I understand. I will be happy to sit with you. I think we came up with some good ideas for South Carolina this morning, and I look forward to doing the same thing with you. On your first question, again we will respond in writing. There is a dramatic increase in Title I money. We hope lots of that money goes to increase early childhood access and equality and there are some other ways to do it.

Mr. DOGGETT. A very small portion of it does under current law, and there is no guidance or designation to the districts to do that, unfortunately.

Mr. SKELLY. In our guidance on the Recovery Act, we did indicate the conference report talked about using 50 percent of the Title 1 funds for early childhood, and we said we would do that and put out additional guidance on how they could do that.

Mr. SKELLY. We were actually very explicit.

Mr. DOGGETT. Thank you.

Chairman SPRATT. Mr. Aderholt.

Mr. ADERHOLT. Thank you, Mr. Chairman.

Secretary, thank you for being here. Thank you both for being here. Mr. Skelly, I thank you.

One thing that I wanted to just get you to maybe talk a little bit about was—of course the President has talked about rewarding effective teachers, and that has been something that he has discussed openly and that he has talked with various groups about. Just give us a little overview. And I know that this is a subject you probably spent a whole hearing on, but just a little overview of how you think that such a system, a merit-based pay system, would work and just your overall thoughts on that?

Secretary DUNCAN. Let me give a little broader context and then get to your specific questions. I stated at the beginning of my earlier testimony that there is nothing more important we can do than to get a great teacher into every classroom, a great principal into every school. And you can have all the resources, you can have a great building, you can have great technology, but if you don't have great teachers and great principals, you are still really putting a limit on what those students can learn. And I think we have to become much more creative in how we think about rewarding, incentivizing, developing, helping our teachers to be successful. Let them even start before they become teachers.

We have a fascinating window of opportunity here. We have a baby-boomer generation that is moving towards retirement. We are going to lose a large percentage of our teachers to retirement over the next 3, 4, 5, 6 years. If we bring in the best and the brightest from around the country to go into teaching now and do a better job of keeping those great teachers, we can transform the workforce of public education in our country for the next 25 or 30 years. It is absolutely a generational shift.

So while this issue is of critical importance at any time, it is of more importance than any time in recent history right now.

So it presents some challenges. I would argue it presents some huge opportunities. One of the only benefits of having such a tough economy is teaching is a much more desirable profession now. We have many more folks looking at teaching. And part of how I want to spend my time—and the President and the First Lady and the Vice President and his wife, who still continues to teach today, which I think is remarkable—we want to go out and travel the country and encourage the best and brightest to come into teaching. You heard the President talk about this in his speech the other day, that talent matters tremendously.

So we need to get the best and brightest and we need to create better mentoring and support induction programs so our best

teachers don't get burned out and leave after a couple of years because they are not supported and they are not listened to and they don't have classroom management skills.

And then we need to identify the best and brightest. And, yes, we need to reward them. And I want to do a couple of things differently. I want to reward teachers based upon them continuing to grow. We have put out financial incentives in our package at home for teachers who became nationally board certified, who really reached a high bar. I want to reward teachers who are making a demonstrable difference in student achievement, who are dramatically improving what students are learning each year.

I am a big believer at looking at not just absolute test scores, but gains, growth, how much the students gain each year. I think we need to think about how we incentivize the best and brightest teachers and principals to take on the toughest assignments, whether that is rural or inner-city urban. They are communities where far too often great talent has fled. We have to reverse that trend and create incentives for great talent to go into those communities.

Finally, we have areas of critical shortage for the country: math and science, other areas as well. I think we need to think differently about how we reward and compensate that. So I see this along a continuum. We need to have a world-class effort to recruit the best and brightest into teaching. We need to find ways to better support and mentor those teachers. We need to find ways to reward excellence. And we need to find ways to reward folks to take on tough assignments in communities that have been underserved. And we need to find ways to eliminate our math and science shortages.

And along this continuum of activity, I think we can dramatically improve student achievement, because nothing is more important. So it is not just one piece of this is important. We have to look at all these things, starting with how we start to engage 18-year-olds thinking about education and how we reward 28-year-olds, 38-year-olds, 48-year-olds, 58-year-olds who are doing a phenomenal job in the classroom.

The flip side of that is where, at the end of the day, after great support, great mentoring, great induction, if teachers aren't making it, I think they need to find something else to do. The average child, you know, three good teachers in a row, they are going to be a year and a half or 2 years ahead. Three bad teachers in a row, and that child is going to be so far behind it is going to be hard to catch up. We have to look at all ends of this continuum and just be very honest about how critically important it is to get the best and brightest where we need them the most.

Mr. ADERHOLT. And you alluded to it at the end there, the way that you remove ineffective teachers from the classroom is of course a very difficult challenge. And what are some of the ideas that—possibilities of how that might occur?

Secretary DUNCAN. How to remove teachers that are ineffective?

Mr. ADERHOLT. Yeah. Just how they could be removed from the classroom. Is there a way to——

Secretary DUNCAN. You remove them.

Mr. ADERHOLT. I know that the President has been criticized by some groups for that, but he feels very strongly that that is——

Secretary DUNCAN. Let me be really clear. The overwhelming majority of teachers do an extraordinary job. And I would argue they are unsung heroes. I would argue that we have not begun to do enough to recognize, reward, incentivize, shine a spotlight on teachers that in the toughest of circumstances—underfunded schools, crumbling buildings—have done an extraordinary job of making a difference in students' lives. And I don't think we have done a good job of recognizing that great talent. I don't think we have done enough to support those teachers in the middle that need more help. And I don't think we have been open and honest enough about those teachers that simply aren't cut out for teaching and moving them out.

So, again, every part along that continuum, I think we need to push for a pretty significant change.

Mr. ADERHOLT. Okay. Thank you, Mr. Chairman.

Chairman SPRATT. Mr. Blumenauer.

Mr. BLUMENAUER. Thank you, Mr. Chairman. Mr. Secretary, thank you for joining us. I must say I have been encouraged by the President's commitment and his leadership and certainly appreciate your vision and your past accomplishments on the ground and what you bring to the party here.

One brief observation. What I think you said in response to my friend from Alabama is that if there is a teacher who is not performing, you remove them. And, in fact, this is something that can, in fact, be done and is done around the country.

Secretary DUNCAN. It is done in some places, some places not.

Mr. BLUMENAUER. Your colloquy earlier with the Chairman about the Sputnik era, which some of our members read about—I am one of those who actually was in grade school and benefited from a substantial commitment from the Federal Government to all of a sudden decide that our fragmented, decentralized system around the country couldn't be relied on. It was against the national interest. And they moved forward with math, science, foreign language, helped develop curriculum, had national defense, and student loans. And this came on the heels of the GI Bill, which moved a whole generation to college.

I am wondering—you don't have time to do it now, but I wonder if your Department could help us categorize the increase in productivity nationally that was a result of these massive infusions of Federal dollars and whether or not they actually paid for themselves over the course of the period of time with increased productivity in the workforce. If you would be willing to work with us to quantify that.

Secretary DUNCAN. It is a huge, important point. And again, I just fundamentally believe we have to educate our way to a better economy. I think as a country, honestly we have lost our way on this. We used to lead the world in college graduates. It is not so much that we have dropped; we have stagnated. And guess what? A whole host of folks have passed us by. And we can't be proud.

I have met with every single Governor, I have met with every single State school chief. I have asked each of them, which one of

you has an acceptable graduation rate, which one of you has an acceptable dropout rate?

Mr. BLUMENAUER. We are in agreement on that. What I would like is your help in quantifying what happened with those investments in the past, because I think it speaks to my friend from Wisconsin and my friend from Texas wondering about deficits as far as the eye can see in terms of increased economic productivity from the past investments.

Secretary DUNCAN. We would be happy to look at that and learn the lessons, good and bad. I want to be very clear. I think the significant investment in early childhood, K to 12, and higher, is absolutely the right thing. And I want to be accountable for every single penny. Money alone is not going to be the answer. We have to push a very strong reform agenda.

Mr. BLUMENAUER. I just want your help with the economics.

Secretary DUNCAN. Got it.

Mr. BLUMENAUER. I would like to change direction slightly, as one of those Sputnik grade-school refugees growing up in an era in the 1960s, early 1970s, where the majority of American children actually walked or biked to school, when there was a connection to the physical environment.

One thing that is not mentioned in your presentation that I would hope that you could elaborate on for a moment here and then think about how we can work on this; about when we are worried about morbidly obese fourth graders; when we don't have a health component in No Child Left Behind; when we have schools that have rush hours in the morning while parents are having to juggle getting kids there; when we don't connect local schools with surrounding farmers for more nutritious food; and when many schools are energy sieves.

We have had some initiatives in the last Congress—green schools, sustainable universities—where there would be money to green the facilities and to help with some of these efforts with physical fitness and the environment. The last conversation I had with a member of a school board in Portland, Oregon, my largest school district, mentioned for $5 million—for plumbing investments—they would be able to save over two-thirds of a million dollars in perpetuity, plus having a cleaner environment.

Do you have some thoughts now, or could you help us with how we make the school into a building block in a sustainable community?

Secretary DUNCAN. Two great questions. Let me try to answer the first one first.

On nutrition, obviously, as you know, that falls under the Department of Agriculture, Secretary Vilsack, someone we want to work very closely with, just like HHS and other sister agencies. We need to think about how we create more nutritious meals for students. We have to think about how we could do more to get them exercising: walking, running, jumping rope, skipping, hopping, whatever it might be. We have to think about parental education around nutrition at the home as well. So there is a whole series of things I worry about.

And, yes, I worry a lot about children who are very heavy at first and second grade, third grade. You see them walking to school in

the morning with a bag of chips and a soda pop. And it is a tough way to start the school day. Tough on the kid, tough on the teacher.

So I think that we need to be creative and be thoughtful, and Secretary Vilsack, I think, is going to be a phenomenal part. And he and I have had some preliminary conversations.

On the second one, there is significant money in the stabilization package for school modernization. We put in specific language and guidance around schools becoming more energy efficient. And many of our schools are energy hawks. And over the long haul, I would much rather have money going into teachers and classrooms and longer school days than going to pay the utility bill. It doesn't make sense. Some schools have led on this in school districts. Others have a long way to go.

We, again, were very, very clear in our guidance that this is something we want schools and school districts spending money on—use our investment now. It is a perfect use of a one-time fund to make your school energy efficient, that will save you money for the next decade or two. And you can plow those scarce resources back into students and teachers.

Mr. BLUMENAUER. Super. Thank you very much, sir.

Chairman SPRATT. Mrs. Lummis.

Mrs. LUMMIS. Thank you, Mr. Chairman. I can sense your commitment to education and your enthusiasm for your job. So thank you for being here today and joining us.

I have two questions. The first one is about Impact Aid. I know you come from a State with very little nonprivate land. I come from a State where about half of the land is public land and half of the land is private. So we cannot collect taxes off that public land that can be used to educate, for example, students who live on tribal lands or students who live on military bases.

And so I want to ask a question about what funding level for Impact Aid can Congress expect in the Administration's comprehensive budget proposal?

Secretary DUNCAN. This is money that is going out the door very quickly, which I think you will be pleased to know. Tom, will you walk through the numbers?

Mr. SKELLY. One, the details to the April budget are just not public yet. But Impact Aid did get $100 million in additional funds for construction in the Recovery and Reinvestment Act. So that will be coming to many of the Impact Aid districts to help them with modernizing their schools.

Mrs. LUMMIS. Thank you.

And, Mr. Chairman, my next question is about the student loan program. I note that the President's budget proposes to eliminate the Federal Family Education Loan program and shift Federal student lending to the Direct Loan program, which, as I understand, now handles about 20 percent of current Federal student lending. My question: Can the Department handle the other 80 percent?

Secretary DUNCAN. The Department can absolutely handle it. And what is really important is that the private sector companies will continue to be major participants in this program. So we are already partnering with them. And we will use competition to ensure excellent service for borrowers at reasonable expenses, reason-

able costs to taxpayers. We feel confident in our ability, not to do it by ourselves, but with the participation and collaboration of the private sector.

Mrs. LUMMIS. And have you had a chance, Mr. Secretary, to visit with any of the private student loan corporations to figure out which of those are providing exemplary service and which of them may be falling short, so there is an opportunity for a fair competition between the federally provided program and the private sector programs?

Secretary DUNCAN. Our staff has been working very closely with them. We have already issued an RFP. We have had six respondents. And we look to have a set of those players continue to work with the borrowers to provide great service on the private side.

Mrs. LUMMIS. Mr. Chairman, thank you again. I am pleased to have you here today. And your excitement is something that we can all feel. So thank you for joining us.

Secretary DUNCAN. Thank you so much.

Chairman SPRATT. Thank you, ma'am. Mr. Becerra.

Mr. BECERRA. Mr. Chairman, thank you very much. Mr. Secretary, congratulations to you. We are very much looking forward to working with you into the future. I think you have the type of resume that gives us a great deal of confidence that you really do want to have 21st century learning in our schools. So we thank you for being here today.

A couple of questions. I know you had a chance to meet recently—I think yesterday, in fact—with folks from my city of Los Angeles and with the school leadership from Los Angeles. We have the second largest school district in the Nation in Los Angeles. And you may be aware that this week the L.A. Unified School District sent out close to 9,000 pink slips to its teachers because it has to prepare for the eventuality of laying off up to 8- to 9,000 teachers if the money is not there from the State and the Federal Government to help them hire and retain those teachers.

You did a tremendous job in working with the President and helping Congress pass this economic recovery package. I believe over $100 billion is out there, available now for the States to use for education purposes.

I am wondering if you can tell us how quickly you expect that money to start flowing into the schools.

Secretary DUNCAN. A couple of thoughts, just to back up. We anticipate—I don't have an exact number for L.A., but I will tell you for New York, we anticipate the State's stabilization funds saving 14,000 teaching jobs in New York City alone. They are slightly larger than L.A., but I am very hopeful that the money we are bringing to California, to the L.A. district itself, L.A. Unified, will save literally thousands of jobs.

So I don't know if it will save every single job there, but we are trying to stave off an educational catastrophe. And we have a real opportunity do that. We are getting the first set of money out the door over the next 30 to 45 days. I hope that flows through very quickly. And obviously from my old hat, now is the time. March and April is when you are planning your budget for the fall. So folks need to know.

So our staff has been working—and I want to single out career staff. Our career staff has been there nights, weekends, holidays. And we put guidance up on the Web and got it out to districts last Friday. And we are very, very clear about getting this out quickly so that States and districts know exactly what they have to work with.

Just to let you know I was really encouraged to see a real sense of commitment from your mayor, from your new superintendent whom I have tremendous respect for. I think that was a remarkable pick, the union's participation. I think the L.A. children deserve better, quite honestly, than what they have had historically. And I think there is a real sense of urgency there that is critical. I am going to do whatever I can to increase the rate of achievement there.

And due to adult dysfunction, children have not been as well served there as they should have been. The board president was there, the business community. I think there is a growing sense of urgency there and a growing sense that everyone needs to behave differently. I was very encouraged to see that.

Mr. BECERRA. I think if you bring that attitude when you go visit places like Los Angeles, it will be very helpful. Because if we see a quick distribution of the dollars into these schools, we will see immediate results. I know some of the teachers that are receiving these pink slips. I have been to some of these classrooms where some of that construction money will be very helpful in getting them renovated. So I hope we are able to work with you.

And let us know how we can be helpful to you in trying to make sure that that money hits the ground and we do the oversight, of course, necessary to make sure it gets spent in those schools.

Secretary DUNCAN. We want to get it out and we want to get it out quickly. And I want to be clear. Just maintaining or stabilizing the status quo is not good enough around the country and it really isn't good enough in a place like L.A. So we want to push a very strong reform agenda. And just to continue to invest in the status quo isn't going to get us where we need to be. So we are committed to getting the money out. We are committed to being accountable and holding the districts and States accountable as well. We want to really think about how we use this money to leverage dramatic change.

Mr. BECERRA. Amen. I hope you continue to preach that gospel.

I would love to ask you a little bit now, and I don't have much time, so I am just going to real quickly ask your thoughts, and if you could tell us what the budget does, in your opinion, with regard to English learners. We have a lot of kids throughout the country, and certainly in places like Los Angeles where you have kids that are eager to learn, but they are having to learn the English language as well as they also try to learn math and science and geography.

Can you tell us what this budget does and what you are going to do as Secretary to try to make sure all these children have a chance to become successful leaders in America and the future?

Secretary DUNCAN. L.A. obviously has a tremendous diversity of students. I had a tremendous diversity in Chicago. So this is an initiative that is very, very close to my heart. And I think we have

to do everything we can to support those children, to help teach them English as quickly as possible. I worry about our ability to assess early on whether students are learning.

I worry as we go into No Child Left Behind authorization, that is an area I want to look at very closely. There aren't easy answers there. But whatever we can do to help these children learn English and get the additional support they need, we need to do that. And we are going to hire someone phenomenal to lead that effort for us here and try and set the tone around the country.

And as you know, the minority population is quickly becoming the majority population. In this country, we had schools at home where you had literally 30 different languages spoken in one school. Amazing. That is not unique to L.A. and other places. You see remarkable work going on when you have adults there that really care and really understand. And what is so encouraging to me is so many of these families are here really chasing the American dream, and often very uneducated parents sometimes escaping from horrific situations in their home country. But they are here because they want their children to get a better education. And in many of those communities, you saw moms who didn't know any English, who probably had very little formal education. They were in the schools volunteering every single day because they wanted better for their children.

So there is a real spirit of commitment to education, a desire for children to do better. And we need to more than meet those children and families halfway.

Mr. BECERRA. Mr. Secretary, thank you very much for your enthusiasm. And we are thrilled to have you leading this effort at the national level.

Mr. Chairman, I thank you for the time and I yield back.

Chairman SPRATT. Mr. McGovern.

Mr. MCGOVERN. Thank you, Mr. Chairman. Congratulations, Mr. Secretary. And thank you for your testimony. And I appreciate your passion on the issue of education. I am excited about your agenda and I look forward to working with you to make sure it gets implemented.

Mr. Secretary, one of my passions is ending hunger and this kind of follows up on what Mr. Blumenauer has already talked about. But some of the most important programs in combating hunger and in nutritiously feeding our Nation's children are the school meal programs that are part of the child nutrition programs.

One of my colleagues you don't know, Senator Richard Russell, was the author of the school lunch program because he was worried about the number of undernourished kids in our country and was worried we wouldn't have the manpower to go into the military during World War II.

But today there is a different problem: both hunger and obesity rates among children are rising. And the truth is that hunger and obesity are tied together. Families struggling to put food on the table will buy cheaper food, those with empty calories instead of the more expensive and nutritious food. And simply put, it is cheaper to buy something off the dollar menu at McDonald's than it is to buy fresh fruit or fresh vegetables or lean meat or a balanced meal.

The sad fact is that many of our kids rely solely on schools for their basic nutrition. And I know, as you mentioned, a lot of these programs are funded through USDA. And I am encouraged that you are meeting with Secretary Vilsack on this issue.

But the issue of nutrition and learning are tied together. Hungry kids don't learn. Unhealthy kids don't learn. And I think there really needs to be a renewed kind of coordinated effort on that front. And so, again, I am pleased that you are already reaching out to Secretary Vilsack.

President Obama has said that he wants to end childhood hunger by the year 2015. That is not going to happen without your help and without the direct involvement of your Department.

But I want to raise a concern here. We all know that our schools are facing severe budget shortfalls. But one of the ways some schools are trying to plug the holes in their budget is by increasing the so-called indirect costs to school meal programs. In short, money that we appropriate for school meals can pay for energy or telephones or it can even be used for personnel costs in the principal's office. In some situations, funds designated for school meals can be used for direct classroom instruction by being labeled as an indirect expense.

Now, neither the statute nor the regulations put any cap on indirect costs. And according to the School Nutrition Association, some districts pay as much as 15 to 18 percent of their budgets in indirect costs. The children who rely on school meals are the ones that suffer when schools are forced to use school meal money to make up for these budget shortfalls. And President Obama's proposed increases in childhood nutrition programs will go much further, I believe, if we properly address the issue of indirect costs.

I have raised this issue with Secretary Vilsack and he is going to look into it. But I think this is also your problem too. And we want to make sure we are not robbing Peter to pay Paul. We want to make sure that our kids are getting what we want them to get: healthy nutritious meals in schools. And I would appreciate any comments you might have.

Secretary DUNCAN. I appreciate your sense of urgency on it. Again, Secretary Vilsack has been just a joy to work with so far. And we have talked through a number of these issues already. We don't have all the answers yet. But he is absolutely committed, and we will come back to you with clear ideas about what we can do.

Let me just sort of step back and tell you a little bit why I agree with you so much and why this is so important philosophically to me. We fed tens of thousands of children in Chicago three meals a day, breakfast, lunch and dinner, because I worried a lot about them not eating at home. We fed over 60 million meals annually, a staggering number. We had a couple of thousand children in over 20 schools that were in particularly tough communities who we sent bags of food home on Friday afternoons because I worried about those kids not eating over the weekend.

As you said, if our kids are hungry, if their stomach is growling, it is hard to talk about AP chemistry or physics. They are just trying to survive. And to me it goes beyond that. You focused on hunger. If our kids can't see the blackboard, they can't learn. So we

need about tens of thousands of eyeglasses. If they don't feel safe, they are not going to learn.

So there is a series of foundational things, social and emotional, health and safety and well-being, physical health, being able to see, not being hungry. There is a series of things we have to do to create an environment in which we can start to talk about teaching and learning. And we have to be committed to doing that.

One thing we haven't talked about today—and I don't want to belabor the point—is our schools have to be open longer hours and there have to be open community centers. And we had a couple of dozen schools where we actually had health-care clinics attached to the schools. So we have to think very, very differently about what our children need to break cycles of social failure and poverty, and think about how we serve not just that child in a holistic manner, but the entire family. And you are talking about an integral piece of that equation.

Mr. MCGOVERN. Well, I appreciate your response. And I also appreciate the fact you are already having these discussions with Secretary Vilsack. I think one of the concerns that many of us have is that in the past everybody has been so turf conscious that they are not willing to work together in a coordinated effort. And if we are going to meet President Obama's goal of ending childhood hunger by 2015, we are going to need to work in a coordinated way.

And that also, I think, includes addressing this issue of indirect cause, which the more I learn about it, the more I am kind of stunned that these funds are so fungible and have been used for things that have nothing to do with making sure kids get the nutrition and the things that you and I both care about.

Secretary DUNCAN. Maybe we are on our honeymoon or on our best behavior. But just let me tell you, the group of Secretaries are the most sort of humble, low key, down to earth, non-ego-driven smart people I have ever seen. And just across the board people just want to get things done. So it is easy to talk about when you sort of put that into practice and build a different culture. But uniformly in every single situation, folks just want to make things better for this country. And I feel a real unique opportunity to do that in a collaborative manner.

Mr. MCGOVERN. Just one final thing, Mr. Chairman. One of my colleagues, who is no longer here, kind of took a slam at the D.C. Public School System. My two kids are here in Washington with me and they both go to the D.C. public schools. And I want to assure you that there are some incredible teachers here and some incredible learning going on. There is a lot of innovation. So I always try to encourage my colleagues to go and visit these schools that they talk about all the time.

But there is a lot to be proud of here. There is a lot that needs to be done, but there are some really good things happening here.

Secretary DUNCAN. I absolutely appreciate that. I think there has been tremendous progress here, with a long way to go. But I think there is a great leadership in place: a mayor, chancellor, a set of folks that want to see the kind of dramatic changes needed. And this is why I would argue ultimately, not to go back to another point, but you can't voucher out all these kids. It doesn't make sense. You can't save 1 or 2 percent and let the other 98 percent

sink. We have to fix the system. And you have a set of folks in place who are absolutely committed to doing that. And we have seen some very significant progress recently.

Mr. MCGOVERN. Thank you very much.

Chairman SPRATT. Mr. Jordan.

Mr. JORDAN. Thank you, Mr. Chairman. Mr. Secretary, I appreciate you being here too. I appreciate your commitment to students over the years and what you have done in your career.

My wife is a public school teacher. We are kind of unique. We home-schooled our children. I use the term "we" lightly. She did the work. We home-schooled them until about the fourth or fifth or sixth grade. And then they all went into the public schools, the same public school we went to. She now teaches there at the public school. So we appreciate, again, your commitment to education.

I want to talk a little bit about the choice component. Let me just ask you kind of a basic sort of fundamental question. Who do you believe is best equipped to determine the best educational setting for a student? In the vast majority of cases, who do you think is best able to make that decision?

Secretary DUNCAN. Their parents.

Mr. JORDAN. Okay. It has been my experience in Ohio—and before coming here to Congress, I was in the State house and the State senate. Every time a choice element was introduced into the system, it was opposed. We started with vocational and career tech training. It was opposed by people who just were against it. Open enrollment was opposed. Postsecondary option was initially opposed. Home schooling was vigorously opposed when it first began. Digital and distance learning many times were initially opposed. Charter schools were opposed. And now, of course, the ultimate school choice.

We did in our State, the Cleveland Scholarship Program, which was challenged at every single level, went all the way to the Supreme Court where it was challenged on the establishment clause. Because the way it worked was in our State, 612 school districts, Cleveland had about the worst, the second-worst graduation rate in the State. We did a program to allow K through third graders to get a scholarship and attend the school of their parents' choice. The challenge was found unconstitutional.

But every single step, there was opposition. And yet what we found is that—we had the career tech schools in this week talking about the good things they are doing for students.

So again, I would like to get your general thoughts on sort of that timeline and those choice elements that have been introduced into education that parents have found to be very good for many of their kids. And then your thoughts on the D.C. program as well, and just overall your thoughts on school choice.

Secretary DUNCAN. And obviously it is a big country, so this is the local context that is so critical here. I am getting to know Alaska a little bit better. And choice is a little bit hard there when there are not schools for thousands of miles from where you live. So it is all a little bit local.

But fundamentally within the public school system, I am a big believer in choice and competition. And we opened, during my time in Chicago, almost 100 new schools. We closed about 60 schools.

And I worry a lot about communities where I would argue for decades children and families have been poorly served. And I think when we fail to educate, we perpetuate poverty and we perpetuate social failure, particularly at the high school level. Again, this more where you have concentrations of population obviously, so this is maybe a little more urban than rural.

But the more we create a set of great options and let children and parents figure out what is the best learning environment for them. So I will walk you through some of the things we did. We had great math and science academies. We had schools that focused on fine performing arts. We had schools that focused on the international baccalaureate curriculum. We did a lot around vocational education. I think we need to do more of that. We have single-sex schools, which is a little controversial. We have more military academies than anywhere else in the country. That was a little controversial. And what was important in all of these is that the children and families decided where they wanted to go to school. What was fascinating, is just in this past year——

Mr. JORDAN. I introduced a bill back at the State house we called Child Centered Funding. The dollars are put on the back of that student and they follow that student to wherever his or her parents think they are going to get the best education, in public, private, home, whatever. Are you opposed to that concept?

Secretary DUNCAN. I am much more focused on strengthening the public school system.

Mr. JORDAN. Let me ask this, because I only have a minute here left. In the last question, your response was you can't voucher out all the kids, you can't let a few people get out, you need to fix the whole system. We all want every school to work and every school to give kids a quality education. But what we found in Cleveland was—and I used to debate this all the time—how bad does it have to get before you let some escape and get a quality education?

In Cleveland we had a 38 percent graduation rate. Does it have to be—is that too high? Does it have to be 32, does it have to be 20? How bad does it have to get before you give some kids a chance at a better chance at the American dream?

Secretary DUNCAN. It is a great question. I would argue there needs to be massive innovation and massive change well before you get to that 38 percent. So I would argue you are already too late in that—I don't know—I know some of the local context there. But whether it is due to a lack of political courage or lack of government structure, whatever it might be, that well before your graduation dipped south of 50 percent, people should have been saying, this is a disaster for our children, it is a disaster for our city, we need to do something dramatically better. I would argue at that point you are already too late to be having that debate.

Mr. JORDAN. My time has expired. Thank you, Mr. Chairman.

Chairman SPRATT. Ms. Tsongas.

Ms. TSONGAS. Thank you, Mr. Chairman. And thank you so much for your testimony. I have truly enjoyed it. Before assuming this position, I was a dean in a community college. So it is great to hear your experience, knowledge and passion for education.

And also I want to thank you for the funding and the recovery package. Glad to hear it will be coming out within 30 to 45 days.

Both the urban centers that I represent and the suburban communities have really been reeling at the thought of the kinds of cuts they were going to have to endure without it. So it is wonderful that we are not compromising education as we address the challenges we face.

Secretary DUNCAN. Let me just be really clear on that point. The first set of money will go out in 30 to 45 days. More to follow.

Ms. TSONGAS. Right. That is what I meant. And also I appreciate the commitment to education in the proposed budget. My view of the role of the Federal Government is that it has to be a strategic and leveraging partner. It really has to keep the pipeline firm by funding at the earliest level through No Child Left Behind and at the highest level through the Pell Grant and other mechanisms.

And as a community college dean, I saw that one of the major roles we played was remedial for young people coming out of our local high schools. We did it with great hesitation, but we understood that it was an obligation we had in order to prepare our students to be successful not only at the community college level, but so that they could go on to a 4-year institution and hopefully beyond that.

So my question: Two of the main critiques of the No Child Left Behind authorization of ESEA are that it has placed a rigid emphasis on testing and that schools have never received sufficient funds to meet its mandates.

In your testimony you mentioned, quote, improving assessments, including assessments for students with disabilities, and English language learners to accurately measure a student's knowledge and skills as one of your goals. I am curious if the complete budget request to be issued in April will further illustrate your thoughts on testing and the kind of fiscal support you will have so that schools can do that without a great disservice to all the other things that they are trying to do at the same time.

Secretary DUNCAN. Yes. This is another obviously large topic that we could spend a couple of hours on. So I will try to answer briefly.

Let me be clear. I think we often over-test. I think we need to have a very high bar. I think we should test annually, not 15 times a year. I think we need to have great assessments, helping students and teachers understand those child's strengths and weaknesses along the way. So what you get on a test in May or June should be no surprise, that you have had real clear benchmarks and real clear information so that teachers and parents and students can understand these are my strengths and these are my weaknesses and this is what I need to do to improve.

So it is not about testing. It is about having really high standards, a clear bar and great data, and great evaluation along the way so that we can help those students continue to improve.

As we go into NCLB reauthorization, I think we should not just look at testing. I think we have to look at outcomes, graduation rates. And I have argued that if your State or your district has the best third grade test scores in the world, and 50 percent of your students are dropping out, or, in Cleveland's situation, two-thirds of your students are dropping out, those third grade test scores—you are not changing students' lives. So we have to really look at

how we continue to increase high school graduation rates and also college graduation rates.

I think ultimately, in an ideal world—and it will take us some time to get there—in an ideal world, the community colleges and the universities would get out of the remediation business. The students graduating from high school would have the skills to just step in and be successful.

Now, it is going to take us some time to get there. I want to measure our ability to make progress towards that point. And I also think there is a huge differentiation in the quality of the remediation. And for those students that do need additional help, how do we do that in a more thoughtful and targeted manner? So there are some things we need to do in the short term, but the endgame should be to get out of the remediation business.

Ms. TSONGAS. Another quick question. I am running out of time. But science, technology, engineering and math are fields that women are not really entering into at the same level as young men. And I hope you are giving some thought to how to encourage young women to enter these fields so that they can be successful, given that that is where much of our economy is going to be heading.

Secretary DUNCAN. That is a great question. If we can get more of our female teachers to go into math and science and create some incentives, the more our young girls have mentors and role models they can look up to in class and see in these fields, I think that will start to encourage them.

Ms. TSONGAS. Thank you.

Chairman SPRATT. Ms. McCollum.

Ms. MCCOLLUM. Thank you, Mr. Chair. And thank you so much for being here. This has been just fascinating for me. And I am very, very excited about the way we are moving forward.

President Obama in his budget, he stated clearly that students—and I quote him—must achieve high standards in order to be successful in this global economy. And you stated March 10th in excerpts from a speech that I read—to quote you—it is time to prepare every child everywhere in America to outcompete any worker anywhere in the world. And so focusing on our economy and our ability to succeed in the world and for children to have a bright economic future is important too. And then you go on to say in your remarks on March 10th that America's entire education system must once more be the envy of the world. And we were and we aren't anymore.

So I am here to talk with you about how we can do that together. So my basic question is, how do we get there? I supported the goals of No Child Left Behind. I voted against it. In fact, I was one of only a few members in the policy committee who voted against it; and the Minnesota delegation, which I represented, after I spoke to them we voted against it, except for one member. So it wasn't that we didn't want children to move forward. We had done some reform in Minnesota. We knew it was expensive. We knew that you had to have measurable outcomes. We were interested in helping the child and not helping testing companies.

So what we have now with No Child Left Behind are standards that are not comparable. They include high-stakes tests that punish school districts and schools, States and schools that have high

standards. In fact, we will have all of our schools in Minnesota at some point not making adequate yearly progress because of the high-stakes testing.

And to quote from you again from March 10th, you say let us challenge our States to adopt the world-class standards that will bring our curriculums into the 21st century. Today's systems of 50 different sets of benchmarks for academic success means fourth graders in Mississippi are scoring nearly 70 points lower than students in Wyoming and they are getting the same grade. Eight of our States are setting their standards so low that their students may end up on par with roughly the bottom 40 percent of the world.

So, Mr. Secretary, as you pointed out, we are one of the few countries in the developed world that doesn't have national standards. And so we are finding ourselves being consistently outperformed by countries that do have national standards and assessments. And I agree with you: Local control on how to reach those standards and how to reach those assessments is the right way to go.

So I want to hear from you what we need to do to partner with you to make sure that every child moves ahead. But I would like to also ask you to think about our Native American children. I know it was without any deliberate intent or any thought of malice at all when you were speaking about minority children who are left behind. Native American children weren't mentioned. So I want to give you a chance to address that. It was brought up a little bit with Impact Aid.

But the schools that I have attended around this country that are supported by the Bureau of Indian Affairs—I am embarrassed as an American to be in there. And I want to work with you so that those children know that they are respected, honored and cherished. With that, I am ready to listen.

Secretary DUNCAN. I am going to turn to the second half first and then come back on the larger point. Part of what I want to do and which I have never done—and so it will be a real learning experience for me—is to visit some of the schools on tribal lands. And I am actually working with my staff now to develop a list. And that is very important to me. And we obviously had a small Indian population at home in Chicago, and I was fortunate enough to work very closely with them.

But I think I have a big learning curve in that area. So I look forward to visiting with you and others. I am pretty clear in my head that we need to do a lot better than what we are doing, but I need to better understand what those challenges are and how we help to give every child a real opportunity. So that is a commitment I will make to you. And we are actually starting to schedule some of those visits as we speak. So that is a starting point.

On No Child Left Behind, one other thing we haven't talked about as we go through reauthorization and I am very interested is in looking at growth and gains, not just absolute test scores. And I worried a lot about schools that were actually improving and they were being labeled as failures. And what I always said is that if a school goes from 20 percent of kids reading at grade level to 50 percent in a year, they are probably cheating. It is very hard to do

that. But if a school goes from 20 to 24 to 28 to 31 to 36, particularly in tough communities, that is a Herculean achievement. That is the hardest work in education today, is how you make steady progress over time in tough communities.

So we need to find a way when schools truly are failing and when dropout rates are 75 percent or whatever they might be, we need to draw a line in the sand and say that is unacceptable and dramatically challenge the status quo and do something very, very different.

The flip side is where schools are getting better and making progress, and making real progress and not phony progress. We have to do everything we can to incentivize, to encourage, and to learn from what they are doing.

And I think what No Child Left Behind was what I call a "blunt instrument." It had these broad categories and there was tremendous variation within those categories. Some of those stories were actually very positive. Some of those stories were negative. But they were sort of all lumped together. And the reality was much more complex.

So this is very hard, given 100,000 schools in a big country. But how we create something that more finely understands, instead of metrics, that really focuses on—if you put schools in three categories—where you have extraordinary success, I think we need to be replicating those schools and doing more of them. If you have a set of schools in the middle, we need to help drive progress and help them continue to grow. If you have a small set of schools at the bottom that are not only low-performing but getting worse, where things are going south, I think we need to come in and do something dramatically different.

As we go into NCLB reauthorization—and I think we need to come up with another name for it. I think the NCLB brand is toxic. I think I will try to find some great fifth graders or sixth graders to help me come up with a name that is much more aspirational and inspirational than the current name. We are going to come back with something that is a better and more honest and more comprehensive evaluative tool, and then our responses should be to do more of it, to support it or to do something dramatically different.

Ms. MCCOLLUM. Thank you.

Chairman SPRATT. Mr. Andrews.

Mr. ANDREWS. Thank you, Mr. Chairman. Mr. Secretary, it is great to see you. Welcome to the Committee. And, Mr. Skelly, thank you for your years of expertise in education finance. It is great to see you here as well.

Secretary DUNCAN. We have got a great team that have done a phenomenal job. We are lucky to have him.

Mr. ANDREWS. You do. Among the many refreshing changes this President has brought to the capital is the change where he has not only announced lofty ideals, but he has talked about ways to pay for those ideals and goals without borrowing money. And in energy, he has made proposals that are quite controversial about energy taxes and cap and trade. In health care, he has made very specific proposals about how to pay for his health care funds. And here in education, in higher education, he has announced the very

lofty goals for higher education, but made the refreshing step of talking about how to pay for it. And I know that step is controversial in the switch to Direct Loans from the bank-based loans.

The argument that I know you will hear from people who support the bank-based loans is that the bank-based loans are a way of attracting private capital to fund the education of students. But it is my understanding that in part because of the present financial crisis, that that is not the way the system is working now at all. As I understand it, about 60 percent of the so-called private capital that is going through the bank-based system is directly from various facilities of the Treasury Department and/or the Federal Reserve, and the other 40 percent is subject to a guarantee that the government will buy those loans in a secondary market. This means we are not only removing the default risk to the tune of 94 percent, because of the default guarantee, but we are also removing the liquidity risk by offering to buy the loans altogether.

So to what extent would you characterize these bank-based loans as truly risking private capital? And to what extent would you characterize them as saying that we are simply rewarding private institutions to risk our capital?

Secretary DUNCAN. The program was actually on life support. So it is not that we are doing away with this thing. It just wasn't working in the current market. And you are exactly right; we were basically subsidizing banks. And I would rather take those billions of dollars and give significantly more money to more children who desperately need to go to college and whose families have never been under more financial duress. I would rather plow those billions of dollars into our young people and give them a shot at college.

Mr. ANDREWS. And it is my understanding, Mr. Secretary, that there still would be a quite robust role for private enterprises on a competitive basis to engage in what they do best, which is the servicing of these loans; is that right?

Secretary DUNCAN. Yes. And that is not a business we want to be in or are any good at. There are great providers out there. And as I said earlier, we have a current RFP out on the street. We had six great respondents. We want to have great competition to make sure that those borrowers are getting great service. And the private sector is much better equipped to do that than we are and we want to see that continue to grow further.

Mr. ANDREWS. So to those who would argue that this program would result in the loss of a lot of jobs, I would assume that the rejoinder would be that, no, those who are providing jobs in the servicing sector will actually have more opportunities to do so on a competitive basis.

Secretary DUNCAN. That is exactly correct. And over time, you want to give more business to those who are doing a great job and really have a series of metrics to measure customer service, and, through a competitive marketplace, use the private providers to do the right thing.

Mr. ANDREWS. And I also understand that the fruits of this effort will be a guaranteed Pell Grant rather than one subject to the whims of the political marketplace, and also a very robust expansion of the Perkins loan, the campus-based loan, as well as an in-

centive program to encourage States to figure out ways to keep people in college who start.

Secretary DUNCAN. That is exactly right. And again the chance to put billions of dollars out to children and families who desperately need it, serve millions of more children and families we think is extraordinarily important. And we want to become much more creative again not just in sending students to college, but having States think about how we drive up completion——

Mr. ANDREWS. Again, what I appreciate is that unlike so many others who come here before, this Administration not only has really good ideas, but it offers to pay for them without borrowing money from the future. That is a controversial thing to do, as you are about to experience in this loan debate. But what a change. I mean, we have been living on borrowed money here for a very long time. The President has proposed health-care reform and paid for it. He has proposed a reduction in our carbon footprint and a move to alternative energy, and paid for it. And he has proposed this sweeping initiative for higher education and paid for it. I commend you for that.

I know the Committee looks forward to working with you on implementing it.

Secretary DUNCAN. The President and his budget team I think have done a remarkable job on this, and our internal team in the Department has worked very, very hard to do the right thing by our Nation's families.

Mr. ANDREWS. I would just recommend that if you are going to rename No Child Left Behind, don't ask school superintendents and teachers, because it would come up with a name not suitable for family consumption. So I would not ask them.

Secretary DUNCAN. I will stick with our children.

Mr. ANDREWS. Thank you.

Chairman SPRATT. Mr. Bishop.

Mr. BISHOP. Thank you, Mr. Chairman. And, Mr. Secretary, thank you for your testimony and your efforts thus far. Let me start by commending both you and the President for the budget proposals that you have made to us. I think one of the most powerful messages contained in the budget is that even in tough times, we need to invest in education. And, in fact, if we do invest, that investment will lead us out of tough times and into better times. Particularly with reference to what we have experienced in the recent past, that is a most welcome commitment on your part, and I thank you for that.

The budget includes four, I think for the most part, positive proposals with respect to higher education. I want to focus on two of them in the time that I have.

The first is the Perkins loan suggestions. And I am not sure whether this is going to be for you, Secretary Duncan, or for Mr. Skelly. But, Mr. Skelly, if I heard you correctly when Mr. Spratt asked you about how the Perkins loan program was going to work, I believe you indicated that the loans would be originated by the Federal Government.

And what I want to clarify, because of both what I have read and of conversations I have had with your colleagues in the Department, it is my understanding that the program will remain a cam-

pus-based program. The funding mechanism will be different, but the judgments with respect to who receives the loans and in what amounts will be made by the financial aid officers of the participating colleges. Is my understanding correct?

Mr. SKELLY. That is right, Mr. Bishop.

Mr. BISHOP. So the funding mechanism is the principal difference between the Perkins loan program as we know it now and the loan program as it will exist.

Mr. SKELLY. That is right. There is a slight difference for the students. It is still 5 percent loans, but they would not be subsidized while the students are in school.

Mr. BISHOP. Understood.

The second piece of it is, I am assuming that with a growth in loan volume on an annual basis from about a billion dollars a year to about $6 billion a year, as I understand it, there should be no losers here. In other words, that the level of lending for schools that have been in the Perkins loan program for a long, long time should remain at least at that level, if not be higher. Is that a reasonable assumption?

Secretary DUNCAN. That is absolutely correct. And again, the big goal is to add over 2 million more students and to go from 1,800 universities to 4,400 universities. But those universities currently in the program will not be losing resources. This is not a zero-sum game. This is increasing the pie, which is so critically important today.

Mr. BISHOP. And this is perhaps a very technical point. But my further understanding is that in reclaiming the loan funds to fund the $6.5 billion that will be recovered over 10 years, schools that have a deficit in their cancellation funds will have that deficit covered by virtue of a credit against what is reclaimed; is that correct?

Mr. SKELLY. That was the proposal we started with, yes.

Mr. BISHOP. All right. Thank you for that.

And then I guess the last question on Perkins is how do you foresee the formula working going forward? I mean, how will it be determined what the level of lending will be for both the schools that currently participate and the 2,500 or so new schools that we hope to bring into the program?

Mr. SKELLY. That is something that the Administration has to work out with you in Congress.

Mr. BISHOP. Okay. Thank you. I am glad that Congress will have a role in that.

One suggestion that I would make, by the way, is that we not lose sight of the institutional match that currently exists in the program. It is a way of leveraging additional Federal resources with institutional resources. And you may want to think about tying the match to the institutional student aid discount rate. The higher the discount rate, the lower the match. So I would urge you to think about that.

The second issue is the retention fund, which again I think is a great idea. How do you see that going forward? What I have read is a partnership between the State and the Federal Government. Do you also see money flowing to individual colleges?

Secretary DUNCAN. It has to, yes. The money has to flow from the States to the colleges. So absolutely. To me it is similar to what

we are trying to do in the K to 12 and the early childhood world, which is let's scale up what works. Some universities are doing a great job of this and some aren't. I think people haven't talked about this enough. You see tremendous disparity in outcomes among universities where students are entering with very similar academic backgrounds. Some places are doing a phenomenal job of this; some places aren't.

So how do we again encourage and do more of what is working, and how do we challenge some universities to think very differently about outcomes?

Mr. BISHOP. I thank you for that. I think it is an absolute move in the right direction. I thank you for that. Thank you both. My time has expired.

Chairman SPRATT. Thank you, Mr. Bishop. Mr. Schrader.

Mr. SCHRADER. Thank you, Mr. Chairman. I have several questions, I guess. Maybe this was asked while I stepped out of the room for a few minutes. But the ramp-up in the special education money and the Head Start money that ostensibly goes away in a couple of years, has the Administration thought about how to deal with that?

Secretary DUNCAN. Yes, I have thought a lot about it. A couple of things: at the end of this, we can't have tails, so this is one-time spending; and there will be some belt-tightening at the back end.

Part of my thinking on the special education money is that there is a huge opportunity to really help train regular education teachers how to better work with special education children, and that today almost every teacher needs to be a teacher of special education. So I think there is a huge opportunity to help train thousands of teachers how to better work with students with disabilities, which will have dividends for years once the dollar amount is not there.

Mr. SCHRADER. I just would hope the school districts wouldn't be penalized if they have that level of investment, courtesy of the Federal Government, and then the Federal Government withdraws those funds and they are supposed to maintain that level of investment. That might be difficult.

Secretary DUNCAN. Again, this is really one-time spending to make dramatic long-term changes.

Mr. SCHRADER. We will see if we can have a different opportunity to help you with that. I really like what you are talking about with your commitment to early childhood and integrating the system. And we have tried to do that in my home State of Oregon with varying degrees of success, given the turf issues that invariably rise.

I liked your comments about working with HHS and would urge you as part of your incentive program to incentivize opportunities for sharing services, so these children aren't visited by three or four people where you can have cross-training across human services and educational areas. And I really urge you to be extremely creative because this is a huge opportunity to save a lot of money and, again, get more kids served with the savings that result.

Secretary DUNCAN. I appreciate that. And again philosophically, it is just so critically important that at a time of scarce resources, we have to do the right thing by children. So whether it is at the

Federal level or the State level or local level, how do we work differently and better? And if we are duplicating services and wasting resources at a time when no one has enough money, that is crazy and it poorly serves children. So we all have to challenge each other to work in very different ways together.

Mr. SCHRADER. Also you mentioned incentivizing completion rates in college. I think that is absolutely critical. And I really commend the Administration for coming up with that. In most States, you get paid for students to walk in the door, not to go out the door, unlike England and some more other creative jurisdictions. And this to me is absolutely essential. After 6 years, most colleges graduate maybe 50, 60 percent on a good day. And that is an abysmal rate of graduation. I would like to see——

Mr. SKELLY. Only 25 percent.

Mr. SCHRADER. 25. Oh, well, I am feeling good then back in Oregon. But we have got to do better. We have got to do much, much better. I would urge you to put at least this much, maybe more in to encourage good behavior, if you will, on the part of our institutions.

And I will just make one quick comment. It has been my observation that most colleges are still operating in the 1960s mentality where the middle class goes to college, hopefully they pick up the pearls of wisdom that drip from the professors' mouths and hopefully they graduate. That is the students' responsibility. And I like some personal responsibility in there.

But with the advent of the new culture where we are trying to get low-income students to go to college—everyone should be able to go to college—I think we have to change the culture of these institutions. Perhaps it is with monetary incentives to make sure that everyone, everyone in this country has a chance to succeed and graduate.

Secretary DUNCAN. Again, if you go back to the President's challenge to all of us to dramatically increase college graduation rates, we have to think differently. And again, I go back to my previous experience in Chicago. We had a lot of universities there. You saw some that did a remarkable job of working with students who are the first generation going to college and graduating from high school, and we saw others who didn't. And we became pretty skilled at steering kids towards those schools that we were confident they were going to graduate and, frankly, steering them away from universities where we didn't see that same commitment.

And I think we have to be much more transparent on the data and really, again, encourage best practices in folks that haven't done enough in this area, really encourage them to start to think about that.

Mr. SCHRADER. I hope to re-up this 5-year program 5 years from now.

Last comment if I may, Mr. Chair. That is it. I also want to put on record, I really approve of the mandatory aspect of the Pell Grant program. In my State, we sort of stepped up after being a horrible State in terms of helping students with student aid. And basically partnering with the Pell Grant levels, guaranteed students that work at a minimum-wage job, part-time during the school year and maybe more full-time during the summer, that

they will get a college education and they will graduate with almost no debt. So I really commend your efforts and appreciate your hard work there. And keep it up.

Mr. SKELLY. Mr. Schrader, it is 50 percent of the folks that graduate after 6 years on average. It is only 25 percent of the low-income folks that finish in 6 years.

Mr. SCHRADER. Then we are average. Thank you.

Chairman SPRATT. At long last, the gentlelady from Connecticut, Ms. DeLauro.

Ms. DELAURO. Thank you very, very much, Mr. Chairman. And thank you very much, Mr. Secretary. I am delighted to be here with you. I had a daughter who at one point in her career was deputy at the Chicago Housing Authority, and so I spent a lot of years going back and forth there. And you have got an incredible reputation for the work that you have done in Chicago—not an easy task, did but you did it and you did it well. And we are delighted to have you. And I am proud to work with you.

I guess what comes with being the person with the last set of questions and that, of course, is due to my time of arrival in this madhouse. As I said, I was listening to my colleague, Mr. Bishop, on Perkins loans, so the explanation is there; Mr. Doggett on early childhood, which is an area that I care deeply about and where I want to pick up, because I chair the Appropriations Subcommittee on Agriculture and the Food and Drug Administration; as well as sit on Labor, Health Human Services and Education Subcommittee, so we have a lot of tie-ins here.

And this afternoon, very shortly, I have a hearing on nutrition, talking about the child nutrition programs, school lunch, school breakfasts, et cetera, that we foster at the Federal level. And so what I am going to do is to ask a couple of questions in that vein, if you don't mind, Mr. Chairman, because I know a lot of the education questions have been answered.

I want to work closely with you and Secretary Vilsack on a nutrition policy. This is about, I think, as serious an issue as we face. And it is just not the Department of Agriculture; it is the Department of Education as well. We spend about $780 million on nutrition education today, and about 95 percent of that is going to State agencies; it mostly goes for the Food Stamp and the WIC program. About $19 million goes to schools. I don't know if you know that. I am not going to put you on the spot and ask you about that, but I want you to take a look at the nutrition education in your school systems and to get a sense of what that is about. And $19 million doesn't sound like a lot of money to me in terms of that expanse.

What is going to happen in schools on what they call the competitive foods? That is outside of school lunch, school breakfast. Kids are in school, you know, after-school programs during the day; what are they picking up in terms of foods and beverages that contribute to calories?

And in reading up on this for this hearing, you have got a Washington Post article, last May, which says 3 decades ago the Agriculture Department tried to ban chips, cookies and soft drinks from schools. Anyway, that was thwarted by the courts and by food companies. And so, again, it is a question I am going to raise today

with the folks at FNS. Are we willing to look at mandatory standards with regard to food and nutrition in our schools?

Secretary DUNCAN. We banned the junk food and the soft drinks in Chicago and took some heat for it.

Ms. DELAURO. Yeah, exactly. And you are taking heat from parents, from, you know, outside organizations, et cetera. But I would love to see the statistics from your school on what has happened with that.

Secretary DUNCAN. We took heat not just from the vendors, but actually it is a little bit hard on the schools themselves, because they got some of the profits back and our schools are really hurting for money, so I was taking money away from my own schools. That was a hard thing do.

Ms. DELAURO. Well, but that is something to be calculated as to what we are doing in terms of the funding, because the trade-off, quite frankly, is devastating. And I don't have to tell you that in terms of what is happening with health. You mentioned obesity, but you are talking about diabetes, you are talking about cancer, you are talking about heart difficulties.

So there are a couple of questions about reauthorizing the child nutrition program. And if you can't do it today, I would like to get the benefit of your views as to what we ought to do on the reauthorization of that program as it pertains to our schools. The question that I think that we have to come to grips with here is, are our policies contributing to poor nutrition and obesity? What should we be doing to change it? What about marketing and advertising? Can we exercise control and influence on marketing to our children—you know, we did that with cigarettes—and what are the areas? And I think that the Department of Education has as much of an interest in all of this, and quite frankly ought to be very, very much involved in it, as well as the Department of Agriculture.

Secretary DUNCAN. I appreciate your thoughtfulness and commitment on this. This is an area, like many others, where I think we can get a lot better.

Chairman SPRATT. Mr. Secretary, I told you on the telephone your reputation preceded you. It really didn't do you justice. You made a very impressive showing today not only as to the details of these programs, but as to your fervent passion for seeing that they work better.

And to have Mr. Skelly sitting beside you there is a good combination of a fresh new approach and an old hand with institutional memory and corporate knowledge. It is a great team, and we want to help you succeed at what you have undertaken to do. We believe very much that it is absolutely essential to the future of this country.

So thank you. Thank you for your commitment and your excellent presentation today.

Secretary DUNCAN. Thank you so much for the opportunity.

I would like to thank my staff behind me, as well as back in the office working hard. We have got an extraordinary team that really wants to make a difference. And working with you, I think we can do something special in the years ahead.

Chairman SPRATT. Thank you. You are absolutely right.

I ask unanimous consent that members who did not have the opportunity to ask questions today have 7 days to submit questions for the record. Without objection, so ordered.

[The information follows:]

RESPONSES TO QUESTIONS FOR THE RECORD FROM SECRETARY DUNCAN

QUESTIONS SUBMITTED BY CONGRESSMAN ALLEN BOYD

Supplemental educational services

Mr. Boyd: Mr. Secretary, how does Title I's Supplemental Educational Services (SES) program fit into the Administration's plan to support "innovative and effective strategies to improve achievement?"

Secretary Duncan: I believe that extended learning time—longer school days, longer school years, or increased tutoring opportunities—can make a big difference in improving student achievement. In my time with Chicago Public Schools, I saw how providing high-quality, expanded learning opportunities, such as effective tutoring, can support this goal. This is one reason I worked with the Department of Education, when I was Superintendent in Chicago, to win the flexibility to allow Chicago Public Schools to continue serving as an SES provider even after the district was identified for improvement. We were able to offer services to more students at lower cost than other providers, and these services helped improve the achievement of our students. I want to give other school districts identified for improvement this same opportunity, which is why I am proposing to repeal the regulatory prohibition on identified districts and schools serving as SES providers. States still would have the authority to make determinations about SES providers based on their approval criteria, including an examination of a provider's demonstrated record of effectiveness. But I don't want to rule out any potential providers of high-quality SES because this kind of extended learning can really help students and schools.

Administrative capacity to expand direct loans

Mr. Boyd: Mr. Secretary, is the Department of Education ready to scale up the Direct Loan program to cover all students, since it currently covers only about 35 percent of loan volume?

Secretary Duncan: Yes; the most important and labor-intensive part of student loans is loan collection, or "servicing." The President's proposal taps the private sector—the current participants in FFEL—to expand our administrative capacity for both an expanded Direct Loan program and FFEL loans sold to the Department under programs authorized under the Ensuring Continued Access to Student Loans Act. We will use competition to ensure excellent service at a fair price to taxpayers. The Department has already issued a request for proposals to expand our loan servicing capacity by bringing on the best private-sector student loan servicers. Direct Loans will continue to be delivered through schools in the same way Pell Grants are delivered—through an electronic process run by another private sector company.

QUESTIONS SUBMITTED BY CONGRESSMAN JIM MCGOVERN

Public television stations' role in education

Mr. McGovern: Secretary Duncan, I was pleased to hear that integrating technology into classroom instruction is an important part of the Administration's agenda because I do believe that it can have a profound impact on student achievement. As you may know, our public television station in Massachusetts, WGBH, has been a leader in this field. It has leveraged the station's high-quality educational content by creating "Teachers' Domain," an on-line service where standards-aligned video and audio clips are offered to teachers to incorporate into lesson plans, free of charge. To me, this seems like exactly the sort of resource your Department may be seeking. I would appreciate knowing how non-commercial, educational stations like WGBH and others will fit in with your agenda, especially given their long track record of partnering with local school districts. Can you please describe for me how these programs can strengthen your education agenda and how you intend to incorporate them?

Secretary Duncan: President Obama and I share your enthusiasm for leveraging innovative new technologies to improve student achievement, enhance teacher professional development opportunities, and improve teacher classroom practice. The Administration also encourages local schools to foster partnerships with community-level institutions, including non-profit public television stations like WGBH, which

will enable them to take full advantage of the rich array of learning opportunities that are available in most communities.

Ed program competitions to which non-profit public telecommunications entities may apply

The Department administers a number of programs that support competitions for which non-profit public telecommunication's entities, such as WGBH, may apply, and that support the on-going efforts of such entities to develop educational resources that may enhance educational outcomes for children. These include:

• The Ready to Learn Television program supports the development and distribution of educational television programming content and related materials for preschool children, elementary school children, and their parents that are intended to improve school readiness and academic achievement.

• The IDEA Part D Technology and Media Services program supports competitive awards for research, development, and other activities that promote the use of technologies in providing special education and early intervention services. Funds also are used for media-related activities, such as providing video description and captioning of films and television appropriate for use in classrooms for individuals with visual and hearing impairments and improving accessibility to textbooks for individuals with visual impairments.

I strongly encourage public television stations to apply for competitive grants funds as new Department of Education grant competitions are announced in the Federal Register.

Federal funding of IDEA and Recovery Act funds

Mr. McGovern: When I meet with my superintendents, principals, school board committees and mayors, they all want to know when the Federal Government is going to pay the full Federal share of the Individuals with Disabilities Education Act—or IDEA. We are a long way from providing the 40 percent Federal share. The Recovery Act provided a big boost of $12.2 billion in additional IDEA funding, but what happens to schools and students in 2010 when that money goes away. What is your goal for Federal funding for IDEA?

Secretary Duncan: The Administration is committed to helping States and local school districts appropriately meet the needs of children with disabilities.

We do not regard the IDEA American Recovery and Reinvestment Act, or Recovery Act, funds as an initial step to full funding of the IDEA. We regard the $11.7 billion available under the Recovery Act for IDEA, Part B programs—Grants to States and Preschool Grants, as a one-time increase to address the significant problems the States and districts are having because of the economy. We hope the IDEA Recovery funds will be used to prevent lay-offs of teachers and to maintain high quality services for children with disabilities, and that they will not be used in ways that result in unsustainable continuing commitments after the funding expires.

We also hope that the IDEA Recovery funds will be used, where feasible, for short-term investments that have long-lasting benefits to children with disabilities such as intensive professional development for teachers that focuses on putting into place evidence-based strategies for improving instruction in reading or providing for positive behavioral supports, or developing the capacity to use data to improve teaching and learning.

We have already distributed 50 percent of the IDEA Recovery Act funds to States, but do not plan to distribute the remaining funds until the fall. Moreover, the IDEA Recovery funds are available for obligation by the States and districts through September 30, 2011. Because of the availability of other IDEA funds during the same period and the size of the supplement provided under the Recovery Act, we expect that the Recovery funds will be there to help meet the needs of districts over the next 2 school years, that is, through school year 2010-2011. We expect States and districts to have billions of Recovery Act IDEA funds at their disposal, in addition to the IDEA funds appropriated in FY 2010, for use in the 2010-2011 school year.

While I cannot speak to future budget policy for special education, my goal is to help ensure that all Federal education funds, including those provided under IDEA, are used as effectively as possible to improve educational results for children.

QUESTIONS SUBMITTED BY CONGRESSMAN BOB ETHERIDGE

Professional development for teachers and principals

Mr. Etheridge: Thank you Mr. Chairman, and thank you Secretary Duncan for joining us. As the former Superintendent of Schools in North Carolina, I have long held the belief that education is the key to success. I believe that the single most important investment we can make in our country is in the future of our young peo-

ple, and I am excited about many of the investments that this budget makes in education.

Quality teachers are very important to the quality of education in our school systems. I believe that improving the quality of our principals is also crucial. In traveling around the State as superintendent, I often noticed that the best schools had the best principals. In North Carolina we now have an Academy that serves to increase the training and expertise of our school principals throughout the State. Are there provisions in the budget that provide for upgrading the quality of our principals; and how does the Education Department plan to implement new proposals?

Secretary Duncan: President Obama and I share your enthusiasm for improving principal quality, and the Administration's budget reflects this priority. While I cannot share details on the President's fiscal year 2010 request until they are released on May 7, the Department administers a number of programs that support State and local efforts to recruit, train, and retain high-quality school leaders. These include:

• Improving Teacher Quality State Grants helps States and school districts strengthen the skills and knowledge of teachers and principals. This program supports recruitment, professional development, and induction programs and other strategies to ensure that our Nation's high-poverty schools are staffed with fully qualified teachers and principals who are prepared to help all children succeed academically.

• The Teacher Incentive Fund provides States and LEAs with support to develop and implement systems to attract and retain highly qualified individuals in school principal positions, to align principal pay with performance, and to allow principals to share in bonuses that go to other staff in high-performing schools. Each TIF project must include a focus on principal incentives.

• School Leadership provides grants to recruit, train, and support principals and assistant principals in high-need school districts.

• For some years the Indian Education Professional Development program has funded the Administrative Corps Initiative to train qualified Indian individuals to become school leaders.

• Teacher Quality Partnerships, as recently reauthorized by the Higher Education Opportunity Act, includes as one component grants to develop and implement effective school leadership development programs. These programs will provide potential school leaders with skills in using data, creating a school climate conducive to professional development, understanding the teaching and assessment skills needed to support successful classroom instruction, managing resources and time to improve academic achievement, engaging and involving parents and other community stakeholders, and understanding how students develop in order to increase academic achievement. Grant funds must also be used to develop mentoring and induction programs for new school leaders, and programs to recruit qualified individuals to become school leaders.

In developing the fiscal year 2010 request, the Administration looked closely at how these programs would help support attainment of our objectives.

Carl D. Perkins Career and Technical Education Act request

Mr. Etheridge: I am proud that in addition to our university system, North Carolina has a strong community college and career and technical education system in place. Across the country, enrollment continues to increase in secondary and postsecondary education, and there is a direct link to these students and jobs in infrastructure, energy sustainability, health care, and other areas where we need to grow our economy. In this economic downturn, training and opportunities for retraining are more important than ever. How does the Carl D. Perkins Career and Technical Act fit into your prepared budget and will there be a recommendation to restore and increase funding since it is currently $42 million below the level appropriated in FY 2002?

Secretary Duncan: While I can't discuss the details of our budget request until the President releases it on May 7, career and technical education (CTE) programs will be part of the Administration's strategy for improving the quality of high school education around the country and for preparing high school students to enter the workplace or pursue postsecondary education. CTE students need to acquire skills for both work and postsecondary education during their high school years, and secondary CTE coursework is not the end of formal career training for many students. Data from the National Center for Education Statistics (NCES) show that students who take CTE courses in high school are likely to pursue some postsecondary education in their lifetime.

In addition, CTE programs are not the only source of funding for adult learners who are interested in acquiring or upgrading job-related literacy or career skills.

The Administration's budget request will also include funding for Adult Education State grants.

College Foundation of North Carolina

Mr. Etheridge: The President's education budget for FY 2010 ends the Federal Family Education Loan Program, instead moving all loans to the Federal Direct Loan Program. For the past 40 years, the College Foundation of North Carolina has assisted over 550,000 NC students and families with college loans, not just servicing these loans but providing support, advice, and access to college for those in need. In this economic downturn, these services are more important than ever, and in North Carolina the College Foundation provides hundreds of jobs as well.

If the President's proposal is enacted, what steps would the Department of Education take to preserve the good things being done by organizations like the College Foundation of North Carolina?

Secretary Duncan: With the credit crunch and the loss of outstanding loans being sold to the Department under the Ensuring Continued Access to Student Loans Act, many student loan agencies are struggling to make ends meet. This threatens their ability to continue to conduct outreach to students and families about college and financial aid. The Obama Administration's budget includes $2.5 billion over 5 years to allow States to continue the information and access efforts of their student loan agencies, as well as to fund innovative efforts to promote college completion. I look forward to working with Congress to ensure that we tap the expertise and experience of agencies like the College Foundation of North Carolina to ensure that students and families have the information and assistance they need to plan and prepare for college.

Fund for access and completion

Mr. Etheridge: The President's budget also contains $500 million for State grants to increase access to college. Could this funding be used to ensure State Educational Assistance Agencies are able to continue helping students go to college?

Secretary Duncan: Yes, States could use the proposed Fund for Access and Completion to continue to support outreach and access activities.

QUESTIONS SUBMITTED BY CONGRESSMAN PAUL RYAN

Proposed changes to student loan programs; student loan budget proposal

Mr. Ryan: The President's budget for FY 2010 proposes to eliminate the Federal Family Education Loan program (FFELP) on July 1, 2010, for a savings of $47.5 billion over 10 years. However, few details are provided on how this is achieved. Would you please provide to the Budget Committee the following information, so that we may better assess this proposal? What are the subsidy estimates, by year, for direct lending and for FFELP?

Secretary Duncan: The following table presents subsidy rates and subsidy budget authority for the FY 2010 President's Budget policy proposal. Subsidy rates reflect the net present value of all future cash flows associated with loans made in a given fiscal year, not including Federal administrative costs, expressed as a percentage of a dollar loaned. For example, a subsidy rate of 10.0 reflects a Federal subsidy cost of 10 cents for every dollar loaned. A negative subsidy rate indicates projected Federal revenues exceed projected costs for a given cohort of loans.

SUBSIDY RATES AND SUBSIDY BUDGET AUTHORITY FOR THE FY 2010 PRESIDENT'S BUDGET POLICY PROPOSAL

	2010	2011	2012	2013	2014
Subsidy Rate (as a percent):					
Direct Loans	−16.99	−4.72	−2.86	−1.35	−1.30
FFEL	1.34	0.00	0.00	0.00	0.00
Budget Authority (in billions of dollars):					
Direct Loans	−$13.8	−$6.5	−$4.2	−$2.1	−$2.2
FFEL	$0.6	0.0	0.0	0.0	0.0

Ensuring continued access to Student Loans Act

Mr. Ryan: What are the subsidy estimates for FY 2009 and FY 2010 for the Ensuring Continued Access to Student Loans Act (ECASLA) programs (the participation interest program, the purchase program, and the conduit)? What are the assumptions for loan volume and composition that are used for these estimates?

Secretary Duncan: The information requested is provided in the following table.

ECASLA PROGRAMS—SUBSIDY RATE, LOAN VOLUME, BUDGET AUTHORITY AND LOAN MODIFICATION COSTS

	2009	2010
Loan Participation:		
Subsidy Rate (as a percent)	−7.47	−13.41
Loan Volume (in billions of dollars)	$41.8	$21.9
Budget Authority (in billions of dollars)	−$3.1	−$2.9
Loan Purchase:		
Subsidy Rate (as a percent)	−16.02	−16.24
Loan Volume (in billions of dollars)	$4.9	$2.6
Budget Authority (in billions of dollars)	−$0.8	−$0.4
Short-Term Loan Purchase:*		
Subsidy Rate (as a percent)	−14.12	.....
Loan Volume (in billions of dollars)	$1.3	.....
Budget Authority (in billions of dollars)	−$0.2	.....
Modification (cost related to loans from prior years)	−$0.8	.....
Conduit:*		
Subsidy Rate (as a percent)	−12.67	.....
Loan Volume (in billions of dollars)	$5.3	.....
Budget Authority (in billions of dollars)	−$0.7	.....
Modification (cost related to loans from prior years)	−$0.8	.....

*These programs exist only in 2009.

Savings from Federal loan ownership

Mr. Ryan: Are the savings associated with the Federal-ownership of the asset benefiting from the low cost of Federal funding?

Secretary Duncan: The Government, due to its size and nature, can finance loans extremely effectively. This difference between the Government's financing cost and the statutory interest rate borrowers pay on student loans more than covers the cost of student interest benefits, defaults, and other program provisions. In addition, Direct Loans do not include the excessive subsidies inherent in the Federal Family Education Loan (FFEL) program.

Mr. Ryan: Because the savings are generated from owning the asset, what are the interest rate assumptions used in the student loan estimates? Specifically, what are the rates used to discount the cash flows for the student loan programs and are the estimates unusually low this year because of the very low interest rate environment?

Secretary Duncan: Borrower interest rates reflect those set in statute. Cash flows are discounted using government-wide single-effective rates calculated by the Office of Management and Budget's Credit Subsidy Calculator. These rates are provided in the following table. (No discount rates were derived for FFEL after FY 2010, as, under the President's proposal, these were no cash flows to discount.)

OMB CREDIT SUBSIDY CALCULATOR BORROWER DISCOUNT RATES

	2010	2011	2012	2013	2014	2015	2016	2017
Direct Loans	2.78	4.42	4.91	5.27	5.27	5.27	5.27	5.27
FFEL	2.32	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Commercial paper and libor assumptions

Mr. Ryan: What rates are assumed for the 90-day financial commercial paper (CP) rate? Does the Administration assume that the CP rate recovers to its normal relationship to 3-month London Inter-Bank Overnight Rate (LIBOR)?

Secretary Duncan: Budget estimates reflect government-wide interest rate assumptions developed by the Office of Management and Budget.

As shown in the following table, the assumptions assume a return to the traditional relationship between the 3-month commercial paper and 3-month LIBOR rates.

PROJECTED 3-MONTH COMMERCIAL PAPER AND LIBOR INTEREST RATES TRENDS

Calendar Quarter	3–Month Commercial Paper	3–Month LIBOR
2008:		
Quarter 1	3.21	3.26
Quarter 2	2.73	2.75
Quarter 3	2.86	2.91
Quarter 4	1.98	2.72
2009:		
Quarter 1	1.73	1.40
Quarter 2	1.70	1.38
Quarter 3	1.67	1.36
Quarter 4	1.65	1.35
2010:		
Quarter 1	1.63	1.49
Quarter 2	1.68	1.62
Quarter 3	2.26	2.20
Quarter 4	2.83	2.79
2011:		
Quarter 1	3.29	3.28
Quarter 2	3.76	3.77
Quarter 3	4.00	4.04
Quarter 4	4.09	4.14
2012:		
Quarter 1	4.19	4.25
Quarter 2	4.29	4.36
Quarter 3	4.40	4.48
Quarter 4	4.39	4.47
2013:		
Quarter 1	4.39	4.47
Quarter 2	4.39	4.47
Quarter 3	4.39	4.47
Quarter 4	4.39	4.47

Note: Rates straight-line after 2013.

Problems with 90-day commercial paper rate

Mr. Ryan: What is the Administration proposing to address the current problems associated with the 90-day financial CP rate, which has been dislocated through Federal intervention in the credit markets?

Secretary Duncan: The Administration is carefully monitoring the commercial paper and LIBOR markets as they affect not only student loan program participants but also the broader financial sector. At this time, the Administration is not proposing any long-term change to address what appears to be a temporary disruption in the financial markets. Adopting the President's proposal to move to 100 percent Direct Loans would insulate future student loans from these types of market disruptions.

Impact of budget proposal on Federal debt

Mr. Ryan: What is the increase in Federal debt that results from the Budget's proposal to move entirely to direct lending compared to continuing the FFELP program?

Secretary Duncan: While the Department will borrow from Treasury to originate Direct Loans, over time student loan borrower repayments with interest will more than offset these initial borrowings. While the debt may increase in the short-term, depending on Treasury's funding needs, the Congressional Budget Office estimates the Federal deficit will decrease by $94 billion over the next 10 years under the President's proposal.

Student loan administrative costs

Mr. Ryan: What are the administrative costs associated with the President's budget proposal to eliminate FFELP? Please provide both the cash estimates over the next 10 years as well as the net present value estimate (in order to compare to FFELP). Is the Administration proposing that the increase in administrative costs be funded by discretionary spending or on the mandatory side of the budget?

Secretary Duncan: The 2010 President's Budget includes the following estimates showing Federal administrative costs for the FFEL and Direct Loan programs on a net present value basis, expressed as subsidy rates. The significant administrative

costs borne by lenders in the FFEL program are not reflected, as they are paid out of Government subsidies and borrower repayments.

ESTIMATED FEDERAL ADMINISTRATIVE COSTS FOR FFEL AND DIRECT LOAN PROGRAMS

	2008	2009	2010
Direct Loans:			
Non-Consolidation Loans	2.70	2.80	1.75
Consolidation Loans	0.51	0.40	0.38
FFEL:			
Non-Consolidation Loans	0.53	0.52	0.54
Consolidation Loans	0.04	0.04	0.04

Federal Student Aid, the Department's operational unit managing the student loan programs, does not budget annual operations costs separately among Direct Loans and FFEL programs. Many functions, such as application processing, accounting, data management and default collections are performed by private contractors working in both programs along with Pell Grants and the campus-based programs. The Administration is proposing that administrative costs continue to be supported with discretionary funds.

Perkins loan volume

Mr. Ryan: The budget blueprint also mentions modernizing the Perkins Loan program so that it will be "more widely available." How much of a loan caseload increase are you anticipating with all of these changes to the Federal student loan programs?

Secretary Duncan: Under the President's proposal, Perkins Loan volume is projected to increase from $1.1 billion in 2009 to nearly $6 billion in 2010.

Accountability for ARRA funds

Mr. Ryan: The American Recovery and Reinvestment Act (ARRA) of 2009 contains nearly $100 billion in education funding that must be pushed out the door very rapidly. There is a great deal of concern about how the Department will ensure that the money is spent effectively and efficiently.

How will the funding be allocated to the States and institutions of higher learning and what controls will be put in place to prevent waste, fraud, and abuse?

Secretary Duncan: To respond to your first question, the Department will allocate funds to eligible entities in accordance with the statutory requirements for the programs receiving ARRA funds. For the State Fiscal Stabilization Fund, for example, the Department will allocate funds to States on the basis of their relative population of individuals aged 5 to 24, and on their relative shares of the total population.

The Department has numerous efforts underway to prevent waste, fraud, and abuse. For example, the Department's Risk Management Service is developing a framework to inform the Department's technical assistance and monitoring efforts. In addition, the Department's Office of Inspector General has prepared fraud awareness presentations for internal use and for the public, and will begin visiting States and school districts in May to prevent abuses of public funds when possible and report any abuses they do find.

Mr. Ryan: Even beyond attempting to control waste, fraud and abuse, how will the Department account to the American people for what their billions bought them once those dollars have been spent?

Secretary Duncan: The Department has begun submitting weekly reports about Federal ARRA-related activity to Recovery.gov. In addition, as required by ARRA, all entities directly receiving ARRA funds from the Department will submit quarterly reports to Recovery.gov about the obligation and expenditure of funds. The first quarterly reports will be due October 10.

ARRA education funding intended purposes

Mr. Ryan: Is the purpose of this program to ease pressure on State budgets by funding traditional State and local responsibilities with Federal funds or is it to expend funds on new programs and projects?

Secretary Duncan: The President and I have been clear that American Recovery and Reinvestment Act (ARRA) funds will help stabilize State and local government budgets in order to minimize and avoid reductions in education and other essential public services while driving education reform. A portion of the new money will, as intended by Congress, support new State and local projects. For example, the De-

partment will make new competitive awards under the Teacher Incentive Fund (to encourage the development and implementation of performance-based teacher and principal compensation systems) and the Teacher Quality Partnership program (to strengthen programs that prepare new teachers to enter the classroom). A large portion of the money, however, will be available to prevent lay-offs and stabilize education budgets.

Coordination of Ed and HHS early childhood programs

Mr. Ryan: In the budget blueprint, the Administration says it will expand access to high-quality early childhood education and promote a "seamless delivery" of services. At the same time, the Federal Government provides more than $7 billion for Head Start and Early Head Start programs administered by the Department of Health and Human Services [HHS], which is tasked with expanding early childhood opportunities to low-income students.

How is the Administration's proposal different from Head Start, and is there a danger of creating competing and duplicative programs at the Department of Education?

Secretary Duncan: The new Early Learning Challenge Fund would complement, not duplicate, existing and proposed Federal investments in early childhood programs, including Head Start. The grants would support State efforts to raise their early childhood education standards, build systems that promote quality and ensure the effectiveness of their early learning programs, and monitor all publicly funded early childhood programs' performance against the State standards. In addition, we would coordinate closely with HHS in order to prevent any duplication of effort.

QUESTIONS SUBMITTED BY CONGRESSMAN CONNIE MACK

Student aid simplification

Mr. Mack: Mr. Secretary, President Obama has indicated he wants to streamline the Federal financial aid process by simplifying or eliminating the current Federal financial aid application or FAFSA. Please describe in greater detail the Administration's plans and timeline for FAFSA going forward.

Simplifying FAFSA and the student aid application process

Secretary Duncan: We are moving forward on three tracks. First, I am working with the IRS Commissioner to see if we can give applicants the option of having their tax return information entered into the FAFSA. That would eliminate a number of steps for applicants. Second, we are analyzing each and every data element on the form to determine how necessary it is. To eliminate those, we may need to ask Congress for legislation. On both of those options, we will have decisions by the fall.

Finally, we aren't waiting for our analysis of those two options before making improvements. We are making changes now to the FAFSA-on-the-web to improve the skip-logic and to provide applicants with more complete information after they apply.

Chairman SPRATT. And the hearing is concluded. Thank you.

[Whereupon, at 12:16 p.m., the committee was adjourned.]

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