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HOW CONGRESS CAN RESTORE LOCAL AND PARENTAL CONTROL OVER EDUCATION

INTRODUCTION

In preparing to shut down the federal government in November 1995, before President Clinton's veto of the second continuing resolution to keep federal agencies operating, the Clinton Administration made the customary distinction between "essential" employees, who would remain on the job, and "non-essential" employees, who would be furloughed. For the U.S. Department of Education, the Clinton Administration determined that 4,394 of the department's 4,937 employees—or 89 percent—were "non-essential" and would be furloughed for the duration of the budget impasse.¹

Unwittingly, the Clinton Administration confirmed what Congress should recognize: America does not need a federal Department of Education. Congress should take the opportunity afforded by the budget process to return to states, local governments, and parents the authority and responsibility for education.

On March 19, 1996, President Clinton submitted a budget to Congress that requested a 7.2 percent increase in FY 1997 discretionary funds for the Department of Education.² While the Administration makes certain attempts to realize savings through consolidation and reform of redundant and outdated programs, the proposal reflects an unquestioning commitment to an institution that has failed to prove its value in reaching the President's stated goal of giving "every single American citizen the education that all of us need to compete and win in the new century." The education establishment has failed to demon-

1 See press release, "Clinton's Government Shutdown Would Send 21.5 Percent of Federal Employees Home," U.S. Senate Republican Policy Committee, November 9, 1995.

2 This figure excludes the Pell Grant program, which is funded partially with unused funds from prior years.

strate any positive correlation between federal education spending and education performance. It is time to rethink the role of the federal government in education, not to spend more money in the hope that programs which have not worked in the past somehow will be made to succeed with increased funding.

Created by Congress in 1979 at the request of President Jimmy Carter, the Department of Education is doing precisely what its severest critics envisioned: usurping local and state control of education by slowly and steadily introducing federal programs, rules, and requirements. Although the department accounts for about six percent of total public funding of education, its influence is out of all proportion to its financial role. Indeed, the Department of Education is inserting itself into almost all aspects of the day-to-day workings of the nation's 15,025 school districts. Bureaucratic, heavy-handed and intrusive, it is a metaphor for many of Washington's most wasteful and meddlesome domestic programs. As Chester E. Finn, Jr., former Assistant Secretary of Education during the Reagan Administration, noted in recent congressional testimony:

The federal education apparatus illustrates what has gone awry in Washington over the past several decades. The national government has become meddlesome, intrusive and bullying. It now impedes more than it fosters. Much of what it mandates or encourages is misguided. It keeps people from doing what they know is right for their children, communities and states. It substitutes the rules of distant bureaucrats for the on-site knowledge of parents and teachers. And, particularly in the last several years, it has begun to lift from our communities the sense that they are responsible for the renewal and reform of American education and to suggest, instead, that Washington knows best and is taking charge.³

Why should the U.S. Department of Education be eliminated? Its time has come and gone. It is time to restore common sense.

Thanks to the Reserve Powers Clause in the Tenth Amendment, all powers not specifically delegated to the federal government are reserved to the states. Education is such a power; a federal role is both gratuitous and intrusive.

It is time to restore federalism to its founding principles, and there is no area more fruitful than education. Despite the desperate need for reform, there is no master template—certainly not one originating in Washington—to improve the schools. States and localities are “laboratories of democracy”; reform should originate at these levels, not be imposed from on high.

Pedagogy—the art of teaching and learning—is quintessentially local in nature. Indeed, it goes on at the classroom and individual level. The closer decision-making is to the student and teacher, the better.

3 Chester E. Finn, *Rethinking the Federal Role in Education*, testimony prepared for delivery to Subcommittee on Government Management, Information and Technology, Committee on Government Reform and Oversight, U.S. House of Representatives, 104th Cong., 1st Sess., May 23, 1995.

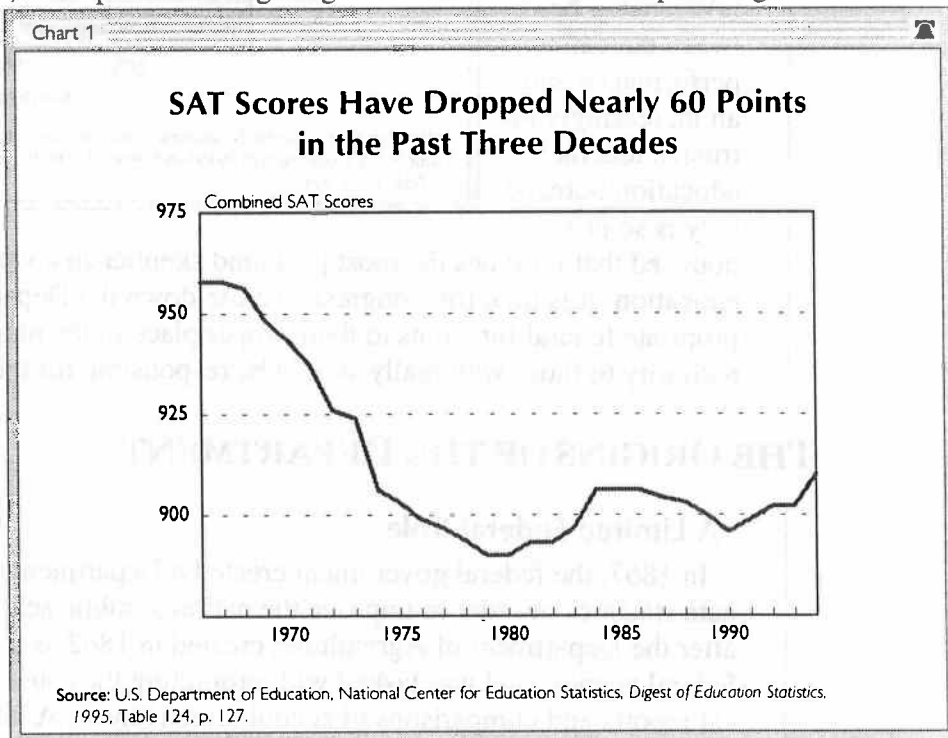
The federal role is costly as well as intrusive, requiring an expensive and burdensome bureaucracy to manage national programs. Washington should do only those things states and localities cannot do for themselves, such as national data collection and targeted research.

The most alarming aspect of growing federal control of education is not administrative interference, however, but its adverse impact on academic performance, equally the product of sins of omission and commission. The increasing power of special-interest groups, the burgeoning size of school districts, the refusal of the public schools to submit to any market discipline, weakening community bonds, a pervasive anti-intellectualism in schools of education, general permissiveness, family dissolution—all have played a role. At no time in American history has academic performance been more important. Yet, as the federal role has increased, education performance has declined. While cause and effect are elusive, and the department's supporters assert a variety of causes to explain the decline in student performance, these changes nonetheless occurred during, and as a part of, the federal ascendancy in American education.

Chart 1 illustrates how SAT scores have declined in the last 25 years as the federal role in education has increased. Since the creation of the department in 1979, scores have stagnated: In 1980, the national average was a combined 890; in 1994, the average was 910. What appears to be a small amount of progress could be attributed to changes in methodology on the SAT, which include a shortened test and permission to use calculators. In terms of graduation rates, the 8 percent of eighth graders who failed to complete high school in 1978 rose to 12 percent in 1992.

In other measures of reading, science, and math ability, there has been some measurable improvement. When compared to the scores of other industrialized nations, however, it becomes clear that measuring success against where we were 20 years ago may not be sufficient if we still

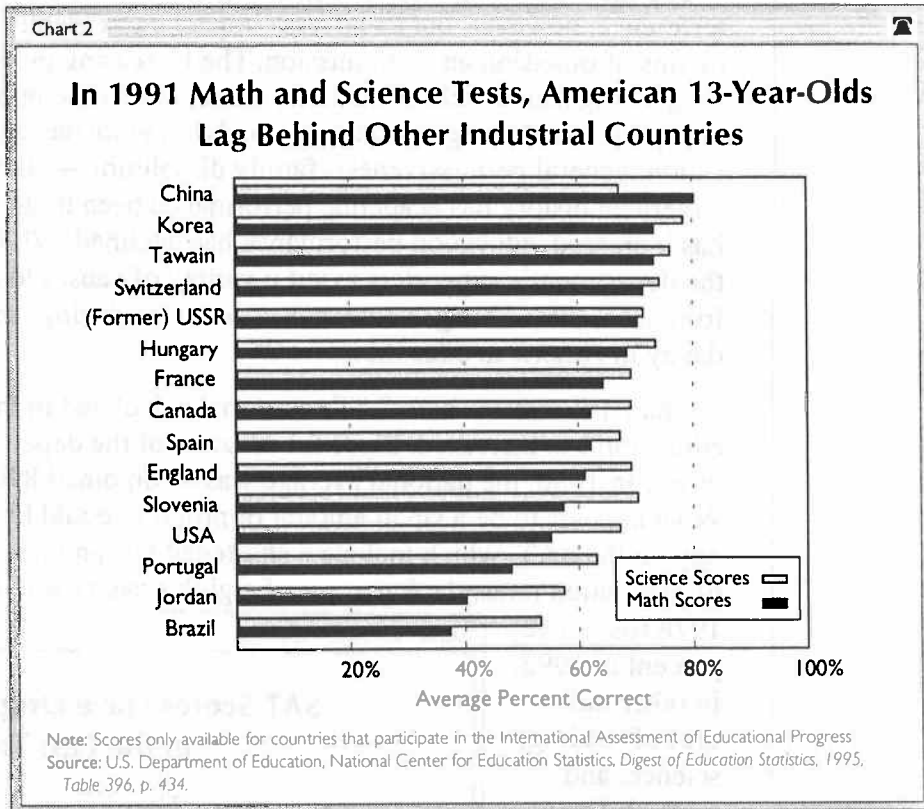
consistently lag behind other industrialized parts of the world, as Chart 2 illustrates. The United States spends more money per elementary and secondary school pupil than any other country, with little to show for such an investment (see Table 1). How education money is spent is as important as the amount spent.



Even if the federal role has not been directly responsible for education decline, this is clearly not the time to do more of the same. Taxpayers should realize the obvious: The purpose of a federal role in education is to “federalize” the nation’s schools, to make them march to a common drumbeat. And it is succeeding, to the detriment of education. At least since the advent of President Lyndon Johnson’s Great Society, federal involvement in education has been designed to make each state more like the others.

Not surprisingly, the descent to the lowest common denominator has been relentless. The inverse relationship between education performance and an increasingly intrusive federal education bureaucracy is so pronounced that it invites the most profound skepticism about any significant federal role in education.

It is time for Congress to close down the Department of Education, reassign appropriate federal functions to their proper place in the national government, and return authority to those who really should be responsible for the nation’s schools.



THE ORIGINS OF THE DEPARTMENT

A Limited Federal Role

In 1867, the federal government created a Department of Education to gather and disseminate statistics in order to improve the nation’s public schools. The department was modeled after the Department of Agriculture, created in 1862 as a free-standing, sub-Cabinet-level federal agency, and was tasked with promoting the cause of education by publishing statistical reports and comparisons of school effectiveness. A bitter debate surrounded the establishment of the department as a free-standing agency, for although it was tasked only with data gathering and dissemination, many feared that it would grow to challenge state control of public schools. A coalition of Democrats and a wide spectrum of Republicans fought to abolish the department soon after its creation, and a compromise was reached, under which the office was moved to the Department of the Interior in 1868. The office continued to exist, but its influence was tempered by a Congress that allowed only modest increases in funding and personnel. Throughout the following century, amid several name changes and

reorganizations, the agency played a carefully limited role in the development of federal education policy, with the Interior, Agriculture, and Labor departments also performing education-related functions.⁴

But the Office of Education grew, and so did its mission. In 1947, in the *Everson* case the U.S. Supreme court set the stage for increased federal involvement in education, establishing a precedent for federal involvement in state and local school policies by limiting public support for religious schooling. Two decades later, President Johnson's War on Poverty sought to improve the quality of and access to education with the Elementary and Secondary Education Act of 1965.

ESEA empowered the U.S. Office of Education to aid schools in low-income areas and strengthen state departments of education.⁵ The office performed analyses of state and local educational trends and gained authority to enforce racial discrimination guidelines. And while the Office of Education did not control curriculum, it supported a number of curriculum reform projects—

“new math” and MACOS (Man, A Course of Study), for example—that were both intrusive and ineffectual. As the office distributed funds at the local level, it also required evaluations of regulatory compliance. No longer was the Office of Education merely a “statistical secretary” to the nation's schools.⁶

Table 1

Public Expenditures for Primary and Secondary Education for School Year: 1991-1992

	As a Percent of GDP	Constant 1992 U.S. Dollars
United States	3.5%	\$6,984
Sweden	4.6	\$5,336
Norway	4.8	\$5,262
Canada	4.3	\$4,935
Switzerland	3.2	\$4,838
Denmark	3.9	\$4,475
Finland	4.9	\$4,237
Austria	3.3	\$4,107
Italy	3.3	\$4,036
France	3.4	\$3,630
Belgium	3.3	\$3,438
United Kingdom	3.8	\$3,365
Netherlands	3.2	\$3,192
Japan	2.3	\$2,707
Australia	2.7	\$2,532
New Zealand	3.2	\$2,263
Spain	3.1	\$2,094
Ireland	3.6	\$2,083
Hungary	4.2	\$1,728

Source: U.S. Department of Education, National Center for Education Statistics, The Center for Education Reform, 1995.

4 Donald R. Warren, “Department of Education,” *The Greenwood Encyclopedia of American Institutions: Government Agencies*, ed. Donald R. Whitnath (Westport, Conn.: Greenwood Press, 1985), p. 104.

5 Strengthening state departments of education has turned out one of the most pernicious activities of the federal government because it has underwritten substantial staffs across the country.

6 Warren, “Department of Education,” p. 105.

During the 1970s, education groups lobbied heavily for a Cabinet-level Department of Education. The National Education Association had long supported the creation of a Cabinet-level agency but had little support from Congress. President Jimmy Carter, in an effort to keep a campaign pledge, sought its creation soon after his inauguration. Overcoming opponents, supporters of a Cabinet-level department prevailed in 1979 with the Department of Education Organization Act, which passed easily in the Senate (72 to 21) but narrowly in the House (210 to 206).⁷

The U.S. Department of Education was created for the least defensible of reasons: politics. The education establishment desperately wanted its own Cabinet-level department, and creating it helped cement their political ties to liberals in Congress. In turn, a more pronounced federal role would raise the visibility of education and lead to more and more federal involvement in policymaking and funding. With such a dynamic in place, state and local education would become increasingly federalized.

While the Department increased the power of education interest groups, however, two decades of test scores show that public education has become progressively weaker and more ineffective. As Chester Finn observes:

It became clear that the authors want to substitute decisions made in Washington for decisions made by individual households and communities. They create new governance mechanisms and regulatory apparatus at both national and state levels. They use federal funding in a deceptive way that is designed to elicit the very forms of behavior that other parts of the legislation term “voluntary.” They throw obstacles onto such promising reform pathways as school choice and private management of public schools. They transform what has been a national movement into a federal program.⁸

The Department of Education thus was not, and is not, a child of carefully reasoned policy or pressing national need. It was the product of politics and is an instrument of interest group political power. That is why it behaves as it does. The calculus is straightforward: President Carter made a political promise and kept it. After decades of existence, a cautious and careful professional association—the National Education Association (NEA)—became politicized in the 1970s and 1980s. Determined to create a national education presence, the NEA had one overriding agenda: “one-third, one-third, one-third.” By this, the NEA meant that each level of government—local, state, and federal—would provide one-third of the total dollars for education.⁹ It also wanted a Department of Education to increase central control of education through an agency that would be influenced by organized teachers and administrators rather than parents. In exchange for the support of the National Education Association for his candidacy, Jimmy Carter and his liberal allies in Congress delivered a Cabinet department.

7 *Ibid.*, pp. 106-107.

8 *Ibid.*

9 As things stand today, the federal government provides about seven percent of total spending on elementary and secondary education, but the share per state differs dramatically. As a proportion of federal, state, and local revenue shares, New Hampshire gets the least, with 3.1 percent of its education revenue coming from the federal government. Mississippi has the highest percentage of funds coming from the federal government—17 percent.

Ironically, the department's severest critics included those who regard themselves as among American education's best friends. The concern at the time is best captured in *Washington Post* editorials opposing the creation of the department nearly 20 years ago:

If the House does agree to enshrine an insulated, supergraded federal educational bureaucracy in the Cabinet, the results are likely to be so costly and unhealthy for American education that many representatives, in retrospect, will be embarrassed to admit that they voted "yea."¹⁰

We are not one-time offenders in this business....[W]e are, in fact, hardened criminals, hopeless recidivists and probably—why mince words?—incorrigibles. We have been fighting the creation of a separate Department of Education since 1953 [and] we remain adamantly opposed to the creation of this new department. We think it is an awful idea and nothing that has been said or that has happened in the last 26 years has given us reason to think otherwise—including^{P1} and especially the Carter administration's campaign in favor of it.

The reason for such a reaction was that President Carter's proposal was startling even by Washington standards. There simply was no compelling organizational reason to create a Cabinet-level Department of Education, except to usurp state and local power—a claim not even the most ardent supporter would make in public. It was a simple political payoff, obvious to everyone. Joining the *Post* in its opposition to the new department was the Committee Against a Separate Department of Education, created by the American Federation of Teachers (AFT). Made up of education, research, labor, and civil rights groups from across the country, and including prominent figures such as Senator Daniel Patrick Moynihan (D-NY), the committee was afraid that the new department would have a baleful effect on America's long and successful tradition of local control of education. According to Moynihan, the department was a result of a "backroom deal, born out of squalid politics."¹² Gregory Humphrey, director of legislation for the AFT, likewise declared:

We believe this is a hoax. It will not result in the improvement of education anywhere. [Test scores and literacy measurements] are the things people think of when they want an improvement in education—not who talks to the President and when, or how many assistant secretaries can dance on the head of a pin.¹³

Despite this criticism, when President Reagan proposed to abolish the department just two years later, he was barely able to find an author to carry his legislation. The abolition proposal vanished without a trace. Congressional support for a Department of Education was no stronger than when the Department had been created, but just as Congress had little energy or enthusiasm for creating the department, it could not marshal the resolve to dismantle it. The new *status quo* triumphed.

10 "A Bad Idea," *The Washington Post*, June 4, 1979, p. A26.

11 "Wherein We Confess All," *The Washington Post*, July 23, 1979, p. A20.

12 Spencer Rich, "Senate to Vote on Measure Creating U.S. Education Department," *The Washington Post*, April 27, 1979.

13 Diane K. Shah with Lucy Howard, "A Cabinet Chair?" *Newsweek*, June 18, 1979, p. 60.

A DEPARTMENT IN SEARCH OF A JUSTIFICATION

The failings of the Department of Education (and the Office of Education before it) have been sins of omission as much as sins of commission. It is not just that Department officials foisted such things as “bilingual education” on an unwilling nation; the department also forfeited tremendous opportunities. Had it been a force for a constructive new federalism, it could have partially justified its existence as a “bully pulpit” for reform and academic excellence (as it was under Secretaries William Bennett and Lamar Alexander). But for most of its 18 years as a Cabinet department, it has been simply a handmaiden of special interests. Not surprisingly, the Department of Education is a department for producers (educators), not customers (parents and children). The problem is organic and institutional, and is not simply a function of lackluster political appointments.

The National Interest in Education

To be sure, there is a national interest in education: a compelling national interest in high quality education for all Americans, of all backgrounds and from all regions. But that interest is best served by a vigorous federal system, not by centralization. The states are and should be “laboratories of democracy”; to force them into the same mold does violence both to America’s constitutional traditions and to the very nature of education. It misconceives both. If, for example, there were one best system by which to educate everyone, a uniform federal role might have some basis in logic if not in practice. The French (who invented modern bureaucracy) and the Japanese are among those who make such a claim; but among Americans, a uniform federal role, except in a carefully delineated fashion, has always been understood to be bad policy and worse practice. A robust federal system offers unparalleled opportunities to reform and improve education, state by state, community by community. As each state learns more about reform within its own borders, other states are free to learn from its reforms and avoid the pitfalls of the less successful.

The argument for state and local control of education begins with the Constitution and ends with common sense. The Tenth Amendment to the U.S. Constitution reserves to the states all powers not specifically delegated to the national government, and education is quintessentially a state and local matter. From the time of the ancient Greeks to the present, education has been understood as a transaction between student and teacher. Everything else—school districts, school boards, state rules and regulations, the federal role—should be supportive, designed to assist teacher and student. Yet, as any candid observer must admit, a public school system, like any bureaucracy, tends to become insular and self-serving. The fault is not in teachers, but in the structure within which they must function. Unfortunately, the federal role reinforces this unhappy tendency.

The further control is removed from the classroom, the greater the danger that teachers will be frustrated and students (and their families) shortchanged. Of all social activities (such as health care, criminal justice, housing, transportation, and economic policy), schooling is the least likely to profit from centralized control. Yet that has been precisely the goal of federal involvement.

Moreover, adding a federal dimension has not solved lower-level bureaucratic problems within the system—it has made them worse. Not surprisingly, just as “command-control” economies have failed around the globe, command-control schools are failing. At issue is a deceptively simple administrative principle: decentralization. In the world of business, this

means that those who are closest to the workplace should make as many decisions as possible. In the world of public administration, it means the same. Each unit of government should do what it does best—and only that. Higher units of government should yield as much power as possible to lower units, and must be able to defend—in terms of efficiency or justice—whatever functions they retain.

Perhaps most important, the states have grown dramatically in their ability to deal with problems and seize opportunities. Not only have state legislatures become modernized, and state governors increasingly more sophisticated, but most states now have well-organized citizen watchdog groups and state and regional think tanks that provide oversight and policy guidance.¹⁴

The Lack of Need for Federal Intervention

Had the Department of Education been created for compelling policy reasons, had serious problems been successfully addressed, had something “broken” been fixed, or had student performance climbed upward over the past decade and a half, perhaps some federal involvement in education could be defended. But only a weak political defense was advanced at the time, and no intellectually serious defense is being advanced now.

No government agency should be allowed to continue indefinitely without having to justify itself to the people’s representatives. Each one should be required to demonstrate that it is doing something worthwhile—in other words, to convince Members of Congress that it is worth preserving. Members of Congress should ask themselves three basic questions: Would the U.S. Department of Education survive serious scrutiny if forced to justify itself? Has it improved American education significantly? If Congress were starting from scratch, would it create the same bureaucracy that exists today?

The federal role in education emerged in waves, in response to crises perceived or real. In the modern era—after the GI Bill, a program to support and reward veterans of World War II—there were five major waves: first, under President Dwight Eisenhower with aid to higher education, a military/economic response to Sputnik; second, under President Lyndon Johnson with the Great Society; third, under President Richard Nixon with limited federal support for research and development; fourth, under President Gerald Ford with P.L. 94-142, a bill to aid handicapped children that created radical federal intrusions into the classroom by making education a federal civil right; and fifth, under President Jimmy Carter with the decision to upgrade the Office of Education within the Department of Health, Education, and Welfare (HEW) to a separate Cabinet-level department.

Other programs have been added, but with the notable exception of special education, the broad contours of federal education policy were established under the Great Society. The announced reason for this was equity—racial and economic justice. A long history of state indifference—and even outright hostility—to the rights of black Americans finally mobilized a powerful constituency for federal intervention in education. Even though education is clearly a state and local function, both in terms of practice and in terms of policy, and as im-

14 For a more complete discussion of these issues, see Denis Doyle with Terry W. Hartle, *Excellence in Education: The States Take Charge* (Washington, D.C.: The American Enterprise Institute, 1985), and Denis Doyle with Bruce S. Cooper and Roberta Trachtman, *Taking Charge: State Action on School Reform in the 1980's* (Indianapolis, Ind.: Hudson Institute, 1991).

portant as local control is, racial justice formed a higher claim, one that must be honored. But just as tough cases make bad law, moral fervor is no guarantee of balanced and effective legislation. As Finn notes,

There were genuine quantity-and-access problems at the time, and it was legitimate to enlist the national government in their solution. But the world has changed in the three decades since these programs were born and these assumptions fixed in policy. The essential nature of the education problem facing the United States is altogether different today.¹⁵

Preempting the States. Put bluntly, the task for the Carter Administration and liberals in Congress was to circumvent the Tenth Amendment, which specifically reserves to the states all powers not specifically delegated to the national government. Education is such a power.

The effect of this limitation is quite dramatic. Any federal role in education, insofar as it exists at all, is conditioned on one of two things: either some larger federal role, such as civil rights, or money. In the case of civil rights, the states must bend to federal law. But in all other areas—curriculum, organization of instruction, homework, discipline policies, testing and measurement, or the hiring and firing of teachers, for example—the amendment implies that the federal government can do no more than offer states and localities money and specify the terms. In other words, no compliance, no money; states and localities are free to refuse the funds, and Washington is free to withhold them. That is the theory. The reality, however, is that few states or localities refuse federal funds; the temptation of the “money power” has proven to be nearly irresistible.¹⁶

Embedded in this broader debate is the “Mississippi problem.” Historically, the federal government treated all states equally; a rule for one was a rule for all. At one level, this is a sensible policy response in a federal system—the equal treatment of equals. But the federal role in education was not motivated by such considerations; it was motivated by the conviction that there were vast disparities among the states that must be remedied. In this context, treating all states equally caused important problems. By default if not design, Mississippi became the benchmark. At the time of the Great Society, Mississippi was the poorest, lowest spending, lowest achieving, most racially segregated state in the nation. As the largest of the federal government’s initial forays into education, Mississippi set the bureaucratic pace for everyone else: the lowest common denominator policy. Management by exception was never entertained; there would be one bureaucracy for all. And so it has remained.¹⁷

15 Finn, *Rethinking the Federal Role in Education*.

16 The recent refusal of four states to participate in Goals 2000 funding is without precedent in the recent history of federal involvement. Montana, Virginia, and New Hampshire have refused to apply for Goals 2000 funds, and Alabama has returned them. In each case, the state determined that the Goals 2000 money was not worth the strings and conditions—an omen of what is to come.

17 Daniel Patrick Moynihan (D-NY) has jokingly suggested that the policy remedy for low test scores is to move your state up against the Canadian border; the states already there for a long time have had the highest test scores in the nation.

No matter that some states were more sophisticated and enlightened than official Washington, or that Washington bureaucrats had no claim to superior knowledge or virtue; each state would march to the same drummer. The appeal of “free” money proved to be nearly irresistible. State after state accepted official Washington’s largess, and few if any appealed to their congressional delegations to change the rules. It was one-way federalism.

RESTORING THE PROPER FEDERAL ROLE IN EDUCATION

The one irresistible impulse of any bureaucracy is to assume power—indeed, to usurp power—to serve its own internal dynamic. Put slightly differently, bureaucracy is designed to institutionalize the suspension of judgment, and bureaucracies do precisely what they are designed to do. They are “one-size-fits-all” institutions.

Given the predilections of bureaucracy and the fragility of the education process, what is the compelling reason for a federal Department of Education? Is Washington more virtuous, more competent, more equitable, more knowledgeable, more capable, more caring, more decisive, or more clever than states and localities? Make no mistake: That is the issue. Only something of this magnitude justifies federal involvement in education.¹⁸ By way of illustration, it is clear that there is an overriding federal responsibility to guarantee the constitutional rights of all Americans, in school and out. The same is true of national data collection; Washington is better equipped to collect and display the data than any state or locality—indeed, than all states and localities. In this case, of course, official Washington is the proxy for all states and localities. At the other end of the scale, however, is the management of classroom instruction, curriculum, and textbook adoption. In the best of circumstances, official Washington is capable of little more than offering advice. To control classroom management in Washington does violence to everything that we know about education; its only justification must be political, not pedagogical. And a political justification is, on its face, indefensible.

Legislative Initiatives

Members of the House desiring to eliminate the department generally fall into two camps: those who believe it should be eliminated entirely and those who think it should be merged with the Department of Labor and the Equal Opportunity Employment Commission. The only bill currently under consideration is one that would terminate the department, although there may yet be a merger bill.

The Back to Basics Education Reform Act (H.R. 1883), sponsored by Representatives Joe Scarborough (R-FL) and Steve Chabot (R-OH), seeks to abolish the Department of Education within one year of enactment. The bill rolls all elementary and postsecondary education programs that are not terminated into two separate block grants to the states that are authorized for four years. These grants would be administered by a new Office of Educational Opportunities (OEO) within the Department of Health and Human Services, which also would run student aid programs, IDEA, and other programs not terminated or trans-

18 Denis Doyle, *The Federal Government and Education in the Next Decade: The 1988 Presidential Sweepstakes*, essay prepared for the Nelson Rockefeller Center for the Social Sciences, Dartmouth College, August 1987.

ferred elsewhere under the bill. The programs transferred to the new OEO would have their administrative accounts reduced by 30 percent, based on their FY 1995 appropriations.

Abolishing the department and returning control of education to parents and to state and local governments would improve education and help to ensure that the federal government does not overregulate and interfere in an area that is fundamentally local in nature.

H.R. 1883 eliminates major portions of the federal bureaucracy, including Titles I-VII and IX-XIV. A few of the larger programs remain intact. Impact Aid, a program designed to aid local school districts educating children living on military installations, is transferred to the Department of Defense. Indian Education programs are transferred to the Department of the Interior.

H.R. 1883 is an excellent vehicle with which to accomplish this precisely because it recognizes explicitly that the “principles of federalism embodied in the Constitution of the United States entrust authority over issues of educational policy to the States and the people and a Federal Department of Education is inconsistent with such principles (Sec. 2.1).”

Representative Steve Gunderson (R-WI) belongs to the merger camp but has yet to draft any legislation. Under his proposal, which currently exists only in outline form, the department would be merged with the Department of Labor and the EEOC, with the intent that a more relevant and efficient delivery system be established in order to ensure that America’s children have the necessary knowledge and skills to prepare them for the workplace of the 21st century.¹⁹

This proposal is driven primarily by the need to streamline and save, with the stated end goal being to “prepare our youth for the challenges of the 21st century.” As Representative Gunderson stated in a press release earlier this year,

By simply consolidating programs and eliminating duplication, we can stem the immense bureaucratic growth of these agencies and realize some savings in the process....[I]t is not the function of this proposal to debate the merits of each program. Rather, through broad consolidation and coordination of programs, we can make dramatic cost savings and achieve a better federal education and employment system at the same time.

Unlike the Scarborough bill, which uses an underlying philosophy of the proper role of the federal government in education to determine what programs will be retained and where they will be lodged, Gunderson’s focuses on streamlining the delivery of existing services rather than on whether the federal government ought to be involved in them at all. Having the Department of Education emphasize “work force preparation and policy” begs the question. Parents educate their children not only for the work force, but also for life. Even if education is tantamount to “work force preparation,” that does not compel a federal role in bringing about that objective.

19 *Hearings on Departmental Reorganization—Volume 1*, Committee on Economic and Educational Opportunities, U.S. House of Representatives, 104th Cong., 1st Sess., June 7, 1995, pp. 9-24.

Official Washington's role should be limited to doing those things states and localities cannot do for themselves and that also serve a larger national purpose. The list is short and does not require a Cabinet-level department to implement.

Getting it right. Congress should dismantle federal agencies that do not serve the public interest, and the Department of Education is the most visible example. Conceptually, as Bennett, Alexander, and Finn all have noted:

- ☞ The federal government should recognize that education in America is “the constitutional responsibility of the states, the social responsibility of communities, and the moral responsibility of families”;²⁰
- ☞ “Except when the civil rights of individuals are menaced, the federal government should *never* impede the capacity of families, communities and states to decide how best to provide education to their children”;²¹
- ☞ The bully pulpit is appropriate, but goals and standards must always be truly voluntary; federal funds should not be used as “carrots” or “sticks” in ways that effectively diminish state and local control; and
- ☞ The federal government should “dedicate itself to (a) fostering family responsibility and local control, (b) assisting states to fulfill their responsibilities as they see fit, (c) providing sound statistics, prompt and accurate assessment results and other information, and (d) safeguarding individuals from illegal discrimination.”²²

Doing it right. To send responsibility home where it belongs, to transfer legitimate federal functions to other federal agencies, and to eliminate what is unnecessary is the job for Congress. For example:

- ✓ **The protection of the civil rights** of all Americans should be enforced by the U.S. Department of Justice, as they are enforced in the larger society; a separate Office of Civil Rights in an Education Department is not necessary.
- ✓ **Data collection, dissemination, analysis, and research** should be transferred to a central Office of Data Collection in the Bureau of the Census.
- ✓ **Aid to poor children in elementary and secondary schools (Title I/Chapter 1)** should be made available to them as a transfer payment on their behalf, or as an education voucher. This should be negotiable in any school that satisfies a state's compulsory attendance statutes, without reference to whether the school is public or private, secular or denominational (as is the case in all other industrialized democracies). The administrative responsibility should be transferred to the states as part of an elementary and secondary education block grant administered by the Department of Health and Human Services.²³

20 Finn, *Rethinking the Federal Role in Education*.

21 *Ibid.*

22 *Ibid.*

23 For a more complete discussion of this idea, see Thomas Vitullo-Martin and Bruce S. Cooper *Separation of Church and Child: The Constitution and Federal Aid to Religious Schools* (Indianapolis, Ind.: The Hudson Institute, 1987), and Bruce S. Cooper and Denis Doyle, eds., *Federal Aid to the Disadvantaged: What Future for Chapter 1?* (“Introduction and Policy Synthesis”

- ✓ **College financial aid** should be moved to the Department of Health and Human Services for the immediate future, and such aid should be merit as well as needs based (as it is in every other industrialized democracy).
- ✓ **All remaining funds** should be made available as two block grants to the states, that would be gradually phased out. One block grant should be for elementary and secondary education programs and the other for higher education.

CONCLUSION

America's taxpayers no longer believe in major federal solutions to problems that are quintessentially local in nature. Congress can undo the damage and restore education—lower and higher—to its rightful place.

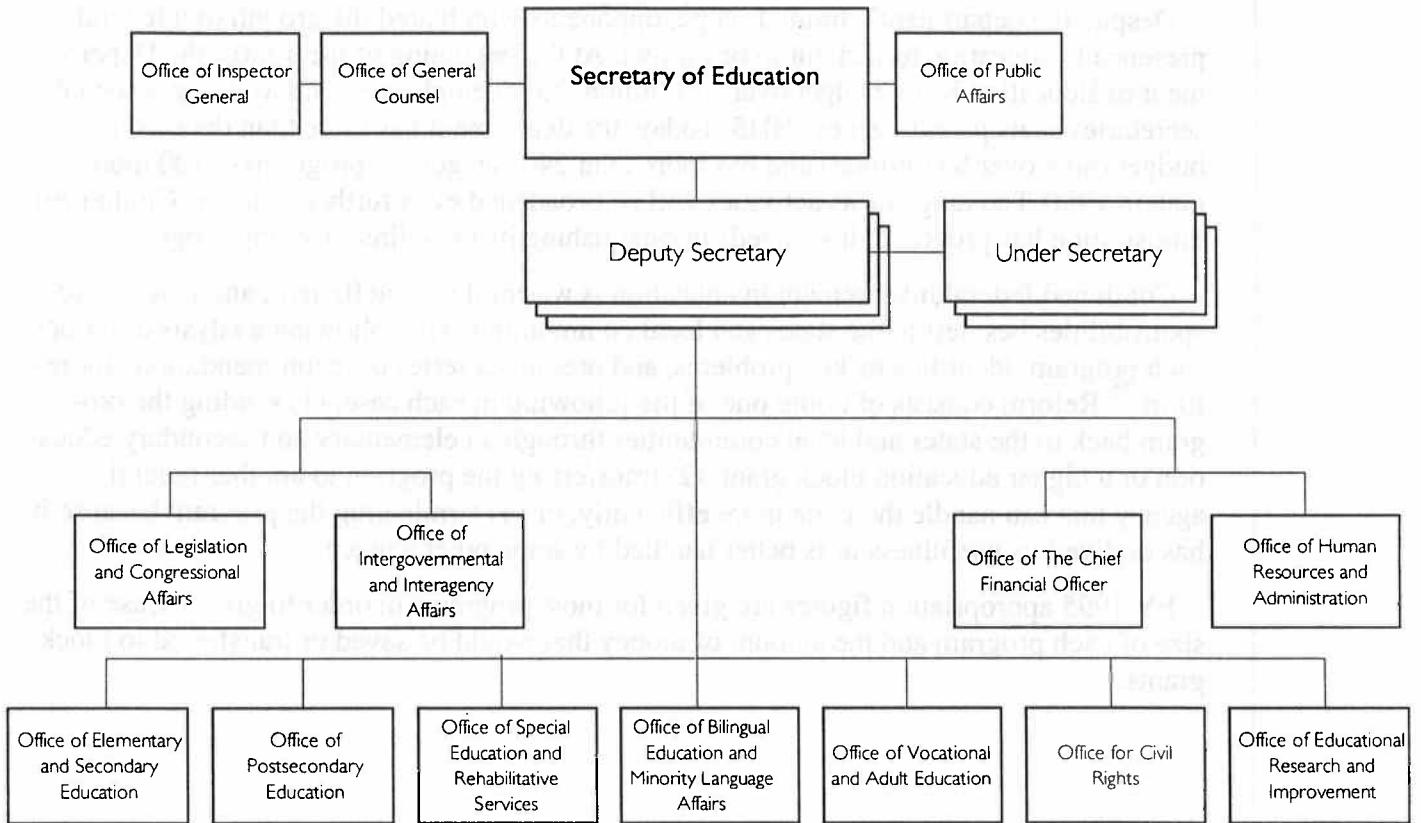
The Great Society and the cluster of programs that grew up around it describe the contours of the modern federal role in education. They are nothing if not large, ambitious, bureaucratic, and intrusive. While these programs were introduced for a variety of reasons, the most important was the simplest: the conviction that states and localities could neither get it right nor go it alone. Most Americans no longer believe this (if, indeed, they ever did). It is time to restore education to its rightful role and place; federal involvement has been tried and, by and large, found wanting. The principle that should guide us into the next century is simple: Devolve to states and localities the responsibility for education. That is the necessary first step. The results will be both profound and far-reaching: the restoration of federalism and the revitalization of the nation's schools.

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Chart 3

Organizational Chart of the Department of Education



Source: U.S. Department of Education.

APPENDIX

DISMANTLING THE DEPARTMENT OF EDUCATION

When the Department of Education was created, a number of important programs affecting schools were not transferred from other agencies to its control; as a result, interagency coordination remained a problem. For example, Head Start was left in the Department of Health, Education and Welfare (now Health and Human Services), which also retained control over school lunch programs. The new Cabinet agency in fact consolidated some 25 percent of about 400 federal higher education activities and less than one-third of all educational expenditures then in the federal budget.²⁴

Despite the department's limited scope, opponents who feared the growth of a federal presence in education turned out to be correct. At the beginning of the 1980s, the Department of Education had a budget over \$14 billion, 7,000 employees, and as many assistant secretaries as its parent agency, HHS. Today, the department has more than doubled its budget (now over \$31 billion) and has more than 240 categorical programs—100 more than in 1980. The range of its activities will be broadened even further if, as the Clinton Administration has proposed, it succeeds in establishing its own direct lending program.

Continued federal involvement in education is wasteful and inefficient, and involves responsibilities best left to the states and local communities. The following analysis describes each program, identifies its key problems, and presents a series of recommendations for reform.²⁵ Reform consists of doing one of the following in each case: (1) sending the program back to the states and local communities through an elementary and secondary education or a higher education block grant; (2) transferring the program to another federal agency that can handle the issue more efficiently; or (3) terminating the program because it has outlived its usefulness or is better handled by some other agency.

FY 1995 appropriation figures are given for most programs in order to give a sense of the size of each program and the amount of money that would be saved or transferred to block grants.

24 Judith S. Eaton, *The Unfinished Agenda: Higher Education in the 1980's* (New York: AMCE/MacMillan Publishing Company, 1991), p. 20.

25 Unless otherwise noted, all 1995 appropriation numbers are from the House and Senate *Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Bill*, Committee on Appropriations, U.S. House of Representatives, 104th Cong., 1st Sess., July 27, 1995. Numbers and rationale for the Administration's FY 1997 Department of Education budget request are drawn from OMB and Department publications, as well as from the Department's FY 1996 request in instances where the request was unchanged.

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION: TERMINATE AND TRANSFER FUNDS

1995 Appropriation: \$9.4 billion

The Office of Elementary and Secondary Education (OESE) should be terminated and its funds turned into an elementary and secondary education block grant administered within HHS in a newly created Office of Education.

I. Education Reform

Goals 2000: Terminate

1995 Appropriation: \$408 million

Enacted in 1994, the Goals 2000: Educate America Act provided funds to states, local districts, and schools to develop comprehensive education reform plans. Under the program, states applied to the federal government for funds to be used for academic standards, model curricula, staff training, and student assessments. Goals 2000 established three new federal boards: the National Education Standards and Improvement Council (NESIC), the National Skills Board, and the National Education Goals Panel.

The year-old Goals 2000 legislation, President Clinton's most important education program, has been a failure. Instead of "revolutionizing, revitalizing and reforming" America's schools, as President Clinton promised, Goals 2000 actually has slowed the process of change.²⁶ It has created suffocating new government bureaucracies, increased federal regulations, and boosted federal spending. Worse still, it threatens to undermine progress to improve American education performance by encouraging schools to ignore academic "outputs" — the results — and focus instead on obtaining federal dollars by showing Washington that more money is being spent on "inputs." The program also threatens the relationship of students and their families to the education process.

Goals 2000 has failed America's schools in two fundamentally important ways:

- ① **Building Bureaucracies.** Under Goals 2000, three new government bureaucracies were created: the National Education Goals Panel, the National Education Standards and Improvement Council (NESIC), and the National Skills Board. These bureaucracies continue the old, outdated traditions of education "command-and-control" organization that continues to keep control of schools in the hands of education "producers" rather than "consumers."
- ② **Federalizing Education.** While Goals 2000 pays lip service to local control, the legislation comes dangerously close to mandating a watered-down national curriculum designed in Washington. The federal government's preliminary foray into identifying national history standards met bitter criticism that the standards were diluted and politically correct. Indeed the proposed standards so clearly distorted American history

26 For a detailed description of Goals 2000, see Allyson M. Tucker, "Goals 2000: Stifling Grass Roots Education Reform," Heritage Foundation *Issue Bulletin* No. 182, July 14, 1993, and William F. Lauber, "Goals 2000: The 'Washington Knows Best' Approach to School Reform," Heritage Foundation *Issue Bulletin* No. 185, November 16, 1993.

that the Senate rebuffed them by a 99-1 vote on January 18, 1995.²⁷ This episode indicates one of the inherent dangers in the Goals 2000 approach. If NESIC's members were appointed, it would have become a *de facto* national school board whose 19 members would approve or disapprove all state-developed plans to meet goals set by the Education Goals Panel. Continuing attempts to "federalize" state and local education discourages real innovation and inhibits the most important school reform initiative of the decade: the movement toward privatization and school choice.

Continued taxpayer funding for Goals 2000's state and national programs will only strengthen the federal government's power to control local reform efforts, hampering efforts at grass-roots reform. Goals 2000 funding should be terminated and the money sent back to the states in the elementary and secondary education block grant to foster real reform such as school choice, vouchers, and magnet and charter schools.²⁸

School-to-Work Program: Terminate 1995 Appropriations: \$125 million

The school-to-work program, funded by the Departments of Education and Labor, was designed to "continue development of comprehensive State and Local school-to-work opportunities systems." Federal money is to be used as seed money to bring about a more comprehensive national program. The School-to-Work Opportunities Act mandates that this program sunset by the year 2001. In its FY 1997 budget request, the Clinton Administration is asking for \$200 million (an increase of \$75 million over FY 1995) to expand the number of states receiving full implementation grants to 43 and fund national research, technical assistance, and evolution activities. States use grants to establish partnerships representing education, industry, and labor, and to develop new assessments and accountability procedures for their school-to-work systems.

School-to-work programs have existed in various forms for some time and are an important part of preparing our nation's youth to lead productive lives. Nevertheless, both the state and national programs should be terminated. The federal government is not implementing a new idea; it is seeking to provide national leadership in developing a "coherent strategy" to help students move into the workforce out of high school. In an era of budget constraints, it is not appropriate for the federal government to take on such a task. Seed money is not necessarily the answer to the problem of developing effective partnerships between businesses and schools, and state-level partnerships with businesses to set up apprenticeship programs to bring non-college-bound students into a technologically advanced work force do not need federal oversight or funding. It is in the interest of private industry to ensure that workers are properly trained and equipped. States should make the implementation of

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- 27 The national standards for United States History gives a distorted and politically correct view of American history. For instance, George Washington is mentioned only briefly, while the founding of the Sierra Club and the National Organization for Women is given great attention. For a critique of the history standards, see Lynne V. Cheney, "The End of History," *The Wall Street Journal*, October 20, 1994, p. A22. Also see Carol Innerst, "History Rewritten for the Classroom," *The Washington Times*, October 26, 1994, p. A1.
- 28 For the most recent Heritage policy statement concerning Goals 200 funding, see Denis Doyle and James Hirni, "Abraham Amendment Would Give Hope to America's Ailing Education System," Heritage Foundation *Executive Memorandum* No. 433, October 16, 1995.

such programs a priority and aggressively seek funding to provide their youth with a work history that enables them to succeed in today's work force.²⁹

II. Education for the Disadvantaged

Title I: Block Grant and Transfer 1995 Appropriation: \$7.2 billion

Title I (formerly Chapter 1) funding for local education agencies and schools in areas with high rates of poverty provides additional educational assistance to five million low-achieving students. More than \$90 billion has been spent on compensatory education since the program was created in 1965. Despite this huge investment, there is no evidence of any positive effect.³⁰ Mary Jean LeTendre, Director of Compensatory Education during the Bush Administration, admitted that if Chapter 1's performance were displayed on a heart monitor, "We'd either pull the plug or get out the clappers."³¹

Pre- and post-tests administered to the same groups of students through a Department of Education study show that little progress has been made among Title I students. Comparisons of similar groups of children by grade and poverty show that program participation does not reduce the test score gap for disadvantaged students. Indeed, Chapter 1 student scores declined between the third and fourth grades in all poverty groups.³²

Chapter 1 instruction typically is offered for 30 minutes a day, five days a week. However, it contributes only about 10 additional minutes of academic instruction to each child's day. The benefit of additional time spent in Chapter 1 instruction too often is diminished by missed class time. During 1991-1992, 70 percent of elementary classroom teachers reported that students missed some academic subject during Chapter 1 reading/language arts instruction. Of this 70 percent, 56 percent indicated that students were missing regular reading/language arts activities during their Chapter 1 reading/language arts instruction.³³

Another significant problem with Chapter 1 is an incentive structure that discourages reaching the very end for which the program was created. Since funds are allocated based on the number of educationally disadvantaged children in a district, as test scores rise so does the risk of losing program money. Having a large population of educationally disadvantaged children ensures funding.

29 A recent study administered by the Census Bureau and funded by the Department of Education (OERI) shows that previous work experience is among the top three characteristics of applicants that employers seek. See *The Other Shoe: Education's Contribution to the Productivity of Establishments*, National Center on the Educational Quality of the Workforce of the University of Pennsylvania, February 1995.

30 See also Brian Jendryka, "Failing Grade for Federal Aid: Is It Time to Close the Book on Chapter 1?" *Policy Review*, Fall 1993, pp. 77-81.

31 Thomas Toch and Nancy Linnon, "Giving Kids a Leg Up," *U.S. News and World Report*, October 22, 1990, p. 63.

32 "Reinventing Chapter 1: The Current Chapter 1 Program and New Directions," *Final Report of the National Assessment of Chapter 1 Program* (Washington, D.C.: U.S. Department of Education, 1993).

33 "Prospects: The Congressionally Mandated Study of Educational Growth and Opportunity," *The Interim Report* (Cambridge, Mass.: ABT Associates, 1993).

The guiding principle for Title I reform should be reconnecting the program to its true beneficiaries: students, not schools. As it is, Title I commits more than \$1,000 to each eligible child; if that money were available as a Title I voucher, it would permit children to select schools that best serve their needs, whether public, private non-sectarian, or private religious. Aid to poor children in elementary and secondary schools should be made available to poor youngsters as a transfer payment on their behalf, or as an education voucher. This should be negotiable in any school that satisfies a state's compulsory attendance statutes, without reference to whether the school is public or private, secular or denominational (as is the case in all other industrialized democracies). The administrative responsibility should be transferred to the states.

As with AFDC and other forms of public assistance, Title I programs are best administered at the state level. Each state has different problems and concerns in educating its population and should be given the latitude to determine policy governing the distribution of funds to help the economically disadvantaged. Communities should be able to implement programs that respond to the needs of their children without being burdened with oversight from Washington.

The following programs from the Office of Elementary and Secondary Education's Education for the Disadvantaged should be terminated and the funds returned to the states through an elementary and secondary education block grant administered by the Department of Health and Human Services:

- ✂ **Capital Expenses for Private School Children. 1995 Appropriation: \$41.4 million.** Provides assistance for local education agencies that provide "equitable services" for children enrolled in religious schools.
- ✂ **Even Start. 1995 Appropriation: \$102 million.** Supports family-centered educational programs that involve parents and children.
- ✂ **State Agency programs for Migrant, Neglected, and Delinquent Students. 1995 Appropriation: \$350 million.** Provides services to children who have moved in the last three years and to incarcerated students.
- ✂ **State School Improvement. 1995 Appropriation: \$27.5 million.** Designed to help states initiate school-based change, holding them accountable for improving the education of the disadvantaged.

The following Education for the Disadvantaged programs should be terminated with no transfer of funds to the elementary and secondary education block grant:

- ✂ **Migrant High School Equivalency Program and College Assistance Migrant Program. 1995 Appropriation: \$10 million.** The High School Equivalency Program exists to help low-income migrant workers gain high school diplomas or equivalency certificates. The College Assistance Migrant Program provides stipends and tutoring to migrant students in their first year of college. These programs duplicate programs administered by Federal TRIO Student Support Services programs in the Office of Postsecondary Education, and at a much higher per student cost, and therefore should be terminated.

III. Impact Aid: Terminate

1995 Appropriation: \$27.5 million

Impact Aid provides basic support to school districts affected by federal activities. The program was established during World War II to relieve the sudden financial pressure on school districts in which enrollment increased sharply because of an influx of relocated military personnel. Impact Aid Part A compensated school districts for educating children whose families lived on federal property. Impact Aid Part B was almost exclusively for children whose parents worked on federal property but did not live there. More than 2,400 school districts received Impact Aid funds. The Impact Aid program was reauthorized and altered in 1994, and the original categories of "A" children, "B" children, Section 3(d)(2)(B), Disaster Assistance, and Construction were replaced with other forms of assistance. Payments were continued on behalf of children living on Indian lands and children living on federal property who have parents in the armed forces. The 1994 reauthorization ended payments for the other categories of previously eligible children, including "B" children.

This program has outlived its initial purpose and should be terminated. Impact Aid is based on the erroneous premise that military bases and other federal facilities are a cost borne by local communities. This is curious, since communities as a rule lobby heavily for such facilities and complain about the losses that will result if they are closed. In truth, these facilities confer substantial benefits through job creation and the infusion of what may be millions of federal dollars into the local economy. Since local governments evidently are convinced their economies gain from the presence of federal facilities, there seems to be no reason to provide them with Impact Aid as compensation for them.

IV. School Improvement Programs: Terminate

1995 Appropriation: \$1.3 billion

The Department of Education funds 18 small elementary and secondary programs, many of them designed to address certain perceived needs or as favors to Members of Congress. While many of these School Improvement programs have worthy goals, none can be shown to serve a purpose that cannot be achieved at the state level. All 18 programs should be terminated and a portion of the funds appropriated to the elementary and secondary education block grant proposed at the beginning of this section.

Eisenhower Professional Development State Grants: Terminate

1995 Appropriation: \$251 million

The Eisenhower Professional Development Program provides grants to the states for professional development. This program replaces the Eisenhower Mathematics and Science State Grants, which provided inservice training in mathematics and science. The underlying philosophy of the program is that "Real reform and improvement in elementary and secondary education require a teaching force that is up-to-date in the content areas and skilled in imparting knowledge to diverse populations of students. Only intensive, ongoing professional development will ensure that educators have the knowledge and skills necessary to teach children the challenging State standards."

In its FY 1997 budget request, the Clinton Administration agrees that this program has had "minimal impact on classroom effectiveness," yet still wants to expand it to offer "professional development" in additional subjects. The Administration's request terminates funding for *Innovative Education Program Strategies* (Title VI) because, as explained the

department's FY 1996 budget request, as a block grant it did little to contribute to real education reform since the money was spent primarily on such routine things as equipment.

The Administration assumes that the past failures of both of these programs can be attributed to their block grant status and the inability of states to bring about reform on their own without large-scale federal control and regulation. However, this is contradicted by current studies that attribute the programs' ineffectiveness to faulty assumptions about student performance. For example, in his exhaustive review of 113 studies that examined the relationship between teacher education levels and student performance, University of Rochester economist Eric Hanushek concluded that only eight showed a statistically significant correlation between teachers' advanced degrees and student performance.³⁴ These programs should be terminated not only because professional development is not a federal area, but also because of the overwhelming evidence of their inherent ineffectiveness.

Safe and Drug Free Schools and Communities: Terminate 1995 Appropriation: \$476 million

Under this program, the federal government gives grants to the states (1) to improve cooperation between schools and the broader community so that all available resources are brought to bear on drug and violence problems; (2) to fund a broader range of local activities, including before- and after-school "safe haven" programs; (3) to target more resources to communities with the greatest drug and violence problems; and (4) to increase accountability through a greater emphasis on collection and use of outcome data. The national programs fund federal development of model programs, evaluation of state and local safe and drug-free schools programs, cooperative activities with other federal agencies, direct grants to communities with severe drug and violence problems, and campus drug prevention grants to institutions of higher education.

There is no evidence that this program has been effective in achieving its goals, as no comprehensive audit has been completed since the program was created. Such an audit would be difficult in any event because little is known about what method works best to prevent and reduce substance abuse. A recent study by the Research Triangle Institute, for example, showed that support groups and community service groups increased in number as federal funding reached the schools, but the results are unclear because it cannot be demonstrated that such groups are the best way to combat drugs and violence.³⁵

Money under this program is sent not to areas of specific need, but to 96 percent of the nation's school districts, with many the smaller districts receiving only a few hundred dollars. Moreover, districts that do receive large sums of money are not necessarily spending it wisely. A recent audit of the Fairfax County public schools in Virginia found that the county spent \$176,000 of its Safe and Drug Free Schools grant to send hundreds of parents, administrators, teachers, and local business owners to a Maryland resort for meetings described as providing "the background for people to try and intelligently solve problems."³⁶

34 Eric Hanushek, "The Impact of Differential Expenditures on School Performance," *Educational Researcher*, May 1989, pp. 45-50.

35 Vincent Morris, "Do School Anti-Drug Programs Do Anything?" *The Fairfax Journal*, May 2, 1995, p. A1.

36 Vincent Morris, "Meetings Cost \$176,000," *The Fairfax Journal*, May 1, 1995, p. A1.

In Montgomery County, Maryland, administering a \$548,000 grant eats up more than \$200,000.³⁷

While safe and drug-free schools are a laudable goal, this federal program does little to achieve that goal and duplicates similar efforts such as the Substance Abuse Block Grant, Title XX, the Preventive Health Block Grant, and programs under the Center for Substance Abuse Prevention. Like education, crime and drug programs are administered best at the local level by individuals who are close to the affected community. States and communities affected by violence and drugs in their schools already are addressing these problems. Federal funding means federal strings that make it more difficult for state and local officials to do their jobs.

Inexpensive Book Distribution: Terminate

1995 Appropriation: \$10.3 million

A nonprofit organization, RIF (Reading is Fundamental), has been contracted by the Department of Education to distribute free and inexpensive books to areas of particular need. The \$10.3 million Inexpensive Book Distribution Program, although a worthy concept, could be funded easily at the state level or by private foundations.

Education Infrastructure: Terminate

1995 Appropriation: \$35 million

This program was created under the 1995 Improving America's Schools Act to assist local education agencies in repairing and rebuilding school facilities. The department recommends terminating funding for the \$35 million program due to the administrative complexity caused by the specific requirements LEAs must meet in order to receive assistance.

Arts in Education: Terminate

1995 Appropriation: \$10.5 million

This program seeks to promote competency in the arts by encouraging the integration of art into elementary and secondary curricula. Congress should terminate the Arts in Education Program, which should be funded by private organizations or the states. Most of the money under this program goes to just two organizations: the Very Special Arts Organization and the John F. Kennedy Center for the Performing Arts. Very little actually reaches the nation's classrooms.

Instruction in Civics, Government and the Law: Terminate

1995 Appropriation: \$4.5 million

This \$4.5 million program makes competitive awards for programs that educate the public about the legal system and its underlying philosophical principles. Many of the grantees have been receiving funds since the early 1980s for the same projects and should be able to continue without federal assistance.

37 Morris, "Do School Anti-Drug Programs Do Anything?"

Christa McAuliffe Fellowships: Terminate

1995 Appropriation: \$1.9 million

Scholarships provided by this program fund teacher projects to improve education. Such support is best kept at the state or local level, where the need for recognition of teaching excellence and innovation is more immediate.

Magnet Schools Assistance: Terminate

1995 Appropriation: \$111 million

The Magnet Schools Assistance program makes grants to local education agencies that are under some sort of desegregation plan, either court-ordered or federally approved. Preference is given to agencies proposing a new or significantly revised program and innovative educational programs. Congress should phase out Magnet Schools Assistance. Like charter schools, magnet schools already are well underway in many districts and are funded and controlled best by local and state authorities.

Education for Homeless Children and Youth: Terminate

1995 Appropriation: \$28.8 million

The objective of this program is to ensure that homeless children have equal access to education, and to run professional development programs to "heighten awareness of the special problems of homeless children and youth." In essence, this program helps to advocate within state budgeting processes for the allocation of other funds for the homeless population. While this may be a worthy goal, it is hardly a federal responsibility. And because much of this money is used to lobby for additional funds, little is spent on the education of homeless children. Direct services for educating homeless children can be provided better through the elementary and secondary education block grant.

Women's Educational Equity: Terminate

1995 Appropriation: \$3.9 million

Since 1974, this program has sought to promote educational equity through grants to local education agencies, nonprofit organizations, and individuals and through a national publishing center. This program is very small and funds only 32 grants of \$100,000 each. The program has existed for 20 years but shows little evidence of success in achieving its objectives. If states find that gender equity is a problem that needs to be addressed, studies can be funded and administered at the state or local level; this is far better than a "one-size-fits-all" solution imposed from above. The federal government has no legitimate role in such subjective matters.

Training and Advisory Services: Terminate

1995 Appropriation: \$21.4 million

The Training and Advisory Service Program, which supports federal Desegregation Assistance Centers (DACs), should be terminated. Most "desegregation-related" activities in the states, such as busing, have been expensive failures.³⁸ Public school desegregation has

38 For instance, in Milwaukee, Wisconsin, taxpayers spend \$10,247 for every student in the Chapter 220 program (the city-suburban integration program in Milwaukee). This is 54 percent above Milwaukee's public school per student

reached the point where the federal government no longer needs to be involved in such activities.

**Drop-Out Prevention Assistance: Terminate
1995 Appropriation: \$28 million**

This program has funded local demonstrations of approaches to curtailing high school dropout rates. By law, funding was to end in 1994, but ESEA reauthorization provided for two more years of non-competitive funding of projects that had been supported in previous years. According to the department, the activity thus “evolved into a program of direct, non-competitive assistance to incumbent grantees” and was no longer a demonstration program. The program no longer merits funding.

**Ellender Fellowships (Close-Up Foundation): Terminate
1995 Appropriation: \$3 million**

According to an audit requested by Congress, significant increases in federal funding had no impact on the number of fellowships offered by the foundation; fellowships actually decreased as the federal contribution increased. Other organizations in the private sector run government education programs and are able to provide economic assistance to those who are in need.

**Education for Native Hawaiians: Terminate
1995 Appropriation: \$9 million**

Native Hawaiians already are eligible to receive services from the Department of Education as long as they meet the criteria applied to all citizens. These programs duplicate those offered under Title I, as well as Special Education and other competitive grants offered by the Department. Since funding for such programs would be available to Hawaii through the elementary and secondary education block grant, separate funding is unnecessary.

**Foreign Language Assistance: Terminate
1995 Appropriation: \$10.9 million**

The Foreign Language Assistance program provides formula grants to local education agencies to encourage and improve instruction of foreign languages in areas where there is a perceived critical national interest. Currently, support is limited to instruction in Chinese, Japanese, and Russian. This program was targeted for termination in the Clinton Administration’s National Performance Review because it is “poorly structured to be an appropriate vehicle for the advancement of foreign language education in the schools.” The formula grants to the states are too small to have a significant impact on foreign language instruction.

expenditure. Despite this massive expenditure, students in the Chapter 220 program were performing below the level of inner-city students. See Charles J. Sykes, “Anatomy of a Boondoggle: Taxpayers Don’t Know How Much Chapter 220 Costs or Whether It Works—And That’s the Way Supporters Like It,” *Wisconsin Interest*, Winter/Spring 1993, pp. 1-9.

Charter Schools: Terminate
1995 Appropriation: \$20 million

The Charter Schools Program provides funds to “support planning and initial implementation of charter schools created by teachers, parents, and other members of local communities.” While charter schools certainly are desirable, the states do not need this funding to create them. Congress should terminate the Charter Schools Program and turn the funds over to the elementary and secondary education block grant.

Technical Assistance for Improving ESEA Programs: Terminate
1995 Appropriation: \$29.6 million

The Administration is proposing that funds be provided to complete the phasing in of 15 regional assistance centers to help states, local education agencies, schools, and other recipients of federal funds implement elementary and secondary education programs under ESEA. This is a consolidation of services previously supplied through 48 regional assistance centers. Since the programs these centers are supposed to help administer will be turned over to the states through block grants (Title I programs), terminated (bilingual education), or transferred (Indian education), these centers no longer will be necessary.

V. Indian Education (IEA): Transfer
1995 Appropriation: \$82.8 million

Indian Education programs supplement the efforts of state and local education agencies and Indian tribes by providing additional funding to the Indian population. Local educational agencies (LEAs) are required to develop “comprehensive plans” for the education of Indian children apart from the plans they develop for other children. This program should be sent to the Bureau of Indian Affairs, an agency far better equipped to deal effectively with the unique challenges facing the Native American population.

Indian Education programs are similar to the Title I programs which serve all disadvantaged children. Special Programs for Indian Children include (1) a broad demonstration program for testing new approaches in such areas as early childhood education, dropout prevention, and public-private partnerships; (2) an educator professional development program to increase the number of qualified Indians involved in the education of Indians and to improve the skills of Indians already teaching; and (3) fellowships for Indians studying medicine, psychology, law, education, business administration, and natural resources.

Special Programs for Indian Adults help Indian adults acquire basic literacy, complete secondary school, and secure the education needed to enter advanced vocational programs.

Both of these programs duplicate many Indian education programs run by the Bureau of Indian Affairs within the Interior Department. Therefore, the entire Indian Education program, including all program funding, should be transferred to that agency.

OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGE AFFAIRS

Bilingual and Immigrant Education: Phase Out Over Three Years 1995 Appropriation: \$206.7 million

The federal government began funding local bilingual education programs in 1967. At that time, Congress made it clear that support should not be limited to any one instructional method; as the legislative report stated, the choice of method should be "left to the discretion and judgments of the local school districts to encourage both varied approaches to the problem and also special solutions for a particular problem of a given school." This policy was reversed in 1974 when Congress effectively mandated that schools use "transitional bilingual education" (TBE) instructional methods, by which students are taught both in English and in their native language. In 1987, Congress loosened this restriction and allowed local governments to spend 25 percent of their bilingual education funds on "alternative" teaching methods, with 75 percent still required for TBE instruction. The federal programs assist local school districts in "building their capacity to operate high-quality instructional programs for recently-arrived immigrants and other Limited English Proficient (LEP) students."

Against the advice of local officials and many scholars, Washington continues to tie the hands of local school districts by requiring them to spend three-quarters of all their federal bilingual education funds on transitional bilingual education programs. Although federal funding is only about 3 percent of the total spent on bilingual education, the fact that the federal government favors transitional bilingual education over "alternative" teaching methods creates the impression that transitional education is the best way to teach recent immigrants and other Limited English Proficient students.

Despite the federal preference for transitional bilingual education, numerous studies have shown that TBE programs are less effective than intensive English programs. A recent study by the Board of Education of the City of New York showed that 80 percent of students enrolled in special English programs were put in mainstream classes within 2-3 years, compared with only 51 percent of students in bilingual programs. Similar results were found in a READ Institute study of the schools in El Paso, Texas. Students in an English-based program in El Paso enter regular classrooms in 3 or 4 years, whereas bilingual students take 6 to 7 years.

The Department of Education itself has concluded that TBE programs, which involve heavy reliance on the pupil's native language, can delay English proficiency for as many as six years after instruction begins.³⁹ This is disturbing, given that the primary purpose of these programs is to assist Limited English Proficient students to join the American mainstream as quickly as possible. Yet the bilingual education establishment continues to push TBE, which has proved to be both a source of jobs and a pipeline to the federal Treasury.

39 American Legislative Exchange Council, *The Cost of Bilingual Education in the United States, 1991-92* (Washington, D.C.: American Legislative Exchange Council, 1994).

Although there remains intense debate over which bilingual teaching methods are most effective, a consensus is emerging that local school districts are best able to tailor their programs to meet the needs of their foreign students most effectively. Notes Albert Shanker, President of the American Federation of Teachers: "The fact is that there is no proven method of bilingual education that guarantees English fluency. And I don't think that Uncle Sam, or anybody else ought to be shoving a particular message down anybody's throat."

As this \$261 million program is phased out, local school districts should be permitted to use the money to develop the programs they deem most appropriate and effective in teaching English as a second language. This would restore the program to its original mandate of providing short-term federal funding to develop "special solutions" for Limited English Proficient students.⁴⁰

OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES (OSERS)

1995 Appropriation: \$5.8 billion

The federal government has an interest both in ensuring that those who are disabled have access to quality education and in helping the states to achieve that goal. Therefore, the following programs would remain intact and be housed in HHS:

- ✓ Special Education,
- ✓ Rehabilitative Services and Disability Research,
- ✓ American Printing House for the Blind,
- ✓ National Technical Institute for the Deaf, and
- ✓ Gallaudet University.

OFFICE OF VOCATIONAL AND ADULT EDUCATION

1995 Appropriation: \$1.4 billion

Vocational Education program funds are used by states to support family literacy, vocational education, and job training, and to help adults complete a secondary education. Grants are allocated to the states according to a formula under which each state receives \$250,000, with the remaining funds distributed in proportion to the number of persons age 16 years or older who have not completed a high school education. Basic grants integrate

⁴⁰ See also Linda Chavez, *Out of the Barrio: Toward a New Politics of Hispanic Assimilation* (New York, N.Y.: Basic Books, 1991); Rosalie Pedalino Porter, *Forked Tongue: The Politics of Bilingual Education* (New York, N.Y.: Basic Books, 1990); Rosalie Porter, "Goals 2000 and the Bilingual Student," *Education Week*, May 18, 1994, p. 44; Russell Gersten, John Woodward, and Susan Schneider, *Bilingual Immersion: A Longitudinal Evaluation of the El Paso Program* (Washington, D.C.: READ Institute, 1992); Little Hoover Commission of California State Government, *A Chance to Succeed: Providing English Learners with Supportive Education* (Sacramento, Cal., 1993); Board of Education of the City of New York, "Educational Progress of Students in Bilingual and ESL Programs: A Longitudinal Study, 1990-1994," October 1994.

academic and vocational education and are allotted to states according to a formula based on state income, with an adjustment based on state per capita income. Currently, over \$1.4 billion is spent on vocational and adult education.

The 17 vocational and adult education programs duplicate 154 employment training programs administered by 14 different federal agencies. In an effort to ameliorate this situation, the Clinton Administration rescinded 1995 funding for the Community-Based Organizations and Consumer and Homemaking Education Programs. Under the Clinton Administration's FY 1997 budget proposal, programs administered by the Office of Vocational and Adult Education would be combined and broken down into two sets of programs: state grants and national programs. There would be separate state grant and national programs for vocational and adult education.

The following programs would be consolidated under the Clinton-proposed state grants for vocational education:

- ✓ **Tech-Prep Education (\$108 million);**
- ✓ **Tribally Controlled Postsecondary Vocational Institutions (\$2.9 million);**
- ✓ **State Councils (\$8.8 million); and**
- ✓ **Permanent Appropriation (Smith-Hughes Act) (\$7.1 million).**

State Literacy Resource Centers, Workplace Literacy Partnerships, Literacy Training for Homeless Adults, and Literacy Programs for Prisoners are Adult Education programs that fund relatively few programs in only a handful of states. All these activities are best handled by state and local governments, which are closest to those who are being served. These programs would be merged into adult education state grants in the Clinton Administration's FY 1997 budget request. The Administration correctly argues that a single state grant "would permit states to establish their own program objectives based on their own unique needs, and would give states the flexibility to use federal funds for a range of activities... aimed at achieving those objectives."

The research, technical assistance, and data collecting functions for adult and vocational education would comprise the national programs under the Clinton budget request.

Combining these programs into state and national programs makes sense, but not at the same level of funding. Funding for vocational education and adult education should be cut by 50 percent. Vocational education funds should be combined with the elementary and secondary education block grant and adult education funds with the higher education block grant, described below in the section on the Office of Post Secondary Education. Sufficient funds should be appropriated for research, data systems, and grant management at the federal level. The national program should be housed in the Department of Health and Human Services.

OFFICE OF POST SECONDARY EDUCATION

1995 Appropriation: \$13.4 billion

Programs currently administered by the Office of Post Secondary Education should be transferred to the Office of Education at the Department of Health and Human Services. Programs under Student Financial Assistance should be transferred to HHS, along with certain reforms, cuts, and terminations. Higher education categorical programs should be consolidated into a higher education block grant to be administered by HHS.

I. Student Financial Assistance

1995 Appropriation: \$7.6 billion

Pell Grants: Transfer to HHS

1995 Appropriation: \$6.2 billion

The Pell Grant program provides grant aid to low and middle-income undergraduate students. Unlike most other federal scholarship programs, it is the department's most "need-focused" student aid program. This proposal terminates most other merit-based scholarship programs in order to focus resources on need-based grant programs such as this one. Pell Grants should be sent to HHS along with other student financial assistance programs.

Supplemental Education Opportunity Grants: Block Grant

1995 Appropriation: \$583 million

The SEOG program, like the Pell Grant program, provides assistance to undergraduate students with financial need. Funds are allocated to institutions, however, based on statutory formula, and institutions match 25 percent. Students with exceptional need and Pell Grant recipients are given priority by the awarding institutions. This need-based program should be terminated and its funds included in the higher education block grant, enabling states to award money to institutions as they see fit.

State Student Incentive Grants: Terminate

1995 Appropriation: \$63.4 million

The SSIG program provides dollar-for-dollar matching funds as an incentive to the states to set up need-based postsecondary student grant assistance. Since 1972, all 50 states have set up their own undergraduate need-based programs. The original objective of this program therefore has been met, and federal funding is no longer necessary. (Elimination of this program also was recommended by the Administration's own National Performance Review.)

Federal Perkins Loans

1995 Appropriation: \$176 million and

Federal Family Education Loans (FFEL)

1995 Appropriation: \$5.1 Billion

Students receive federal student loans primarily through three programs: Federal Perkins Loans, Federal Family Education Loans (FFEL), and Federal Direct Loans.

Approximately 2,700 participating institutions currently administer Perkins Loans. Borrowers are charged 5 percent interest during principal repayment and no interest during in-school, grace, and deferment periods. The annual maximum amounts a student can borrow

under the program are \$3,000 for undergraduates and \$5,000 for graduate and professional students. The cumulative maximum is \$30,000 for combined undergraduate and graduate or professional study. The federal government currently pays \$18 million annually to cancel loan obligations of borrowers who go into "public service employment," such as law enforcement, nursing, or teaching in Head Start programs.

In the FFEL program, a student borrows money at a capped rate from private lending institutions. Banks making FFEL student loans have the loans insured by state and private nonprofit institutions, known as "guarantee agencies." The federal government, however, reinsures these loans and is ultimately liable for up to 98 percent of defaulted loans.

The FFEL program offers four types of loans:

- ① **Stafford Loans** are subsidized, low-interest loans based on financial need. The federal government pays the interest while the student is in school and during certain grace and deferment periods.
- ② **Unsubsidized Stafford Loans** also are low-interest student loans. However, under this program, the federal government does not pay interest for the student during in-school, grace, and deferment periods.
- ③ **PLUS Loans** are available to parents of dependent undergraduate students. The maximum interest rate for PLUS loans is higher than for Stafford or Unsubsidized Stafford Loans, and the federal government does not pay interest for the student during in-school, grace, and deferment periods.
- ④ **Consolidation Loans** allow borrowers with multiple student loans who meet certain criteria to combine their obligations and extend their repayment schedules.

All FFEL loans, except Consolidation Loans, have variable interest rates. The rate is capped at 8.25 percent for Stafford and Unsubsidized Stafford Loans and 9.00 percent for PLUS Loans. Today, these variable rates are tied to the 91-day Treasury bill rate; beginning July 1, 1998, rates will be tied to the government borrowing rate (currently the 10-year Treasury bill rate).

These loan programs should be removed from the jurisdiction of the Department of Education and operated by the Department of Health and Human Services. In addition, the following reforms should be instituted, both to reduce the cost of these programs and to cut defaults:

Reform #1: Eliminate the Perkins Loan Program.

The Perkins Loan program is relatively small and exists largely to supplement the larger FFEL and Direct Loan programs. It easily could be eliminated or merged into these larger programs, reducing overhead and duplication.

The Perkins Loan program also authorizes borrowers to have all or a portion of their loans canceled in exchange for service as a teacher, staff member in a Head Start program, volunteer in the Peace Corps or VISTA, law enforcement or corrections officer, nurse or medical technician, or family service agency employee. Yet there is no shortage of individuals interested in serving in these careers, some of which pay salaries and offer many rewards. There is no need to continue to forgive these loans for all individuals.

Reform #2: Eliminate in-school interest subsidies.

Students should be required to accrue interest on loans while attending school, with no payment of this accrued interest until after they leave school.

Federal student loans are virtually an entitlement for college- or trade school-bound students, with most funds aiding students from middle-income families. The Department of Education estimates that about 30 percent of all college students are receiving subsidized federal loans.

Attempts over the past decade to scale back the eligibility for student loans have failed because of strong middle-class support for the program. But the program actually subsidizes members of the middle class with one hand while taking taxes from them with the other. Recipients of the loans, moreover, gain considerably at the expense of Americans who did not go to college. College graduates can expect average lifetime earnings about \$600,000 higher than those of non-graduates, and many students who do not need loans borrow up to the hilt to obtain money for non-education purchases at below-market rates. The result: Those who do not graduate end up subsidizing those who do by giving them a passport to higher earnings. Taxpayer subsidies to college students at the very least should expire when they join the work force. Borrowers who have completed or quit college should pay lenders market interest rates on their student loans without further assistance from the government.

Reform #3: Link loan eligibility to continuous academic achievement.

Student loan eligibility should depend on continuously satisfactory academic progress toward degree completion, with all students required to have a high school diploma before becoming eligible for a loan. Enforcement efforts should be increased to verify that students receiving federal assistance are still in school and working toward a degree, and objective standards, such as the student's retaining at least a C average for the entire academic program, should be introduced.

Taxpayers should not be financing the college education of students who are failing their courses. A publicly funded loan is an honor and privilege, not an entitlement, and students receiving federal loans must be given incentives to study hard and graduate. Students today can obtain loans even without graduating from high school, which merely adds to the probability of default. Moreover, they need only maintain a C average by the end of their second year of study.

Reform #4: Include home equity in the determination of eligibility and modify the simplified needs test.

The Higher Education Act of 1992 eliminated house and farm assets from consideration in determining a family's ability to pay for post-secondary education, thereby making it easier for many students to obtain Stafford loans. The Act specifies formulas by which to calculate a family's need for Stafford loans. The amount the family is expected to contribute is determined by what is essentially a progressive tax formula. In effect, need analysis "taxes" family incomes and assets above amounts assumed to be required for a basic standard of living. The definition of assets excludes house and farm equity for all families, and all assets for applicants with incomes below \$50,000.

House and farm equity should be included in the calculation of assets to determine a family's need for financial aid for post-secondary education. In addition, the threshold below which most families are not asked to report their assets should be lowered to its previous level of \$15,000. Families whose houses appreciated during the 1980s are financially better off than they would have been if they had not owned a house then. Moreover, not counting this equity gives families who own a house an advantage over those who do not.

Under current law, the needs test is used to determine which students enjoy subsidized interest. Revising the needs test would target subsidies more precisely to those who need them.

Reform #5: Require lenders to share the risk of guaranteed student loan defaults.

This could be accomplished by reducing the standard federal re-insurance from 98 to 90 percent, except for loans designated lender-of-last-resort, which would continue to receive 100 percent insurance.

For example, the National Postsecondary Student Aid Study (NPSAS), conducted by the Education Department's Planning and Evaluation Service,⁴¹ found that:

- ☞ **Defaulters** were four times more likely than non-defaulters to begin their postsecondary education without a high school diploma. Of this group of defaulters, approximately 40 percent had not received a general educational development (GED) certificate.
- ☞ **Defaulters** were more than twice as likely as non-defaulters to have dropped out of their postsecondary program.
- ☞ **Defaulters** were more than twice as likely to be unemployed or underemployed (earning less than \$10,000) than non-defaulters at the time repayment was scheduled to begin.
- ☞ **Defaulters** had fewer and smaller loans, which indicates that they attended postsecondary institutions for shorter periods or went to relatively inexpensive institutions. This statistic may be explained in part by the fact that a significantly larger percentage of defaulters attended trade or vocational schools with programs lasting two years or less. On average, 72 percent of private vocational/trade school students receive federal aid as compared to 40 percent of students attending public undergraduate institutions.⁴²

If lenders were required to bear part of the costs of loan defaults, they would be more cautious in making loans for institutions with high student default rates. The federal government should cover only 80 percent on defaulted loans. This reform would give lend-

41 National Postsecondary Student Aid Study, 1989-1990 school year, Data Files (Washington, D.C.: U.S. Department of Education, National Center for Education Statistics, 1991).

42 "Undergraduates Enrolled Full-Time and Part Time in Fall 1992, by Type and Source of Aid Received During 1992-1993, and by Control and Level of Institution," *Digest of Education Statistics* (Washington, D.C.: U.S. Department of Education, National Center for Education Statistics, 1995), p. 323, Table 311.

ing institutions an incentive to take greater care in scrutinizing institutions and collecting loans.

Reform #6: Increase the default risk shouldered by loan guaranty agencies.

This could be accomplished by changing the current guaranteed loan program's guaranty agency reinsurance on defaulted loans from 98/88/78 percent, depending on the annual level of defaults, to 95/85/75 percent, except for loans designated lender-of-last-resort, which would continue to receive 100 percent reinsurance.

The 45 guaranty agencies, which include USA Funds, California Student Assistance Commission, and America Student Assistance, have been too quick to turn defaulted loans over to the Department of Education and the taxpayers. If guaranty agencies were required to bear part of the costs of loan defaults, they would be more diligent in their collection efforts before turning responsibility for a defaulted loan over to the federal government.

Work-Study: Terminate

The Work-Study program provides grants to participating institutions to pay up to 75 percent of the salaries of needy undergraduate or graduate students working part-time, typically in on-campus jobs. The remaining 25 percent of student earnings is provided by the school or other employer. Funds are allocated to institutions according to a statutory formula, and individual grant amounts are determined at the discretion of institutional financial aid administrators. To the extent feasible, participating institutions are required to place Work-Study students in employment situations that complement their academic studies. They also are required by statute to use at least five percent of their Work-Study allocations to support students working in community service activities. The federal government currently spends \$617 million annually on Work-Study.

In most cases, CWS students are employed by colleges—for example, in food service, administrative offices, and libraries, or as teacher's aides. Thus, the federal government is subsidizing the employment expenditures of these institutions. Expecting taxpayers to defray the labor costs of well-endowed institutions like Harvard University, which receives over \$2.9 million in federal work-study grants, reveals just how poorly conceived a program CWS really is.

Federal Direct Student Loan Account: Terminate

The Direct Student Loan program, recently renamed the William D. Ford Direct Loan Program, was authorized by Congress in 1992 as a "pilot" program. It was expanded by Congress in 1993, however, from a pilot program to a "transition" program. Now the Administration plans to replace the Federal Family Education Loan (FFEL) program, formerly known as the Guaranteed Student Loan (GSL) program, with the Direct Student Loan program. Under the Direct Loan program, unlike the FFEL program, the federal Treasury borrows money and then lends it directly to schools, which in turn lend it to the students.

The primary impetus for implementing it is cost: Replacing the current system with direct lending is supposed to lead to billions of dollars in savings. All current indications, however, are that it will not produce such savings.⁴³

Direct Lending centralizes control of post-secondary education lending in the Department of Education and creates the potential for huge, unconstrained overhead costs. Despite talk of reducing bureaucracy by switching to Direct Lending, the Department of Education is hiring over 500 new employees to administer these programs and anticipates hiring 20,000 contract employees when phase-in is completed. The federal government is funding the rapid expansion of this controversial program through an unencumbered \$2.5 billion authorization.

Not only does the Direct Student Loan program add to a growing bureaucracy, but it also adds to the national debt. Instead of allowing capital for student loans to be provided by private sources, the federal government now must borrow money to fund those loans. Several noted economists have warned that the Direct Lending program will add billions to the federal debt without saving a dollar. For example, Dr. Rudolph G. Penner, a former director of the Congressional Budget Office, cautioned federal lawmakers that they “may be on the verge of making a serious public policy mistake” when Congress was debating the program. Penner predicts in an economic analysis that direct lending may add \$70 million to the federal debt by 1998, with financing costs that could erase any theoretical budget savings.⁴⁴ Penner’s concerns are supported by two other recently issued reports, one conducted by the Congressional Research Service (CRS) and another by economist Dr. Perry Quick of the accounting firm of Ernst & Young.⁴⁵ All three studies conclude that any alleged savings associated with one direct lending program are highly unlikely.

Estimates of the costs of the Direct Lending program change constantly. In 1993 when it was enacted, the Congressional Budget Office estimated that the program could save \$4.3 billion over five years.⁴⁶ The most recent CBO report, however, takes into account the Credit Reform Act as amended by the 1996 Budget Resolution. The amended Credit Reform Act includes long-term administrative costs, and the CBO now projects that the program will save a mere \$115 million over the next seven years. Eliminating the program entirely would save \$1.5 billion in outlays over the next seven years.⁴⁷

In addition, government-run loan programs historically have had higher default rates than programs run by the private sector. A government-run monopoly like direct loans is unlikely to improve on the quality of service in the FFEL program. More important, the Direct Loan program is not subject to provisions terminating the eligibility of schools with high default rates—which understandably are very enthusiastic about the prospect of direct loans.⁴⁸

43 Matthew Spalding, “Time to End Costly Direct Student Loans”, *Heritage Foundation Issue Bulletin* No. 215, September 20, 1995.

44 Dr. Rudolph Penner, *Direct Government Lending vs. Guarantees for Student Loans: A Comparative Analysis*, KMPG Peat Marwick, May 1993.

45 Perry D. Quick, “Direct Government Lending: The Bottom Line,” Ernst & Young, Spring 1993.

46 Letter from Robert D. Reischauer, Director, Congressional Budget Office, to Senator Claiborne Pell, May 26, 1993.

47 Letter from June E. O’Neill, Director, Congressional Budget Office, to Representative William F. Goodling, July 26, 1995, with enclosed budget estimates based on updated scoring.

48 Barbara Miles and Dennis Zimmerman, *Federal Family Education Loans: Reduced Costs, Direct Lending, and National*

