

*Announcer:* Ladies and gentlemen, the Department of Education's Office of Federal Student Aid welcomes you to the 2010 Federal Student Aid Conference. And now, please welcome to the stage Chief Operating Officer for Federal Student Aid, Bill Taggart.

*Bill Taggart:* What a wonderful presentation of the colors by the Civil Air Patrol, Central Florida Composite Squadron. And thank you, Miss Orlando, Vicky Disanto, for your performance of our national anthem. Now, I have to tell you that Miss Disanto is a senior at the University of Central Florida, so please wish her well as she closes in on completing her degree.

This morning I want to welcome you to Federal Student Aid's 2010 Annual Fall Conference. After my brief remarks, Dr. Eduardo Ochoa, Assistant Secretary for Postsecondary Education, will discuss higher education policy and some of the new published regulations. Following Dr. Ochoa, Deputy Secretary Tony Miller will discuss the strategic goals of the department. And later today, the conference begins in earnest with many helpful and informative breakout sessions.

By the way of introduction, my name is Bill Taggart, and I am delighted to serve as the Chief Operating Office of Federal Student Aid. I'm excited to be here in the Sunshine – oh, you can clap. *[Laughter and applause]* That'll make up for what happens in the town hall meeting on Friday. *[Laughter]* But I am excited to be here in the Sunshine State, the home of Cape Canaveral and Kennedy Space Station, the Orlando Magic for all you basketball fans, and of course my main man Mickey Mouse. *[Laughter]*

Out in the audience, there are over 6,000 of you representing 2,000 schools – over 2,000 schools. All 50 states are represented here today. And an improvement over past years, there are many in the audience that are attending from outside of the United States of America. I understand that there are attendees here from the United Kingdom, Guam, Australia, France and Italy. Oh, yes, it is a small world after all. *[Laughter]*

I want to give a very special welcome to those who are attending the conference for the very first time, our neophytes. Let's give them a warm welcome. And for those who have been here before, our veterans, I want to assure you that we will put on the best conference yet.

Now, it goes without saying that a lot has transpired since our last conference. However, even in the face of turbulent change, you

have kept your focus on what is most important, and that is getting financial aid to millions of eligible Americans seeking a postsecondary education. There are those that think and believe that dreams come true only at Disney theme parks, but after visiting many of you on your campuses, I can confidently say that financial aid administrators enable educational dreams to come true for Americans all across the globe.

To drive that point home, I have to – since I'm a quant jock, I love numbers – I wanted to share a few numbers with you. In fiscal year 2010, over 21 million FAFSAs were processed, resulting in \$134 billion in aid delivered, and that's up from \$113 billion the year before. And that aid went to 14 million Americans attending over 6,200 schools. So before I go any further, I want to recognize the extraordinary effort of all the financial aid professionals gathered here today and your colleagues back on campus. In today's changing global marketplace, I cannot think of anything more important than educating our citizens, so they can be highly competitive and have skills to compete in the global marketplace.

One thing I will declare today is I have a great understanding about your jobs after being on my job for 18 months. And I know that your job is difficult. And sometimes you don't get all of the recognition that you rightly deserve. But I want to make certain that you know that we at the department appreciate all that you do for students and families. I applaud your dedication and commitment to higher education and to your students. It does not go unnoticed.

I can tell you firsthand what your work does to change lives for the better. You see, I was the recipient of federal financial aid over 30 years ago. That was back when the original *Mickey Mouse Club* was still in reruns. Come on, I know a few of you remember that show. Remember the very catchy kind of opening theme song? *[Sings]* Who's the leader of the club that's made for you and me? Come on. M-I-C-K-E-Y M-O-U-S-E.

You sound good. *[Laughter]* But I didn't sound all that good. So, no, I'll never make *American Idol*, so I think I'll keep my day job.

But you know, our day jobs are pretty important. And frankly, it is critically important, I think, to the long-term viability of our country. Your work is critical to really driving home and achieving the – President Obama's goal that by 2010, America will, once again, have the highest proportion of college graduates in the world.

If I may, I'd like to take the opportunity to brag a bit about you and the work that you achieve with the department in the pursuit of that 2020 goal. Now, most notably, together, we successfully implemented the Healthcare and Education Reconciliation Act of 2010, better known as SAFRA. President Obama signed SAFRA into law at the end of March of this year. How time flies. As you're aware, SAFRA brought significant changes to the Federal Student Loan Program. Many of you led your schools through the transition to direct lending, and I know at times it was not easy, even with the assistance from the department. So I want to thank you for your hard work and perseverance.

Because of your efforts, I am delighted to report that 99.9 percent of you have successfully originated a direct loan, and I think that you should get a round of applause for that work. *[Applause]*

There was also an annual increase of over 300 percent in the number of promissory notes signed by your students. And we provided loan servicing to over 20 million borrowers this year, as compared to 9 million student borrowers at the end of last year. But what I consider the most important step to the transition was working directly with you on a campus level. Your commitment to getting your systems updated, staff trained and making sure that your students had access to the funds needed for this academic year was quite a feat.

Many of you took part in webinar training, or you attended annual or regional and in some cases international conferences to prepare for the move to direct lending. I know that this was a tall order, again, in a fairly short period of time. I understand that there were and there are constraints that you have to deal with from a budget and from a resource standpoint, making your accomplishments even more impressive.

And for those of you from outside the United States, I know this was all new to you. So thanks for quickly overcoming a steep learning curve to continue our history of cross-border educational exchanges. There were many who were doubters, who stated that we collectively could not get this done. However, it was the great Walt Disney himself who said it's kind of fun to do the impossible, and you did it.

But I'll let the numbers speak for themselves. In fiscal year 2010, you dispersed over \$80 billion in direct loans, a 261 percent increase over the prior year. Some around these parts would

describe your success as supercalifragilisticexpialidocious. *[Laughter]* But in all seriousness, I am proud of how we work together to ensure that eligible students had access to federal student loans through continued education.

Additionally, SAFRA did not just address the loan programs. There was a 58 percent increase in Pell Grants dispersed last year. The maximum award now is \$5,550, which as you know, assists students for paying a number of expenses, such as tuition, books, supplies, not to mention it reduces the amounts that the students need in terms of borrowing and loans.

While SAFRA addressed concerns around affordability in higher education, we also strived to increase higher education access. We are continuously working towards improvements on our application, financial aid application, the FAFSA. We're doing all we can to get it down to the bare necessities that's required to determine federal aid eligibility. Improvements towards increasing access to college include the addition of skip logic, enhancements made to our online application, and the adoption of our latest web and mainframe technologies. This results in fewer screens for the average applicant and fosters a more friendly customer experience.

But wait, there's more. We now provide each applicant with a Pell Grant award and student loan eligibility estimates immediately upon completing the FAFSA. This provides students and their families with timely information when faced with making decisions about how to pay for college. And isn't education one of the most important personal investments that we make? That's why we've also begun to provide school graduation and retention rates, so students can better understand the return on their investment.

We're making strides toward reducing the barriers to college access. I encourage all of you to join tomorrow's general session on application processing, or simplification behind the scenes breakout sessions that clearly demonstrate these improvements. These are just a few of the examples of successes over the last year, but now it's time to turn the page, look toward the future and discuss how we will all work together to get there.

At Federal Student Aid, we recently adopted a new five-year strategic plan, which contain several goals for our organization. Our new mission, funding America's future one student at a time, requires us to place greater emphasis and focus on our customer and yours being the student. Why is this relevant to you? Among

other things, it is our renewed commitment to superior customer service, and not just to students but to financial aid administrators.

In searching for best practices in customer service, I look to you. Here's an example. Last September, I visited a campus of Delgado Community College in New Orleans. Not that – they're here, right in the back over there, a campus revitalized after surviving the aftermath of Hurricane Katrina. When visiting, I noticed a sign on one of their buildings that said "Answer Center". So I turned and I asked the college-wide Director of Financial Aid, Germaine Edwards, "What is that all about? And she stated that the administrator's – the administration's philosophy, led by Chancellor, Dr. Ron Wright, was that they saw students as customers, and they should be treated as such.

Therefore, they created a one-stop shop for students to go to get answers to their questions. And many times they're coached by fellow students. This type of innovation in customer service has taken shape across many campuses of our nation, and this is precisely the type of emphasis on the customer that fellow student aid will highlight and celebrate going forward.

In the coming year and beyond, this focus on customer service will manifest itself in several ways, such as looking to simplify the entire financial aid process and not just the application. We continue to find ways to make financial aid easier and more customer friendly for students but also for parents. Some have suggested that we move to a single grant or loan program. Others recommend that we eliminate outdated procedures altogether.

Of course, changes of this magnitude would require legislative change, but FSA will do all it can to move the debate and discussion forward. With that in mind, I'm interested in your thoughts on innovative ways to make federal financial aid more customer friendly for students, families and financial aid administrators.

Over the course of the week, you'll see me walking all around the facilities here. Stop me in the hallway and give me your ideas there on the spot. If you would like to send your suggestions through a more electronic method, then you can send it to conference questions at ed.gov. In addition, I've asked members of my executive team, who are all sitting in the front of the room, to fan out and talk to as many of you as possible during the conference to gain your ideas related to federal aid simplification.

We're improving customer service through efforts like our Title IV servicing contracts, which are structured to provide additional volume to those services – those servicers with the highest level of customer service. We're also focused on a customer this year by centralizing our entrance and exit loan counseling for borrowers. Going forward, every decision that we make will be made through a more customer-centric lens.

We put the customer first by increasing financial literacy for our students. This involves coordinating with the new consumer protection agency to ensure that students are equipped with reliable information to make sound financial aid decisions. We'll also address default prevention for borrowers who are in repayment and provide them with options like income-based repayment.

To illustrate our commitment to the customer, we have a new customer experience officer and office that's charged with meeting the emerging needs of students and their families, as well as supporting you and your efforts to assist your students.

I also strongly believe that protecting personally identifiable information, better known as PII, is part and parcel of good customer service. It is a central part of our mission, and that is why we held an IT security summit for guaranteed agencies this year. At this summit, department officials had the opportunity to provide a refresher course to those charged with protecting borrower information. We take this responsibility for guarding the student's data very seriously, and I expect the highest service standards from our partners.

We will continue to work with everyone to ensure that we deploy the proper information and physical security practices. We'll also enhance our risk management strategies and augment our compliance functions to improve the integrity of the student aid programs. These changes ensure that critical risks are identified quickly and mitigated.

We will continue to refine our business processes and our procedures to meet your evolving needs and that of students, while protecting the interests of the American taxpayer. Therefore, we all must remain diligent and take innovative approaches toward minimizing fraud, mismanagement and outright abuse, and we will do exactly that. Maintaining a Title IV Program integrity is paramount, and we all have a critical role to play.

From an outreach perspective, we have taken measures to improve

our visibility by proactively reaching out to students through various media platforms. In 2011, we will produce the fourth of a series of public service announcements for television and radio featuring information about financial aid. We will continue to promote these on YouTube and on our College.gov fan page on Facebook.

Our social media savviness does not stop there. Beginning this year, you can get your regular conference updates throughout this week through our Twitter feed @FSAconf. I'm going to tweet for the very first time. I'm so excited. *[Laughter]* These are just a few examples of the exciting things we have on the horizon that we work on going forward.

As for the week, I'd like to direct you to your conference programs. We have a full agenda. With over 50 breakout sessions, there's something for everyone. Please take advantage of the PC labs and the famous, or infamous, Ask a Fed table for your 101 questions.

I hope you will join us for the application process in general session tomorrow. And let's not forget about the always exciting, unpredictable, electrifying town hall sessions on Friday morning. Don't miss it.

Of course, a highlight of the week will be our federal update, presented by our policy experts, affectionately known as Grumpy and Happy, but more commonly they're known as Jeff Baker and Dan Madzellan, and they're very, very thoughtful, hardworking and bright gentlemen. So make sure you go to that federal update.

Now, as I look at the assembly of thought leaders here and dedicated financial aid professionals, you know, it just reminds me of the great work that we all do everyday to make educational dreams a reality. The lyrics in the classic Disney song, "When You Wish Upon a Star", could have been written to describe the work that you do every day to assist students to reach their educational dreams. And to refresh your memory, the first couple of stanzas go like this. "When you wish upon a star, makes no difference who you are. Anything your heart desires will come to you. If your heart is in your dream, no request is too extreme, when you wish upon a star as dreamers do."

I want to thank all of you for making educational dreams of Americans come true all over the world. What a wonderful professional and personal legacy you are building day in and day

out. And as a recipient of aid 30 years ago, I thank you from the bottom of my heart. I am proud to serve you and the students of this great nation.

Now, we can move on to introducing our assistant, next speaker, which is the Assistant Secretary of Postsecondary Education who hails from the great state of California. Prior to joining the department, he was most recently the provost at Sonoma State University. The Assistant Secretary formerly served as the Dean of Business Administration at California State Polytechnic University in Pomona. He also served in numerous other faculty and higher-education administration positions over his 29-year career.

Ladies and gentlemen, please welcome Dr. Eduardo Ochoa. Knock them dead.

*Eduardo Ochoa:*

Thank you, Bill. Wow, what a wonderful gathering. What an impressive work that you've all been doing this past year. And earlier this year, I was at a campus as a provost, and I still remember, it's fresh on my mind, the impact that your work has in making the dream of college education and a brighter future a reality for our students. So I want to add my recognition to those – the one that you received from Bill.

I also want to acknowledge and commend the fantastic work that Bill Taggart and his FSA staff have been doing this year. This transition has been remarkable. There are many people who have felt that it would have had a lot of problems attached to it, the transition to direct lending. And I think that you'll agree that it's gone on remarkably well, and it's been a ramping up process that's been really astounding.

So I want to recognize Bill. Please join me in thanking him for the work he and his staff have been doing. *[Applause]*

Well, President Obama's education agenda, as you know, is a key element of his strategy for restoring America's global competitiveness and the health of our body politic. The north star of that agenda is to make the United States the most educated country in the world by the year 2020. Specifically, this means having the world's highest proportion of college graduates and increasing the proportion of adults with certificates or degrees from 40 to 60 percent.

Increasing the numbers of postsecondary graduates by 50 percent



will require transformational changes in higher education to match the ones already underway in the K12 student, thanks to the catalytic impact of Department of Education programs such as Race to the Top and Investing in Innovation.

In a globalized information economy, production of goods and most services can take place anywhere in the world. Physical capital, embodying state-of-the-art technology can be shipped anywhere, and the latest designs can be similarly combined with skilled labor wherever it is found.

In a world where information and capital flow freely, a nation's competitiveness flows critically from its skilled educated labor force. In addition to enhancing global competitiveness, a more highly educated American workforce will enhance upward mobility for historically disadvantaged groups.

Given the demographic trends in the U.S., the president's goal will not be achieved without higher educational levels for Latinos, African-Americans and other minorities. And such higher educational levels will lead to higher income levels and improvement and a host of other social indicators.

A third benefit of achieving the president's education goal would be a strengthening of the civic fabric of our democracy. Higher education levels are strongly associated with higher voter participation. Today's complex society requires a well-informed public making thoughtful choices at the voting booth and a commitment to democratic institutions.

Higher educational levels are associated with greater awareness of current events and public issues and a higher level of trust in public institutions. It is not too farfetched to expect that higher educational levels would lead to an improvement of the political climate and extreme partisanship of recent times.

In support of the president's goal, this administration has provided substantial support to higher education, as you heard through SAFRA, and by implementing two historic changes designed to increase access to college, a major increase in maximum Pell Grant award and overall funding levels, and a transition to 100 percent federal direct lending, which will save billions of dollars that will be used to expand the availability of funds.

The possibility has been raised of developing an analog to the Race to the Top program for higher education. And indeed, some

variant of it may be effective in focusing on improvement of university-based teacher education. However, higher education's biggest immediate challenge is capacity. How to increase dramatically the number of graduates per year in an era of tight resources.

The bulk of support for public institutions of higher education comes from the states and tuition endowment earnings for private institutions. The privates have raised their tuition, in many cases, to levels that have prompted serious concerns about affordability. Most public institutions have also raised their tuition by large percentages, albeit from substantially lower basis, in response to reduce support from the states.

In many instances, out-of-state tuitions and public institutions of higher education now rival private tuition. In spite of the latter increases, tuition covers, on average in the public sector, only about 30 percent of the full cost of public higher education. Therefore, in order to increase capacity, funding will have to be restored, costs will have to be reduced or more likely some of both.

The president's American Graduation Initiative proposal was regrettably not funded by Congress. Nevertheless, the president's goal has been a catalyst for state initiatives and has led to synergy with the objectives of such foundations as Lumina, Gates and others. While these efforts have led to innovation and amelioration of the resource shortfall, they will not bridge the gap on their own.

Complicating matters further, the combined impact of a dramatically increased investment in higher education by the federal government and the aforementioned increases in tuition has led to increased public scrutiny and skepticism of higher education, a sector which has been traditionally highly autonomous and decentralized.

While these characteristics have been a source of strength in fostering creativity and diversity in educational offerings, they hamper its ability to effectively communicate a clear and accurate picture of higher education and its characteristics to the public. For funding to be restored or even prevented from falling further in the midst of unprecedented fiscal crises in the states, the political and national discourse regarding higher education will have to undergo major change. It will have to be informed by an accurate understanding of the realities of the higher education sector, its economics, its organizational challenges, the forces of change already at work in it.

To achieve such a change in the national discourse, higher education will need to speak to the nation with one voice. It will have to articulate a clear vision of the challenges and opportunities ahead for the nation in this area and of its centrality to the economic and civic health of the country. And it will need to commit itself to do its fair share in meeting these challenges of capacity and quality in higher education.

Specifically in the area of capacity, higher education will need to commit itself to creating a culture and dynamic of continuous productivity improvement. Yes, the dreaded “P” word. Both in business functions and in the more challenging and central area of teaching and learning. In this endeavor, higher education will be joining the rest of modern society in systematically applying scientific advances to the redesign of the learning process to improve efficiency while maintaining or increasing quality of outcomes.

Because of the dramatic increase of the federal role in higher education through SAFRA, Pell Grants and direct lending, there is a perceived need for greater scrutiny by Congress and the public. The traditional approach has been for the government to rely on institutional accreditation to fulfill this role of quality assurance. This compliance role has coexisted with the traditional emphasis on formative assessment flowing out of accreditations peer review character.

However, this dual role has become increasingly difficult to sustain for the agencies. The Education Department’s recent development of program integrity and gainful employment rules represent a departure from sole reliance on accreditation as a quality assurance mechanism, albeit in a focused and limited way. The departure, guided by statute, limited the scope to degree and certificate programs designed to lead to “gainful employment in recognized occupations”.

It was prompted by concerns that too many students enrolled in such programs were saddled with onerous debt levels after not completing the programs, finding jobs paying too low a salary or not finding jobs at all. Many of these programs are offered by for-profit institutions that have experienced dramatic growth in tandem with the expansion of federal support for postsecondary education, although the rules do apply to programs – many programs in community colleges as well.

Now, this new direction for federal regulation of higher education raises two concerns – has raised two concerns among the sector. One is the danger of conflating the operational definition of quality implicit in these narrowly focused regulations with academic quality across the board. And two, the fear that they represent the challenge to the very existence of the for-profit postsecondary education sector.

Now, the first concern is felt most keenly by university faculty and academic administrators. I want to assure you that the department fully recognizes the unique value and genius of American higher education's commitment to liberal education as the foundation not only of postsecondary degrees in the traditional arts and sciences disciplines, but also in professional degrees.

In the global information society of this century, where the volume of knowledge doubles every five years and college graduates are projected to change occupations, not just jobs, four or five times in their work lives, the skills and abilities imparted by a broad, liberal education foundation, will prove the most lasting and valuable preparation. Educational quality cannot be reduced solely to the ability to get the first job after graduation.

However, a quality postsecondary education, particularly one aimed at professional preparation, must include employability as a necessary, if not sufficient element of quality. And it is this partial necessary ingredient that the gainful employment regulations are aimed at insuring.

The second concern is also, I believe, misplaced. Secretary Duncan has said that the for-profit higher-education sector is needed to reach the president's education goal and expand access. Moreover, American society and economy is based on the principle that consumer needs are best met by private profit-seeking firms operating and – properly operating competitive markets.

So here I'm going to slip – lapse into my economics professor mode here for a few seconds.

Economists have long known about the market's ability to allocate resources and organize production efficiently when certain conditions are met. Namely, one, fully informed buyers and sellers. Two, competitive market structure, i.e., many buyers and sellers, low barriers to entry. And third, no significant externalities. That is no cost and benefits that impact others

besides the individual buyers and sellers.

It's also been a part of the strength of the American economic system that whenever these conditions for efficient markets have broken down, the government has acted, through laws and regulations, to restore those conditions. It is no contradiction to uphold the free-market system in higher education as in other sectors, while at the same time, regulating it when the conditions for market efficiency breakdown.

In this case, there are two ways in which the free market breaks down – incomplete buyer information and large external costs that lead to moral hazard. Moral hazard meaning – that's a term in economics that means you have a structure that creates incentives that lead to undesired outcomes. And so the only way to count on people not to give in to those incentives is to do the right thing for moral qualms. So there is a hazard there that morality may not hold against those perverse incentives.

When purchasing higher education, the consumer, particularly a first generation, low-income adult learner, often has limited knowledge of the value of the product being offered and is receiving information about it from a recruiter with a vested interest in selling it.

In addition, the availability of Pell Grants and direct government loans, combined with a typically low implicit discount rate by the buyer – meaning that the buyer tends to heavily discount costs that are going to impact them far into the future, it leads to perceived costs by the buyer that are substantially lower than the actual total cost to society. Thus, the objectives of consumer protection and stewardship of taxpayer dollars are the respective bases for the department's decision to regulate these market defects.

Now, beyond these issues, the broader education landscape shows a world catching up to and leapfrogging U.S. higher education. In particular, the European Union has been undertaking major structural reform of what they call their higher education space for the past ten years in something called the Bologna process.

This process has reached four major accomplishments in that period. One, it has developed a consistent qualifications framework with shared baseline expectations for each degree level. They have actually standardized the definition of the different degree levels and then articulated, in general terms, what the baseline learning outcomes and knowledge, skills and abilities a

graduate should have at each of those levels, regardless of discipline.

Secondly, it has created a European-wide register for student academic credits, allowing for easy and consistent transfer of work – student work across institutions.

Thirdly, it has instituted a diploma supplement that interprets individual student accomplishments, something analogous to a student e-portfolio, thus providing greater transparency about the student's abilities.

And fourthly, it has undertaken what is called a tuning process, to reach baseline consensus among European Union faculty by discipline for each degree level. Similar processes to Bologna are underway in Australia and Latin America, and more are ramping up in other countries. The increased transparency and efficiency of these emerging higher education systems constitute a challenge to U.S. higher education's global preeminence. And changes in foreign and student enrollment here and abroad will be a barometer of that trend.

So U.S. higher education needs to respond to these four challenges, the first one being the president's 2020 goal, the second one the current fiscal environment, the third one public misperception of higher education and fourthly the challenge of Bologna. It must do so in a manner in keeping with U.S. traditions and strengths: collegiality, autonomy, diversity. But it must add some new virtues: intentionality, strategic focus and ability to engage in concerted action.

U.S. higher education must find common ground and speak to the country with one voice, not just when reacting to perceived threats but proactively to frame the national discourse and higher education strategy.

The Education Department can act as a convener and facilitator of such a strategic visioning process, in concert with other national higher education organizations and stakeholders. Out of such a process can emerge a clear, unifying vision that can frame the national conversation and act as a guide to enlighten state and federal policy. Only then will we be able to renew our body politic and fulfill the promise and potential of the president's vision of being, once again, the most educated, innovative and economically dynamic country in the world.

Thank you.

*Bill Taggart:*

Great job. Thank you very much, Dr. Ochoa. Now, it's my great pleasure to introduce our next speaker, Deputy Secretary of Education, Tony Miller. Tony was nominated by President Barack Obama on May 18, 2009, to be the Deputy Secretary of Education. As Deputy Secretary, he serves as the Chief Operating Officer of the department.

Prior to joining the department, Tony had been the operating partner since 2007 with Silver Lake, a leading private investment firm with over \$15 billion in capital. From 2003 to 2006, he was the executive vice president of operations with LRN Corporation, a market-leading provider of governance and compliance software and legal research services.

Prior to LRN, he worked for ten years at McKinsey & Company, where he was a partner specializing in growth strategies, operating performance improvements and restructuring companies throughout the United States, Europe and Asia.

In addition to his private sector operating experience, Tony worked extensively with the Los Angeles Unified School District from 1997 to 2000. He undertook similar work with the Santa Monica - Malibu Unified School District in 2001.

Through his service as an \_\_\_\_\_ member of the Board of Education of the City of Los Angeles Budget and Finance Committee in 2002 and 2003, Tony became very familiar with school, district budget issues.

So without further ado, please help me welcome the Deputy Secretary of Education in the United States, Tony Miller.

*Tony Miller:*

Thank you. It really is great to be here with, you know, well over 6,000 of the department's partners as we help fund America's future one student at a time.

I want to give my thanks to Bill Taggart and Eduardo Ochoa, who just detailed the tremendous record of the past year, highlighting some of our plans and thinking for the next year. Their remarks underscore that the shift to direct lending and the massive infusion of new funding for Pell Grants marks a real sea change in federal student aid.

You are not only meeting the challenge of implementing sweeping change, but you've surpassed expectations. You've proved the skeptics wrong. In the 2009 and 2010 school year, students received \$28 billion in Pell Grants. That's a record-setting amount and \$10 billion more than the year before.

As Bill reported earlier, 99.9 percent of postsecondary institutions have now successfully originated a direct student loan. In fact, we don't know of a single instance where an eligible student was unable to receive a loan. So behind all those numbers are stories of your students, of millions of Americans whose lives were transformed by the opportunity to attend college.

I know because I was once of those students. With the help of scholarships and Stafford Loans, I enrolled in a cooperative engineering work study program. I worked full time as an engineer at Caterpillar while going to school. And I remember paying off my loan month after month, just like Bill Taggart, President Obama and the first lady.

And I'll never forget that my college loans and the scholarship opened up a new world for me and for my family. Personally, I can't think of an administration in my lifetime that has such a personal, visceral belief in the power of education and the importance of expanding college access. So, yes, this is a moment to celebrate the story and accomplishments of college aid.

But it's also a moment to pause, to take stock and think about the future of financial aid. And I wanted to suggest to you that next year and in the years ahead, the existing model of student aid needs to be re-imagined and reshaped.

I want to provide two takeaway messages to mull and to act on when you leave this conference. First, we need to embrace a modified mindset about the purpose of student aid. Student aid can no longer just be about providing access to postsecondary institutions. Instead, it also has to be about encouraging college completion and earning a degree.

Financial aid administrators should think of their overriding purpose as helping students succeed, not just getting started. As William Bowen and his colleagues write in their book, *Crossing the Finish Line*, "Financial aid policy must be a consideration in any concerted effort to raise graduation rates."

My second related message is that strengthening financial aid



entails more than providing new federal dollars, as vital as they are. The truth is that all levels of government and all institutions of higher education must advance reform and college completion by making higher education far more productive and efficient than it is today.

The stakes are large here because the world has changed. The days when you could land a good job without finishing high school are over. And the days where you could land a good job with just a high school diploma are disappearing fast. As Secretary Duncan says, if we give students a chance, not just to go to college but to graduate, we change not just their lives but the life chances of their children and their grandchildren.

As a son, as a grandson and now with my own son, I know how true this is. Reshaping student aid is also central to our national prosperity and the knowledge economy education, especially a college education is the new game changer driving economic growth.

Having visited my counterparts from China, Brazil, Australia, India, Japan and New Zealand, amongst others, I can personally attest to the commitment that these countries all around the globe are placing on education.

President Obama has warned that the nation that out-educates us today will outcompete us tomorrow. That is why the president has set a goal that the United States will once again have the highest proportion of college graduates by the year 2020. The president's 2020 goal is widely shared across party lines, across regions, across ethnic groups and among young and old. Yet, it is not a goal that can be achieved by continuing to do what we are doing now, only better.

To achieve the goal of being number one in the world by 2020, college attainment rates will likely have to raise by about 50 percent over the course of the coming decade. Three and five young adults will need to earn a degree, and that's up from about two and a five today.

So as Eduardo just laid out, reaching the 2020 goal requires dramatically boosting the productivity of postsecondary education institutions. It requires restructuring the delivery and organization of higher education. There is simply no other way to get there from here.

Now, meeting the 2020 goal also requires re-imagining our longstanding model of student aid. Traditionally, financial aid administrators have worked hard to focus on college access. But comparatively, we've paid little attention to college completion in the past. If students didn't succeed, we often assumed it was the fault of the student, not of the college. A lot of tension has been paid to inputs, but not so much to accountability for outcomes.

At the same time, the financial aid system has not been especially user friendly or timely. Not long ago, the FAFSA form contained over 150 questions. It was more complicated than a typical federal tax return.

So, as Secretary Duncan pointed out, it was crazy that teenagers would almost need an advanced degree to fill out the FAFSA form, when their aim was to go to college to get the basic degree. It was also crazy that definitive information about aid eligibility typically was not provided to parents and their children until after their student had applied or was accepted to college.

As Susan Dynarski has pointed out, financial aid officers had, in effect, to act like car dealers, informing customers about a repaid incentive only after the customer had agreed to purchase a car.

Many states' postsecondary institutions and financial aid officers have treated the complexity of the financial aid process as a necessary evil to help ensure that student aid got targeted to students with the greatest need. As real as those concerns are and will continue to be, we also know that concerns about misallocating aid have been exaggerated.

The complexity of financial aid and the lack of timely information about eligibility were not necessary evils. In fact, they're unnecessary impediments to college access and affordability. By some estimates, some two million Pell eligible students don't fill out the FAFSA form. And if many students in college aren't filling out the FAFSA, untold millions of students who are considering college aren't filling it out either.

The new consensus, as William Bowen writes, is that the reliable, simple and predictable provision of financial aid is important, not just for initial access to college but to success in graduating. So when I talk about the importance of reshaping financial aid to better support college completion, I'm sometimes told that it can't be done. I'm told that I'm being unrealistic.

The argument you might hear runs a little something like this.

College administrators are trapped in this iron triangle. There are three sides of the triangle: quality, access, cost. And they seem like mutually conflicting choices. Elevating quality raises cost. Increasing access can dilute quality. And reducing cost impairs both quality and access.

Historically, we in higher education have paid less attention to one side of that iron triangle – constraining costs. But unfortunately, for the foreseeable future, higher education leaders cannot expect to rely on sustained economic growth and increased government resources to pave the way for expanding enrollment. For the next several years, the new normal in higher education will likely entail doing more with less rather than new infusions of funding that allow college administrators to do more with more.

Yet there's an obvious solution to this trap. The way to break out of it will be through large productivity gains. Jumps in productivity will allow us to boost access and success, while at the same time constraining costs. Productivity we know matters. And it turns out it matters a great deal.

One can no longer just round up the usual demographic suspects to explain the full range and college rates at different institutions. Graduation rates vary dramatically, even at institutions with similar admission standards and similar selectivity. The management practice of those colleges and universities have to be part of the explanation for those differences, and, hence, part of the solution.

A new McKinsey & Company study quantifies the vast potential of ramping up completion rates through productivity improvements alone. One prime example, to which Eduardo referred, is redesigning instruction by making smarter, more effective use of technology to drive better learning outcomes, particularly in large gateway courses. Another example is limiting excess student course credits and student withdrawals from classes, both of which add to the cost of obtaining a degree.

The bottom line of the McKinsey report is somewhat simple. It concludes that the 2020 goal, that ambition goal of leading the world, can be achieved without increased public funding if postsecondary institutions increase their average degree productivity by 23 percent. And that 23 percent increase and the degree of productivity, and that's measured as a cost per degree, is

actually within reach.

This study divides four-year and two-year school programs into peer groups with similar student selectivity, similar transfer rates and other student characteristics. In each of the peer group, the top quartile of those institutions is 23 percent more productive than the average. That means less efficient institutions have big and realistic practical opportunities to boost their college completion rates to match those of similar institutions to themselves.

Now, perhaps you're thinking that some of those policies are beyond your bailiwick as financial aid administrators, and I have to say you're right. You're right that financial aid officers aren't responsible for students arriving on campus who need remedial instruction and who aren't college and career ready. Ratcheting up college completion rates is a collective responsibility of educators from cradle to career.

That makes the administrator's K through 12 reform agenda to dramatically accelerate college and career readiness all the more important. But the collective responsibility to elevate college completion cannot be a discussion-ending excuse for inaction. The truth is, there are important steps that financial aid administrators can take and in some cases already are taking to help boost graduation rates.

It's no surprise that the amount of grant and loan money that students receive influences graduation rates for low-income students. William Bowen documented that an increase in annual net price of \$1,000.00 at state flagship universities is associated with a decline of three percentage points in the six-year graduation rate for low-income students.

When Arkansas and Georgia's Hope Scholarship Program, provided free tuition and fees at in-state public universities for students with a GPA of a 3.0 or higher, persistence to a bachelor's degree increased by 5 to 10 percent. Yet more money and lower net prices are not the only financial aid antidote for lower graduate rates. The stability, simplicity, timeliness and predictability of student aid all figure importantly in bolstering graduation rates.

That is one reason why the department has put so much effort into simplifying and expediting the FAFSA application. Cutting out unnecessary questions, incorporating skip logic and allowing applicants to populate online application with IRS data are going a long way to simplifying the FAFSA process. On average, students

today are taking just over a half hour to complete the online FAFSA. That's an overall reduction of five million hours.

This year, as of Thanksgiving, we have processed 18.8 million FAFSA applications. That's an increase of 11 percent over last year's tally at this same time period. More than a quarter million applicants have used the IRS data retrieval tool on the FAFSA tool since last January. And we expect many more will do so when launch again late January for the 2010-2011 school year – excuse me, 2011-2012 school year.

So as Bill noted, we now provide applicants with Pell Grant award and student loan eligibility requirements immediately upon completion of the FAFSA. Now, we also recognize that one of the great frustrations of the FAFSA is that the students often submit applications with missing signatures or items left unanswered and then mistakenly assume that their application is complete. High school administrators consistently discover a 20 to 30 percent point gap between actual completion rates of FAFSA to what students report, so we're working on that too.

We've launched a 20-site FAFSA pilot project to close the completion gap. At the pilot sites, secondary schools and school districts will be able to obtain real-time access to data on FAFSA completion without using Social Security numbers. When Secretary Duncan launched a similar program in Chicago in 2007 when he was superintendent, the FAFSA completion rate shot up from 64 percent to 81 percent. And this year, Chicago's FAFSA completion rate is projected to be above 90 percent. So, again, we're cautiously optimistic.

States and universities, meanwhile, are also leading the way and structuring financial aid to do more to support student success. At present, about 1 in 7 students earn a degree, take more credits than they need to to graduate, and those excess credits lengthen the time to graduate as well as can drive out the dropout rates.

As the results of these kinds of statistics, officials in West Virginia altered the performance requirements for aid when they designed their version of their state's Hope Scholarship Program. West Virginia officials noticed that in other states with similar programs, scholarship students weren't required to take big enough course load to graduate in four years. In the West Virginia Promise Scholarship Program, students are required to take enough courses each semester to graduate on time. A follow-up analysis of the West Virginia program found it raised on-time graduation rates by

almost 7 percentage points.

Other colleges and universities are innovating and experimenting with performance-based scholarships and emergency aid. Rigorous evaluations of performance-based scholarships – this is where students have to maintain a minimum GPA and be enrolled more than halftime, they've shown that these performance-based scholarships have prompted more students to enroll full time, to stay in school, to pass more courses and earn more credits.

Now, I bet that most people in this hall know students who dropped out of school in the midst of a temporary but avoidable crisis. Maybe it's the student's car broke down and needed costly repairs. Maybe they were having a housing or childcare problem. A small emergency grant or loan would have helped them through this rough patch, but on most campuses, that kind of emergency financial aid is either not available or it takes too long to secure.

Several years ago, the Dreamkeepers and the Angel Fund launched an experiment to see if the provision of emergency aid could improve student persistence. They dispersed over \$845,000.00 in emergency aid at 37 community colleges. But students and college administrators said that the emergency aid helped students remain in college. And aid recipients re-enrolled at a rate comparable to the average student, despite being more disadvantaged.

So we recognize that these performance-based scholarship programs and emergency financial aid programs are still being tested out. So with the notion of shifting more merit-based aid for fluent students to need-based aid for low-income students. But these are promising innovations, and they illustrate the potential to reshape financial aid to do more to support completion and success.

These innovations also, frankly, point up some shortcomings in our state and federal data systems. If financial aid administrators were to implement performance-based scholarships on a broad basis, they would need reliable and complete data on student persistence and completion. Unfortunately, many states have big gaps in tracking student progress through college, as does the federal \_\_\_\_\_ data system.

We don't universally collect and report graduation rates for part-time students, for transfer students, and we don't disaggregate graduation rates for low-income students. States, the federal government and institutions of higher education all need to address

these shortcomings. These data gaps only underscore that elevating college attainment is very much a collective responsibility.

Bill Taggart mentioned earlier that when the department proposed to switch to direct lending, many thought it couldn't be done. It couldn't be done in a timely and an effective way. We heard the skepticism, and, frankly, we understood and appreciated it. But I think the skeptics underestimated the potential for change to the status quo.

It's not dissimilar than when we arrived in Washington, D.C. The conventional wisdom was that nothing could be done to develop common higher standards for K through 12 college and career readiness. Standards were a state issue. Common standards were the third-rail of education policy. But states, of their own volition, did band together and have developed common higher standards for college readiness.

This is only one of many examples where reform defied expectations, and, frankly, upended the status quo. The dramatic increase in college graduates called for by the president's 2020 goal is ambitious. Yet I believe we can ramp up to meet these college completion rates. Other countries, including South Korea, Canada, Japan, Ireland and New Zealand, have recorded dramatic increases in college attainment in recent past.

So in conclusion, I absolutely applaud your extraordinary accomplishments over the last year in providing student aid. But at the same time, let us raise the bar in higher education. Let us keep our eyes on the prize of getting more students in a cap and gown. This shift towards structuring student aid to do more to reward success is an opportunity to be welcomed. It amplifies the importance of your work and the special opportunity to transfer the life chances of students.

Working together, let us make student aid provide not just a strong start in college but a strong finish. Thank you.

*Bill Taggart:*

Great job, Tony, and we'll get you out of here right away.

Tony, thank you very much. Now, ladies and gentlemen, as we conclude today's general session, I want – again, want to welcome you to our fall conference.

We've got a few days, and I think great days, planned for all of

you. I encourage everyone to take full advantage of many of the resources that are at your disposal throughout the week, the various sessions, the PC lab, our knowledgeable staff and many, many more.

If you have questions, please do not hesitate to ask. And we're here to help you.

Thanks again for being here, and I hope you have an enjoyable week. Thanks again.

*[End of Audio]*