



PRESS RELEASES

Secretary Spellings Convenes First Meeting of Commission to Examine Future of Higher Education

FOR RELEASE:
October 17, 2005
1576

Contacts: Samara Yudof or Susan Aspey
(202) 401-

U.S. Secretary of Education Margaret Spellings today delivered opening remarks at the first meeting of the Secretary's Commission on the Future of Higher Education. Secretary Spellings created the commission to engage students and families, policymakers, business leaders and the academic community in a national dialogue about all aspects of higher education.

The commission will focus on ensuring America's system of higher education remains the finest in the world and continues to meet the needs of America's diverse population by expanding opportunity, innovation, and economic growth.

More information about the commission is available at:
<http://www.ed.gov/about/bdscomm/list/hiedfuture/index.html>.

The following are the Secretary's prepared remarks.

Thank you. It's an honor to be here for the first meeting of the Commission on the Future of Higher Education. I want to thank all of you for serving. In your ranks today are university presidents, CEOs, policymakers, and researchers. You're all here because you share a common passion for improving higher education, and you have the courage to reflect on what we're doing well and what we can do better.

I also want to thank my friend Secretary Bodman for joining us today. At the federal level, higher education isn't just a priority for the Department of Education. It's an issue that affects every aspect of government, from commerce to energy and from labor to defense, and that's why I have asked eight federal agencies to participate on the commission. We all have a stake.

Let me give a special thanks to Charles Miller for chairing this commission. He's the former chair of the board of regents for the University of Texas System as well as a successful businessman who knows what's needed to succeed in the 21st century. He has a great perspective on how well universities are preparing students for the future.

As you all likely remember, in April 1983, we awoke to the news that America was 'A Nation at Risk' thanks to "a rising tide of mediocrity" in our public primary and secondary schools. Overnight, the report turned education reform into a hot topic of conversation and a front-page story. And while A Nation at Risk certainly didn't have all the right answers, it started a national debate that helped pave the way for higher standards, accountability, No Child Left Behind, and ultimately, improved student achievement for all children.

It's now time to launch a national dialogue on our shared vision for higher education. Let me begin this conversation by saying the circumstances are far different from the ones that led to A Nation at Risk. Rather than facing a "tide of mediocrity," we're starting our discussion with the finest system of higher education in the world--the very best.

Our decentralized system has empowered students with a wide range of options, from large universities to community colleges to vocational and technical schools and from public institutions to private and religious ones. These schools compete for the best students here and abroad, and every year hundreds of thousands of students from around the world come to America to take advantage of these opportunities. The system has helped spread our democratic ideals abroad and strengthen them here at home. It has helped America become the center of innovation and the world's leading economic and political power. More importantly, it has given millions of Americans the chance to realize their potential, live the American dream, and contribute in the public and private sectors.

As I said in Charlotte last month with Governor Hunt, I've convened this commission to ensure that America remains the world's leader in higher education and innovation. We are at a crossroads. The world is catching up. For example, according to the Organisation for Economic Co-operation and Development, among young adults, Canada, Japan, Korea, Finland, Norway, and Sweden all have higher college graduation rates than we do.

And we're not keeping pace with the demand for skilled labor in the new high-tech economy. In 1970, America produced more than 50 percent of the world's science and engineering doctorates. But if current trends continue, by 2010, we will produce only around 15 percent. China now graduates more engineers than the United States, Japan, and Germany combined.

As a result, U.S. high-tech companies are seeking employees abroad, not just because they can be paid less but also because they are often more skilled and more motivated. These companies are not just following the money. They're also following the brains. As Tom Friedman says in his bestseller *The World Is Flat*, our students are facing an education and ambition gap, and they're on the wrong side.

Or as the president and CEO of Cisco Systems, John Chambers, flatly put it, "We are not competitive." Our students need better critical thinking skills and better training to compete in a world where what you know means much more than where you live.

In today's global economy, about 80 percent of the fastest-growing jobs require postsecondary education. And on average, college graduates earn almost twice as much as workers with just a high school diploma. Meanwhile, less than a third of Americans have bachelor's degrees. In other words, a college education is more important than ever, and too few Americans, especially too few African-Americans and Hispanics, have one.

As a nation, we've always answered the call to extend the promise of higher education to more Americans. It's part of our nation's commitment to expand the American dream. And the federal government has helped pave the way with farsighted leadership at critical points during our history.

- In 1862, in the midst of the Civil War, Abraham Lincoln signed the Morrill Act, creating land-grant colleges to meet the needs of an increasingly industrialized nation.
- In 1944, Franklin Delano Roosevelt signed the G.I. Bill, providing millions of returning servicemen with the chance to attend college.
- When the Soviet Union launched Sputnik in 1957, Dwight D. Eisenhower responded with an unprecedented national investment in math and science education and research that secured America's place as the world's leader in innovation.
- And during the civil rights movement, Lyndon Johnson helped make the dream of college more affordable for millions of students by signing the Higher Education Act of 1965, which is again before Congress for reauthorization as we speak.

As we prepare to celebrate the 40th anniversary of the Higher Education Act next month, we must look to the future--10, 20 years down the road. What legacy will we leave? Today there is no Sputnik to galvanize America into action, but the need for national leadership is no less urgent.

As taxpayers, we all have a stake in our higher education system. Many people don't realize that federal dollars, including funds for research, make up about one-third of our nation's total annual investment in higher education. By comparison, the federal government's investment in K-12 education represents less than 10 percent of total spending.

But unlike K-12 education, we don't really ask many questions about what we're getting for our investment in higher education. And as a result, we're missing valuable information on how the system works today and what can be improved. For instance, at the U.S. Department of Education, we can tell you almost anything you want to know about first-

time, full-time, degree-seeking, non-transfer students. The trouble is that over half of today's college students are nontraditional students.

This absence of good, sound data makes it difficult to set policy at the federal, state, and institutional levels. We often end up having to take "a wait and see" approach. We spend the money and hope for the best. And because we typically never follow up, it actually becomes "a wait and never see" approach. We make small fixes with programs to emphasize key areas, but we don't think strategically about the bigger picture. We can't afford to leave the future of our nation's higher education system to chance.

It's time to examine how we can maximize our investment in higher education, including our federal dollars. We all have a responsibility to make sure our higher education system continues to spur innovation and economic growth and gives more Americans the chance to succeed in the new knowledge economy.

A critical part of that depends on us doing a better job preparing students for college. A recent study from ACT found that less than half of high school students graduate ready for college-level math and science. That's why President Bush and I are supporting high school reform that focuses on core subjects like reading, math, and science--to help more students graduate ready for college. We've already seen what a difference high standards and accountability have made for our younger students, and now we must extend those same principles to our high schools.

As we improve the quality of a high school education, more and more students will graduate ready for college. Our higher education system needs to have a place for these students if they choose to continue their education. We should send students a clear message: If you work hard in school, you can go to college--regardless of how much money you or your family has.

It's time to have a discussion on how we can meet rising enrollment numbers and new economic demands. So I ask you to focus on four key areas in your work: accessibility, affordability, accountability, and quality. Please address questions such as:

- How accessible is higher education? And who will be the college student of tomorrow?
- Why is the cost of college rising so rapidly and how can we make college more affordable?
- How well are institutions of higher education preparing our students for the workforce of the 21st century? Will our students have the skills to be leaders in the public and private sectors? How do we know what we're getting for our investment in higher education?
- And how can we ensure America remains the world's leader in innovation and research?

I have asked you to submit a final report to me by August 1 of next year with specific findings and recommendations. As you all know, in recent years, there have been many good reports and studies on different aspects of higher education produced by groups such as the National Commission on Accountability in Higher Education, the National Commission on the Cost of Higher Education, and the Council on Competitiveness. It's time to review this work and build on the results. We must take stock of where we stand and move forward.

I recently dropped off my oldest daughter at college to begin her freshman year. It was the end of a long process that started with me thumbing through college guides at the bookstore for information. As a mom, I know parents and students have questions about higher education. Choosing a college isn't like buying a car or booking a vacation. It's one of the most important decisions families and young adults will ever make--not to mention maybe one of the most expensive.

At dinner tables across the country, families are talking about how much college costs and whether it will be available for their children. We must address these concerns, and we will expand this conversation to ask what we, as a nation, want from our fine system. What do we Americans expect from our shared investment in higher education?

We all have a role to play in the private and public sectors as well as at the federal, state, and community levels. I need your honest advice and leadership on this issue. Throughout our history, we have supported and strengthened higher education as a way of expanding the promise of the American dream. And together with your help, I know we will continue to strengthen that great promise.

Thank you.

###

U.S. DEPARTMENT OF EDUCATION

+ + + + +

A NATIONAL DIALOGUE: THE SECRETARY OF EDUCATION'S
COMMISSION ON THE FUTURE OF HIGHER EDUCATION

+ + + + +

MONDAY,
OCTOBER 17, 2005

+ + + + +

The Commission met at 8:45 a.m. in the Atrium Ballroom of the Washington Court Hotel, 525 New Jersey Avenue, NW, Washington, D.C., Charles Miller, Chairman, presiding.

COMMISSION MEMBERS PRESENT:

MARGARET SPELLINGS, Secretary,
U.S. Department of Education
CHARLES MILLER, Chairman, Former Chairman of the
Board of Regents, University of Texas System
NICHOLAS DONOFRIO, Executive Vice President,
Innovation and Technology, IBM Corporation
JAMES J. DUDERSTADT, President *Emeritus*, University
of Michigan; Director, The Millennium Project
GERRI ELLIOTT, Corporate Vice President, Worldwide
Public Sector, Microsoft Corporation
JONATHAN GRAYER, Chairman and CEO, Kaplan, Inc.
JAMES B. HUNT, JR., Chairman, Hunt Institute for
Educational Policy and Leadership;
Former Governor of North Carolina
ARTURO MADRID, Murchison Distinguished Professor of
Humanities, Trinity University
ROBERT MENDENHALL, President,
Western Governors University
CHARLENE R. NUNLEY, President, Montgomery College
ARTHUR J. ROTHKOPF, Senior Vice President and
Counselor to the President, U.S. Chamber of
Commerce; President *Emeritus*, Lafayette College
RICHARD (RICK) STEPHENS, Senior Vice-President,
Human Resources and Administration,
The Boeing Company

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

COMMISSION MEMBERS PRESENT: (cont.)

LOUIS W. SULLIVAN, President *Emeritus*, Morehouse
School of Medicine; Former Secretary of the
U.S. Department of Health and Human Services
SARA MARTINEZ TUCKER, President and CEO,
Hispanic Scholarship Fund
RICHARD VEDDER, Adjunct Scholar, American Enterprise
Institute; Distinguished Professor of
Economics, Ohio University
CHARLES M. VEST, President *Emeritus*,
Massachusetts Institute of Technology
DAVID WARD, President, American Council on Education
ROBERT M. ZEMSKY, Chair and Professor, The Learning
Alliance for Higher Education,
University of Pennsylvania

EX-OFFICIO MEMBERS PRESENT:

SAMUEL W. BODMAN, Secretary,
U.S. Department of Energy
EMILY STOVER DEROCCO, Assistant Secretary,
Employment and Training Administration,
U.S. Department of Labor
JOHN M. MOLINO, Deputy Under Secretary of Defense,
Military Community and Family Policy,
U.S. Department of Defense
MICHELLE O'NEILL, Acting Under Secretary for
Technology, U.S. Department of Commerce
RAYMOND L. ORBACH, Director Office of Science,
U.S. Department of Energy
SALLY L. STROUP, Assistant Secretary, Postsecondary
Education, U.S. Department of Education

OTHERS PRESENT:

CHERYL OLDHAM, Executive Director,
The Secretary of Education's Commission on the
Future of Higher Education

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

A-G-E-N-D-A

Welcome and introductions.....4

Swearing in and remarks by.....4
Secretary Margaret Spellings

Remarks by Secretary of Energy.....15
Samuel W. Bodman

Remarks by Chairman Charles Miller.....21

Roundtable Discussion.....30

Press Availability.....66
(Secretary Spellings and Chairman Miller)

Break for Lunch.....121

Executive Director Update.....121

Briefing on the Federal Advisory.....133
Committee Act

Wrap Up and Adjourn.....143

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

P-R-O-C-E-E-D-I-N-G-S

9:32 a.m.

CHAIRMAN MILLER: Good morning, I'm Charles Miller the designated chairman of the Commission on the Future of Higher Education. Since we're not sworn in, this is an ad hoc announcement. I'm delighted and honored to introduce the Secretary of Education of the United States, Margaret Spellings.

SECRETARY SPELLINGS: Thank you all. I'm going to make everybody official, so this - you'll be ad hoc no longer. So, everyone stand up and raise your right hand. Good deal. Everyone followed instructions so far. State your name after I say, "state your name."

I, state your name, do solemnly swear that I will support and defend the Constitution of the United States against all enemies, foreign and domestic. That I will bear true faith and allegiance to the same, that I take this obligation freely without any mental reservation or purpose of evasion, and that I will well and faithfully discharge the duties of the office of which I am about to enter. So help me God.

All right, have a seat. Well done. Good morning, thank you all for being here. It's an honor

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 to be at your first meeting, your maiden voyage of the
2 recently appointed Commission on the Future of Higher
3 Education and I thank all of you for agreeing to serve
4 on this important commission.

5 In your ranks today are University
6 Presidents, CEOs, policy makers, and researchers.
7 You're all here because you share a common passion for
8 improving higher education and you have the courage to
9 reflect on what we're doing well and what we can do
10 better.

11 I also want to thank my friend Secretary
12 Bodman for joining us today. At the Federal level,
13 higher education isn't just a priority for the
14 Department of Education; it's an issue that affects
15 every aspect of government from commerce to energy,
16 from labor to defense. And that's why I've asked
17 eight Federal agencies to participate on the
18 commission. We all have a stake.

19 Let me give a special thanks to my friend
20 Charles Miller for chairing this commission. He's the
21 former chair of the Board of Regents of the University
22 of Texas system as well as a successful businessman
23 who knows what's needed to succeed in the twenty-first
24 century. He has a great perspective on how well
25 Universities are preparing students for the future.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 As you all likely remember, in April 1983
2 we awoke to the news that America was a nation at
3 risk. Thanks to a rising tide of mediocrity in our
4 public primary and secondary schools. Overnight, the
5 report turned education reform into a hot topic of
6 conversation and a front page story. And while a
7 nation at risk certainly didn't have all the right
8 answers, it started a national debate that helped pave
9 the way for higher standards, accountability, No Child
10 Left Behind, and ultimately, improved student
11 achievement for all children.

12 It's now time to launch a national
13 dialogue on our shared vision for higher education.
14 But, let me begin this conversation by saying that the
15 circumstances are far different from the ones that led
16 to a nation at risk. Rather than facing a tide of
17 mediocrity, we are starting our discussion with the
18 finest system of higher education in the world. And,
19 of course, we must continue to make sure that that's
20 the case in this ever-changing world.

21 Our decentralized system has empowered
22 students with a wide range of options from large
23 universities to community colleges to vocational and
24 technical schools and from public institutions to
25 private and religious ones. These schools compete for

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 the best students, here and abroad, and every year
2 hundreds of thousands of students from around the
3 world come to our country to take advantage of these
4 opportunities.

5 The system has helped spread our
6 democratic ideals abroad and strengthen them here, at
7 home. It has helped America become the center of
8 innovation and the world's leading economic and
9 political power. More importantly, it has given
10 millions of Americans the chance to realize their
11 potential, live the American dream, and contribute in
12 the public and private sectors.

13 As I said in Charlotte last month with
14 Governor Hunt, whom I am delighted is serving on this
15 commission, I've convened this group to ensure that
16 America remains the world's leader in higher education
17 and innovation. We are at a crossroads. The world is
18 catching up. For example, according to the
19 Organization for Economic Cooperation and Development
20 or OECD, among young adults Canada, Japan, Korea,
21 Finland, Norway, and Sweden all have higher college
22 graduation rates than we do. And we're not keeping
23 pace with the demand for skilled labor in the new
24 high-tech economy. In 1970 America produced more than
25 fifty percent of the world's science and engineering

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 doctorates. But if current trends continue, by 2010,
2 not very far away, we will produce only around fifteen
3 percent.

4 China now graduates more engineers than
5 the United States, Japan, and Germany combined. As a
6 result, U.S. high-tech companies are seeking employees
7 abroad. Not just because they can be paid less, but
8 also because they're often more skilled and more
9 motivated. These companies are not just following the
10 money, they are following the brains.

11 As Tom Friedman says in his bestseller,
12 "The World is Flat," our students are facing an
13 education and an ambition gap and we're on the wrong
14 side of the gap. Or as President and CEO of Cisco
15 Systems, John Chambers flatly put it, "We are not
16 competitive." Our students need better critical
17 thinking skills and better training to compete in a
18 world where what you know means much more than where
19 you live.

20 In today's global economy, about eighty
21 percent of the fastest growing jobs require post-
22 secondary education. And on average, college
23 graduates earn almost twice as much as workers with
24 just a high school diploma. Meanwhile, less than a
25 third of Americans have Bachelor's degrees. In other

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 words, a college education is more important than ever
2 and too few Americans, especially too few African-
3 American and Hispanic Americans, have one.

4 As a nation, we have always answered the
5 call to extend the promise of higher education to more
6 Americans. It is part of our Nation's commitment to
7 expanding the American dream. And the Federal
8 government has helped pave the way with farsighted
9 leadership at critical points during our history.

10 In 1862, in the midst of the Civil War,
11 Abraham Lincoln signed the Morrill Act creating land-
12 grant colleges to meet the needs of an increasingly
13 industrialized nation. In 1944, Franklin Delano
14 Roosevelt signed the G.I. Bill providing millions of
15 returning servicemen with the chance to attend
16 college.

17 And when the Soviet Union launched Sputnik
18 in 1957, Dwight D. Eisenhower responded with an
19 unprecedented national investment in math and science
20 education and research that secured America's place as
21 the world's leader in innovation. And during the
22 Civil Rights movement, Lyndon Johnson helped make the
23 dream of college more affordable for millions of
24 students by signing the Higher Education Act of 1965,
25 which is again before Congress for reauthorization as

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 we speak.

2 As we prepare to celebrate the fortieth
3 anniversary of the Higher Education Act next month, we
4 must look to the future. Ten, twenty years down the
5 road what legacy will we leave? Today there is no
6 Sputnik to galvanize America into action. But the
7 need for national leadership is no less urgent.

8 As taxpayers, we all have a stake in our
9 higher education system. Many people don't realize
10 that Federal dollars, including funds for research,
11 make up about one third of our nation's total annual
12 investment in higher education. By comparison, the
13 Federal government's investment in K-12 education
14 represents less than ten percent of total spending.

15 But, unlike K-12 education we don't really
16 ask many questions about what we're getting for our
17 investment in higher education. And as a result,
18 we're missing valuable information on how the system
19 works today and what can be improved. For instance,
20 at the U.S. Department of Education we can tell you
21 almost anything you want to know about first time,
22 full-time, degree-seeking, non-transfer students. The
23 trouble is that over half of today's college students
24 are non-traditional students.

25 The absence of good, sound data makes it

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 difficult to set policy at the Federal, State, and
2 institutional levels. We often end up having to take
3 a wait and see approach. We spend the money and hope
4 for the best and because we typically don't follow up,
5 it actually becomes a wait and never sees approach.
6 We make small fixes with programs to emphasize key
7 areas, but we don't think strategically about the
8 bigger picture.

9 We can't afford to leave the future of our
10 nation's higher education system to chance. It is
11 time to examine how we can maximize our investment in
12 higher education including our Federal dollars. We
13 all have a responsibility to make sure our higher
14 education system continues to spur innovation and
15 economic growth, and gives more Americans the chance
16 to succeed in the new knowledge economy.

17 A critical part of that depends on us
18 doing a better job of preparing students for college.

19 A recent study from ACT found that fewer than half of
20 high school students graduate ready for college level
21 math and science. That's why President Bush and I are
22 supporting high school reform that focuses on core
23 subjects like reading, math, and science. We've
24 already seen what a tremendous difference high
25 standards and accountability have made for our younger

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 students and we must extend those same principles into
2 our high schools.

3 As we improve the quality of high school
4 education, more and more students will graduate ready
5 for college. Our higher education system needs to
6 have a place for these students if they choose to
7 continue their education. We should send students a
8 clear message: If you work hard in school, you can go
9 to college regardless of how much money you or your
10 family has.

11 It is time to have a discussion on how we
12 can meet rising enrollment numbers and new economic
13 demands. So I ask you to focus your work on four key
14 areas: accessibility, affordability, accountability,
15 and quality. Please address such questions as: How
16 accessible is higher education, and who will be the
17 college student of tomorrow? Why is the cost of
18 college rising so rapidly and how can we make it more
19 affordable? How well are institutions of higher
20 education preparing our students for the work force of
21 the twenty-first century? Will our students have the
22 skills to be leaders in the public and private
23 sectors? How do we know what we're getting for our
24 investments in higher education? How can we ensure
25 America remains the world's leader in innovation and

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 research?

2 I have asked you to submit a final report
3 to me by August 1st of next year with specific findings
4 and recommendations. As you all know, in recent years
5 there have been many good reports and studies on
6 different aspects of higher education produced by
7 groups such as the National Commission on
8 Accountability in Higher Education, the National
9 Commission on the Cost of Higher Education, and the
10 Council on Competitiveness among others. It is time
11 to review this work and build on the results. We must
12 take stock of where we stand and move forward.

13 I recently dropped off my oldest daughter
14 at college to begin her freshmen year. It was the end
15 of a long process that started with me thumbing
16 through college guides at the bookstore for
17 information. As a mom, I know parents and students
18 have questions about higher education. Choosing a
19 college isn't like buying a car or booking a vacation.
20 It is one of the most important decisions families and
21 young adults will ever make not to mention maybe one
22 of the most expensive.

23 At dinner tables across the country,
24 families are talking about how much college costs and
25 whether it will be available for their children,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealgross.com

1 whether their children will be prepared. We must
2 address these concerns and we will expand the
3 conversation to ask what we, as a nation, want from
4 our very fine higher education system. What do we
5 Americans expect from our higher education system?

6 We all have a role to play in the private
7 and public sectors as well as at the Federal, State,
8 and community levels. I need your honest advice and
9 leadership on this issue. Throughout our history,
10 we've supported and strengthened higher education as a
11 way of expanding the promise of the American dream.
12 And together, with your help, I know we will continue
13 to strengthen that great promise. Thank you very
14 much.

15 Now, I'd like to turn the podium over to
16 my friend, Sam Bodman. Secretary Bodman has a long
17 background in higher education both as a student and
18 as a professor and on a governing board. He earned
19 his doctorate in science from MIT and also has worked
20 as a professor at that University. He is the former
21 director of MIT's School of Engineering Practice and a
22 former member of the MIT Commission on Education. He
23 is also a successful businessman and a distinguished
24 public servant who has served as the Deputy Secretary
25 at the Department of Commerce and more recently as the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 Deputy Secretary at the Treasury Department.

2 As Secretary of Energy, he oversees
3 critical, cutting-edge research. He knows how crucial
4 higher education and innovation will be to our future.

5 His department's research labs have been working with
6 middle and high school teachers to help them inspire
7 students to pursue careers in technology and in
8 science. And I really appreciate his commitment to
9 this commission and his presence here today. Thank
10 you, Sam, for being here and please welcome him.

11 SECRETARY BODMAN: Thank you, Margaret.
12 When the Secretary asked me to join this commission,
13 or participate in it, I was very eager to do so.
14 Higher education, particularly higher education in
15 mathematics and the physical sciences is something
16 that I have always felt very strongly about. Now as
17 your Secretary of Energy I also have a professional
18 interest.

19 Americans, of course, are feeling the
20 pinch of higher energy prices these days. We are
21 doing our best to promote conservation and energy
22 efficiency, which is going to be needed near-term as
23 we are preparing for the winter months. But, over the
24 longer term we know that the only solution to our
25 energy problems really will derive from science and

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 technology.

2 The Department of Energy is the third-
3 largest funder of basic research in the United States
4 after NIH and the National Science Foundation. We are
5 the largest government sponsor of research in the
6 physical sciences: mathematics, chemistry, and
7 physics. We commit money, not only through our
8 national laboratories, which are some of the finest in
9 the world, but also we commit over a billion dollars
10 directly with grants to Universities, a fact that is
11 not lost on many of my academic friends in the
12 leadership of these institutions.

13 So, we have a real stake in this. We also
14 have programs to train and encourage future scientists
15 and engineers. We had one that we just wrapped up
16 this past weekend where we've had two weeks of the
17 solar decathlon where we had eighteen universities
18 present including Michigan that had a contest on
19 designing homes for a two person family. They
20 designed and built these facilities and were evaluated
21 on ten different criteria. The University of Colorado
22 I was pleased to report won. The others, there was
23 uniform high enthusiasm, both the faculty who were
24 there when I visited yesterday morning as well as the
25 students.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealgross.com

1 So, it was a great thing and it was something that we
2 work on and that we are very proud of. But it's an
3 example of what we do to try to reach out.

4 But as proud as we are of what we have
5 accomplished, I'm very worried about maintaining our
6 excellence in scientific work. I am a product of
7 government funding of University research. I went
8 through MIT on a NSF fellowship about two thousand
9 dollars a year, as I remember. That seemed like a
10 great fortune at the time. I was happy to have it,
11 lucky to have it. I taught for a while and then I
12 went into private business about forty years ago.

13 When I started to work the American
14 economy was about a trillion dollars of gross domestic
15 product. Last year our economy was eleven trillion
16 dollars. That increase, I am convinced, more
17 importantly those who are gifted in the area of
18 economics also believe that a huge part of that ten
19 trillion dollar growth in our economy stems from the
20 investment the government has made and that private
21 industry made for a long time in research,
22 particularly research in the physical sciences.

23 Corporations are less able to do that
24 today than they were thirty, forty years ago. More
25 and more the responsibility rests here and we're doing

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 our best to try to deal with it, but we do so, I do so
2 with great concern about the situation that confronts
3 us. The National Academy did a report, Chuck I know
4 you were a participant on the group and the report is
5 called, "Rising Above the Gathering Storm - Energizing
6 and Employing America for A Brighter Economic Future."

7 And it basically speaks to the issues of our
8 deficiencies in the science and engineering areas.

9 There were, listed in here, some
10 indicators, I won't bother reading the whole thing to
11 you, but there are a few that I thought I would pick
12 out. For the cost of one chemist or one engineer in
13 the United States a company can hire about five
14 chemists in China or eleven engineers in India. Those
15 are profound differences and they are good. For the
16 first time the most capable high-energy particle
17 accelerator on Earth will, beginning in the year 2007,
18 reside outside the United States.

19 Chemical companies have closed seventy
20 facilities in the United States in 2004 and have
21 tagged forty more for shutdown. Of the one hundred
22 and twenty chemical plants being built around the
23 world with price tags of a billion dollars or more,
24 one is in the United States and fifty are in China.

25 In the year 2003 only three American

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 companies ranked among the top ten recipients of
2 patents granted by the United States Patent and
3 Trademark office. In China, in 2004, China graduated
4 over six hundred thousand engineers, India three
5 hundred and fifty thousand, and America, seventy
6 thousand. Those are some factoids.

7 We have a real problem and the first step
8 is to try to recognize it. I would encourage the
9 commission, maybe you passed this out already,
10 Margaret, I am not sure, but if you have not I would
11 encourage the commission to take note of it. They did
12 a very good job. They made a number of
13 recommendations including several for our department
14 on how to improve science education, research, and
15 investment.

16 Also is suggested that we have to focus
17 our attention on getting students ready to go to our
18 universities, particularly in the sciences. It is
19 hard work and somehow our kids are not interested.
20 They are not excited. The man who can talk about this
21 is my colleague Ray Orbach who is a university
22 educator himself and a great physicist in his own
23 right. And he talks about the excitement that people
24 feel, that young scientists feel gathering together to
25 work with these facilities that are available and

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealgross.com

1 trying to convey that sense of excitement to the next
2 generation. We're not doing that very well and we
3 simply must get after it.

4 Because, at least based on my experience,
5 our economic future depends on it. And I feel it very
6 strongly. We are doing everything we can do at the
7 Energy Department to live up to the job that we have,
8 but I am sort of a one-issue person here on this, so I
9 appreciate Margaret giving me the opportunity to speak
10 to the commission right off. But this whole issue of
11 funding and conveying a sense of excitement and
12 enthusiasm that existed years ago, but we seem to have
13 lost through whatever process.

14 As I have talked to my classmates, my
15 contemporaries, who are mostly engineers, a few
16 scientists, mostly engineers. Almost all of their
17 children are lawyers. It is a real issue and it is a
18 societal issue. And it is something that, I hope,
19 this commission can focus on and can add to the very
20 good thoughts that have already been set forth by the
21 National Academy. So, I feel passionately about this,
22 I appreciate being here, and I we will do our best to
23 contribute. My colleague, Ray, and I will do our best
24 to contribute to your deliberations. Thanks very
25 much.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 CHAIRMAN MILLER: Thank you, Secretary
2 Bodman. I am going to speak from slightly less lofty
3 heights so we can create a dialogue and I can see all
4 of us at the face level. Secretary Bodman, we are
5 honored and energized by your personal presence here
6 today. Your experience in academics, and in
7 government, and in the capital markets is unique and
8 it brings that unique perspective. We hope you will
9 continue to be involved and we will call on you to do
10 that. And, of course, Dr. Orbach we appreciate your
11 being here and we appreciate your involvement the same
12 way. Thank you very much.

13 We do have three other Secretaries who
14 have been named as ex-officio members of the
15 commission, we are also honored to have their
16 involvement officially, Defense, Commerce, and Labor
17 Secretaries.

18 Secretary Spellings, thank you very much.

19 This is an inspiring beginning for the commission. I
20 am sure that each commission member understands the
21 importance of higher education in the U.S. economy and
22 its role as a gateway to the opportunities all
23 Americans honor and cherish. Madam Secretary, thank
24 you for your leadership and for allowing us to make
25 this contribution to higher education in this country.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealgross.com

1 I would like to make a few remarks about a
2 suggested process for the commission. Following that,
3 I would like to ask you to introduce yourselves and
4 make any brief comments you would like to make. And
5 then we can begin the dialogue, the real work of the
6 commission.

7 A round table discussion here today based
8 on several issues and on the framework document you
9 have received as working document, Secretary Spellings
10 will participate and Secretary Bodman you are, of
11 course, welcome and encouraged. We will break for
12 lunch and then we will meet on legal and
13 administrative issues, finishing by mid-afternoon.
14 That period of time can be used for suggestions and
15 inquiries about the work process and about how we are
16 going to approach this.

17 The charge for the commission is very
18 broad and very challenging. And we are here because
19 we have accepted the challenge to undertake a national
20 dialogue on the future of higher education in the
21 United States. We are being encouraged to create the
22 elements of a national strategy with regard to U.S.
23 higher education. This does not mean a set of
24 mandates or directives. This is an attempt to bring
25 focus, to set priorities, to allow and encourage

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealgross.com

1 policy makers, business, labor, and academia to
2 optimally direct their efforts and resources toward
3 education and innovation in a rapidly changing, highly
4 competitive world.

5 The ultimate physical work product will be
6 a report to the Secretary by August 1, 2006. This is
7 a very fast track. I told her it felt to me as if I
8 were taking a sip out of a hydrant, fire hydrant,
9 metaphorically, I guess. This will require a
10 dependence on material and data already available and
11 on the ability of the commission to initiate sound
12 policy ideas, synthesize a complex set of issues, and
13 put all of that into a relatively short report
14 containing policy and strategic recommendations.

15 Secretary Bodman alluded to a report that
16 came out this week, The Gathering Storm, we already
17 got that on our radar and we intend to look at that.
18 The people that did that work are some of our
19 important leaders. We already, the Secretary has a
20 copy of this, looked at a very significant report put
21 out at the end of last year called Innovate America.
22 It has a set of participants that are - a list of some
23 of our finest leaders in business, academia, and labor
24 and it has some wonderful ideas and a great framework
25 to look at the issues. It has got a summary comment I

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealgross.com

1 thought was a very powerful one. Innovate or
2 abdicate, I think we can find quite a bit of this kind
3 of work that will help us be - start from a running
4 start. But it will take a lot to analyze and
5 synthesize that type of work.

6 I suggest that we begin by dividing our
7 focus into four major issue areas in order to
8 structure the dialogue and the work efforts, direct
9 resources and organize the inputs from a wide variety
10 of sources. The issue areas that have already been
11 mentioned: accessibility, affordability,
12 accountability, and quality - quality referring to
13 quality of teaching and learning and the quality of
14 research or the creation of new knowledge, the two
15 major missions of higher education.

16 These are very broad issues and we will
17 use them to break our work into specific priorities
18 and actions. For example, in affordability, I ask us
19 to start with that discussion today. We mean not just
20 affordability to a set of college students or one part
21 of the community.

22 Affordability means looking at the whole
23 cost structure, the whole economic system of financing
24 higher education and analyzing that because different
25 parts of that system have different benefits, pay

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 different costs, they are different prices, and they
2 are different values. We need to distinguish that
3 language and the specifics of that model in order to
4 make any serious contribution to this question. We
5 have got to look at the whole picture of finances.

6 So we will use a word like affordability
7 as a summary, but affordability means what is the
8 affordability to the community for what we expect from
9 higher education. We have got to identify that and
10 break it down and study it in great detail and that is
11 one of our big projects. Each of those terms has a
12 broader meaning. We will come to those with specific
13 ideas and results, not a broad generic statement which
14 nobody might look at after we finish our report. We
15 are going to try to have some more dynamism than that.

16 So we may ask individual commission
17 members to work directly on certain of these issues
18 and that structure could be in the form of task forces
19 rather than committees, the process needs to be fluid
20 and flexible, and inclusive in the sense that when we
21 can we should try to operate as a commission of the
22 whole. One of the advantages of this outstanding
23 group of people is it is not very big by comparison to
24 what could be a much larger set of players. But it is
25 highly representative, highly informed, and very

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 engaged and I can tell from talking to you, very much
2 want to do something that has a significant meaning in
3 the future.

4 We will start with no fixed boundaries.
5 Our results will be determined by how the best ideas
6 turn up. We will start a dialogue with each other
7 today and with the Secretaries. Going forward soon,
8 we need to write each other memos, papers, letters,
9 and emails, send other people's good work to be
10 reviewed by the staff, look at consultants and members
11 of the commission to get the thing started. We'll
12 talk a little more today under the legal limits we
13 have about how we would do subsets of meetings and
14 groups going forward, which we should start fairly
15 quickly.

16 The commission will seek to identify the
17 best work of recent studies, commissions, and reports,
18 which contain high-quality policy ideas and
19 formulations. We will make a compendium and then that
20 will be reviewed and distilled for those ideas and
21 formulations, and then that will be used to build a
22 foundation for the commission's recommendations.

23 If you - any of you want to focus on one
24 or more of the issues described in this set up, then
25 please do so and let us know. I do not think that

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealgross.com

1 there will be boundaries for one person, one member of
2 the commission to be in one set or group and I expect
3 the items we have identified overlap or overlay with
4 each other anyway. They are tied together in one-way
5 or the other.

6 Please recommend materials for reading and
7 for distribution to the commission, expect that to
8 start first thing tomorrow. I have already gotten
9 some good advice, got two recent book authors on the
10 commission. I have already read those books, thank
11 you, Dr. Zemsky, Dr. Vedder. I recommend those to all
12 of the commission members. I am sure you will get
13 them at a discount at publisher's price and I am sure
14 that there are others like that that we can
15 immediately identify and find. Feel free to express
16 yourselves publicly about the work of the commission,
17 it would be most helpful to let public communications
18 be coordinated with the commission Chair, myself, or
19 the Executive Director and we will discuss disclosure
20 issues a little later.

21 Quickly - the meetings we plan to have
22 four additional times between now and May of 2008.
23 The last meeting will be intended to be in retreat
24 format. We will be able to work on the ideas we have
25 generated in order to bring the efforts to the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 commission prior to the final report writing. All of
2 these meetings are open meetings, we will probably web
3 cast them. The meetings will be regionally diverse
4 and will consist primarily of public presentations by
5 invitation and by individuals or panels focused on our
6 outline of issues with a question and answer period
7 discussion format following the presentation.

8 The staff that you have met today, and
9 there is a larger set you will meet over time. The
10 Executive Director of the commission will be Cheryl
11 Oldham, sitting to my left, Assistant Secretary Sally
12 Stroup, to my far left, second from the end. She is
13 the ex-officio member representing the Secretary of
14 Education and there will be other ex-officio members
15 as I have mentioned. Townsend McNitt, where are you
16 Townsend? Over there, is a consultant to the
17 Department of Education, highly regarded in this field
18 and serves as liaison with the Secretary. And you
19 will get to know all of these people plus a few more
20 as the core starting staff.

21 Consultants, we will need to retain
22 consultants for policy development and other purposes.

23 We have identified a few and we will be looking for
24 others. Suggestions will be warmly appreciated. Our
25 hope is to keep these costs at a moderate level by

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 asking for contributions of time and expertise for the
2 commission as much as possible. Our work product, I
3 see the ultimate product and all of these things are
4 still open for more discussion, I see the ultimate
5 product as a relatively short document with actionable
6 conclusions representing the considered opinion of
7 this group with strategic recommendations for the
8 public policy makers and for the academy.

9 We could probably, we should probably
10 produce a second document which could be attached,
11 which would include a bibliography and documents and
12 papers submitted to the commission providing research
13 and reference material for any future purposes and to
14 document some of our conclusions.

15 Then, finally consensus building, I do not
16 know how you would define that. I have a vague
17 feeling of what consensus is, but you all will know it
18 when we get there. We should develop a report with
19 one view through consensus building, in my opinion,
20 without an alternative views section. As much as
21 possible, conclusions or recommendations should be
22 clear and definitive rather than hedged in order to
23 encourage action and build confidence in risk taking.

24 Those are my ideas for a consensus-building
25 conclusion.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 I would like to ask you to introduce
2 yourself, make any brief comments, and I have the
3 pleasure of starting a discussion or dialogue as soon
4 as we go around the table. Dr. Madrid would you
5 start?

6 ARTURO MADRID: Thank you, Dr. Miller and
7 Secretary Spellings, Secretary Bodman, I'm delighted
8 and honored to be here, my name is Arturo Madrid. I
9 am currently a Professor of Humanities at Trinity
10 University, a government official, director of The
11 Fund for the Improvement of Post Secondary Education,
12 as an officer and faculty member at various
13 universities, large and small, private and public and
14 for a number of years headed First Institute on Policy
15 studies that addressed Latino issues in this country.

16 And perhaps one of the most interesting
17 important things I did was to run a graduate
18 fellowships program funded by the Ford Foundation that
19 made it possible for us to develop the first cohort of
20 Mexican-American, Native-American, and Puerto Rican
21 academics in the country.

22 I would say that my principle concerns are
23 and have been for many years to assure that people who
24 make up this nation but who have not been part of
25 institutions in society have access to these

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 institutions, all of the institutions, and in this
2 case institutions of higher learning not only as
3 students but also as staff, faculty members, officers,
4 and directors of both of the regions. And so I come
5 to this enterprise with that background and with those
6 continuing concerns made more acute, of course, by the
7 fact that higher education, from my perspective, is
8 becoming a privileged arena and we have to make sure
9 that it is available to all and to ensure that the
10 quality that we pride ourselves in is available for
11 all peoples in a diverse society that we have. So,
12 thank you very much.

13 CHAIRMAN MILLER: Thank you, Dr. Madrid.
14 Would you excuse me a moment and let me ask Sara
15 Martinez Tucker, my personal vision is limited so, I
16 didn't --

17 SARA MARTINEZ TUCKER: Oh, this is a good
18 seat then.

19 CHAIRMAN MILLER: It is. I should have
20 started all the way to the left. Would you mind?

21 SARA MARTINEZ TUCKER: No problem. I am
22 Sara Martinez Tucker; I have the privilege of
23 supporting the Hispanic Scholarship Fund. We exist to
24 double the rate of Hispanics earning their college
25 degrees and so we do work in two areas. Number one,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 we try to put more Latinos in the college education
2 pipeline. To support that we have parental engagement
3 programs, general awareness programs, specific
4 workshops, and programming to get kids to graduate
5 from high school college-ready. Last year we put
6 about thirty thousand children plus their parents
7 through our programs as well as provided scholarships
8 to encourage children to start college as soon as they
9 graduate from high school.

10 Our second big pipeline is getting Latinos
11 who start college to finish with their, at least their
12 baccalaureate degree. We did about twenty million
13 dollars in scholarships, seven thousand children
14 across the United States, Puerto Rico, Guam, and the
15 Virgin Islands as well as providing alumni mentors to
16 our children and providing chapters on college
17 campuses to enhance their connection with their
18 institutions of higher education.

19 I am proud to say that ninety-seven
20 percent of our scholarship recipients are in at least
21 a baccalaureate, forty-three percent go on to graduate
22 school, eighty-eight percent earn the national per
23 capita median income, and eighty percent are active
24 volunteers in their communities. So, we exist to
25 break that cycle of under education in the Latino

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 community and I am excited to be here and to work on
2 these issues so that we can get more Americans
3 participating in higher education.

4 CHAIRMAN MILLER: Thank you. Would you
5 mind, Dr. Orbach?

6 RAYMOND ORBACH: Thank you, Mr. Miller. I
7 am privileged to be here and work with Secretary
8 Bodman and Secretary Spellings. I guess I am an ex-
9 officio member of the committee. My own background
10 is, as the Secretary generously referred, started with
11 the University of California. I was Chancellor of the
12 University of California Riverside, the most diverse
13 campus of the ten University campuses.

14 Since the spring of 2002 I have had the
15 privilege of being the Director of the Office of
16 Science within the Department of Energy, which is the
17 largest supporter of the physical sciences in the
18 United States. About a quarter of our budget is spent
19 on University research through grants that are peer-
20 reviewed.

21 I am delighted that Secretary Spellings
22 has created this commission. Those of you who noticed
23 that the Delphi Corporation has just declared
24 bankruptcy has sent a shockwave through the country.
25 We have seen that already in California, but the blue-

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 collar jobs where people without a college education
2 could support a family and buy a home and have a
3 future are waning.

4 The Delphi collapse sends a signal for the
5 entire automobile industry that college education is
6 now a critical factor in the future of our country.
7 And so the timing of this commission could not be more
8 appropriate and I thank Secretary Spellings for
9 bringing us together.

10 CHAIRMAN MILLER: Jonathan?

11 JONATHAN GRAYER: Jonathan Grayer, glad to
12 be here. I am the CEO of Kaplan, which started as a
13 test-preparation company helping all of us get into
14 colleges and graduate schools that we aspired for,
15 hopefully some of you in this room. The company has
16 grown well beyond that mission and today owns seventy-
17 six colleges where thirty-four thousand students
18 attend. We have twenty-three thousand students online
19 and eighteen hundred at our online law school called
20 Concord Law School, the only online law school in the
21 country. We own schools in - higher ed schools in the
22 UK, Ireland, Singapore, soon to be Australia. We are
23 diversifying in a global higher ed environment to
24 provide hybrid education under the motivation of learn
25 to earn, that our students are coming to us to upgrade

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 their skill sets to change the trajectory of their
2 professional career. That career training ranges from
3 medical assistance through business, medical, and all
4 the way up through law school. Thanks for including
5 our voice.

6 CHAIRMAN MILLER: Thank you. Art, would
7 you pull that, good, oh you're reaching for it now.

8 ARTHUR ROTHKOPF: Thank you, Mr. Chairman,
9 Madam Secretary, Mr. Secretary; it is a privilege for
10 me to be here. I am currently the Senior Vice
11 President at the U.S. Chamber of Commerce. That has
12 been true since July of this year. Before then I was
13 President of Lafayette College for twelve years, which
14 is a small Liberal Arts college in Pennsylvania with
15 about twenty-five percent of our students being
16 engineers. Before that I was, unfortunately,
17 Secretary Bodman, a lawyer here in Washington - not a
18 trial lawyer - and then I served as Deputy Secretary
19 of Transportation under the first President Bush.

20 I would say that for the U.S. Chamber the
21 subject of work force education and preparation has
22 become an extraordinarily high priority. We have
23 begun to focus on that issue because our members, our
24 chambers, are extremely concerned about the inability
25 to hire workers who can do the job and there is so

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 much being spent on training, and while ostensibly
2 there are many people unemployed and underemployed,
3 there are many jobs going begging because the
4 technical skills are not available.

5 We are deeply concerned because, as baby
6 boomers begin to retire, that skills gap will become
7 far greater. We think there will be almost six and a
8 half million positions that we will not be able to
9 fill by the year 2010. And it just gets worse as more
10 and more senior people retire. So the Chamber, which
11 has been concerned with this issue in the past, has
12 really moved it very high on our radar screen and I am
13 delighted and, on behalf of the Chamber, to be a
14 participant.

15 Just looking - one other thing I would
16 identify in terms of my former experience as a college
17 President, I think the one thing we have to keep in
18 mind is the diversity of higher education in this
19 country. We have almost three thousand institutions
20 going from community colleges, and I'm not talking
21 about the online institutions such as our colleagues
22 here, but institutions with physical facilities. They
23 go from small institutions, religious institutions,
24 to, of course, major research universities. And I
25 think that is part of the genius of our system and

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 part of what produces such great results, but we have
2 obviously got to reenergize it, refocus it, and really
3 produce the kinds of results that Secretary Spellings
4 spoke about. So, thank you very much for the
5 opportunity to participate.

6 RICHARD STEPHENS: Good morning, Rick
7 Stevens, I'm with the Boeing Company. I have been in
8 the aerospace industry the last twenty-five years and
9 I am really pleased and honored to be a part of this
10 commission.

11 For the last - for the bulk of my career I
12 have been involved in running P&L businesses from
13 guidance systems for intercontinental ballistic
14 missiles to submarine combat systems having run our
15 space shuttle business, and most recently before being
16 asked to go run our internal infrastructure, I led our
17 homeland security business and put together a lot of
18 the security that is pouring forth into the airports
19 across this nation. So, I am the culprit for some of
20 your bag screenings that you have go through.

21 The last role I was asked to take on the
22 HR leadership role within the Boeing Company where we
23 have a hundred and fifty-one thousand employees. Over
24 half those employees have degrees after high school or
25 some form of college education and, for us, it is

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 about the mind wear and the mind skills capabilities
2 critical to our long-term capability. As the nation's
3 largest exporter we recognize that having strong minds
4 who have critical thinking capabilities is critical to
5 our long-term success not only as a company but as a
6 nation.

7 I think the role that, from my
8 perspective, having been involved in education and
9 looking at the future going forward, I do not think
10 there is an organization, an institution, or an
11 individual in this nation who is not interested in the
12 focus on education for the future, whether it is at
13 the K-12 level or at the higher education level. I
14 think the challenge we face is: how do we get
15 alignment and integration of all of our activities?

16 Because we know there are many resources
17 out there, many activities, just within the Boeing
18 Company we spend about a half a billion dollars a year
19 on education. We spent over a hundred million dollars
20 last year sending our employees back to college.
21 Another four hundred million dollars associated with
22 internal training to make sure that the employees we
23 have are always in a position of learning, unlearning,
24 and relearning the skills as technology and knowledge
25 continue to change.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 And so, while it is critical import from
2 our standpoint, and we look at it from a Boeing
3 standpoint, that the role in this commission is off
4 looking at the future of education, while I come here
5 from a Boeing perspective, I also come here as a
6 citizen of this nation because this is critical to our
7 long-term national defense and national economic
8 survival. So, thanks for the opportunity.

9 SALLY STROUP: Good morning, I'm Sally
10 Stroup, I am the Assistant Secretary for the Office of
11 Postsecondary Education and I am an ex-officio member
12 of the committee. Our office at the department
13 oversees the eighty billion dollars the Federal
14 government makes available in student aid funds every
15 year. So we are very interested, I think, as the
16 Secretary said, in where that money goes, what we are
17 getting for that money, how it is being used, ensuring
18 it is going to the right students at the right
19 institutions. And we also do international programs,
20 outreach programs; we oversee accreditation that
21 certainly all the college Presidents here have been
22 involved with in their careers, and those things all
23 fall under the bailiwick of the post-secondary office.

24 MICHELLE O'NEILL: Thank you and good
25 morning. My name is Michelle O'Neill, I am the acting

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 Under-Secretary for Technology at the Department of
2 Commerce, Secretary Gutierrez asked me to send you his
3 thanks for having the Commerce Department join this
4 committee.

5 We are very much - one of our primary
6 missions at the Commerce Department is in advancing
7 policies and programs that support the competitiveness
8 of U.S. industry and its workers. We are home to the
9 National Oceanic and Atmospheric Administration and
10 the National Institutes of Standards and Technology,
11 so we have a - very much a stake in R&D funding and
12 the ability to attract and retain world-class
13 researchers and scientists. We are also the home to
14 three Nobel Prize winners in physics, most recently
15 Dr. John Hall. Thank you and I look forward to
16 serving with you.

17 NICHOLAS DONOFRIO: Madam Secretary, Mr.
18 Secretary, Mr. Chairman, colleagues, I am Nick
19 Donofrio with the IBM Company and it is my pleasure to
20 be here with you and serve with you as well. I have
21 been at this with the IBM Company for forty-one years.

22 I am part of an industry that has simply been nothing
23 but change over those forty-one years. It is an
24 industry that, probably in some sense, has had a lot
25 to do with the success of the United States of America

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 in terms of its growth.

2 But we find ourselves at incredible
3 crossroads right now where not only is everything
4 continuing to change but even the process that we use
5 to change is changing at the same time. Madam
6 Secretary I was very encouraged by your use of the
7 word innovation, several times in your opening
8 remarks. Innovation is the key and the question on
9 the table is whether or not we are actually educating
10 our young to be prepared for a world - a globalized
11 world, I might add where innovation is likely to
12 determine who the leaders are in the twenty-first
13 century.

14 What innovation is, is a terribly
15 important problem. We worry about it every day. At
16 IBM I have the fun of being responsible for nearly a
17 hundred and ninety thousand scientists, technologists,
18 engineers, and mathematicians all around the world,
19 more than half of whom are here in this country. And,
20 yes, Secretary Bodman, I think we are one of those
21 companies that you addressed in your remarks. One of
22 those three American companies that in the top ten for
23 invention in this country. We have been number one
24 for twelve years in a row. However, that by itself is
25 not the answer to success in the twenty-first century.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 It is critical, it is important, and Mr. Chairman, I
2 hope as we proceed through our deliberations that we
3 understand just as you had outlined in the beginning,
4 it is going to take a balance, a balance of thought
5 and a balance of energy to come through with a report
6 that is going to do something significant for this
7 country as we look at the future of higher education
8 here.

9 I like all the comments I heard about
10 diversity. We are a very diverse company. We are
11 diverse because diversity of thought is what makes us
12 go and along with diversity of thought comes the
13 diversity of gender, race, and ethnicity as well. In
14 the end, innovation, globalization, our ability to be
15 multi-disciplined thinkers, these are all likely to be
16 the keys to the future. And it is my fondest hope
17 that this report will help our higher education system
18 get there faster. Thank you for your attention. One
19 small administrative note, if you really want to send
20 me an email. It is not "N" capital; it is "n" in
21 lowercase, thank you.

22 CHAIRMAN MILLER: I was going to have a
23 learning experience with this group, so I am
24 technologically disadvantaged, I attribute that to my
25 age, but I am a fast learner.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 LOUIS SULLIVAN: Mr. Chairman, Secretary
2 Spellings, Secretary Bodman, thank you very much for
3 giving me this opportunity to serve with all of you.
4 My background includes the following. I served as
5 Secretary of Health and Human Services during the
6 administration of George H.W. Bush and I am presently
7 serving as Chairman of President George W. Bush's
8 commission on Black Colleges and Universities.
9 Because of the three thousand or so colleges and
10 universities, one hundred six are predominantly
11 African-American. They serve a very important purpose
12 in educating a number of young people in our society.

13 The board of advisors consists of
14 individuals from around the country that support us in
15 our efforts to give good advice to President Bush and
16 to Secretary Spellings. I also serve as co-chair of
17 the President's commission on HIV/AIDS. And, as you
18 know, this is a severe issue around the world, more
19 than forty million people infected with this virus.
20 And in parts of the world where it has hit hard, this
21 is causing social instability, economic disaster, and
22 it is predicted to spread into Asia and India over the
23 next decade if changes are not made. And that is
24 related, in part, to the education of those
25 communities.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 I am committed to, as all of you, to
2 higher education. And we, as a country are becoming
3 rapidly more diverse. The demographers predict that
4 by the year 2050 there will no longer be a majority
5 population in our country. We must address this
6 increased diversity that we have as a nation.

7 Higher education, in my view, is a road to
8 equity for our citizens and as already mention indeed
9 the positions of the future require a much more
10 educated workforce. It is related to economic
11 development, it is related to social advancement, and
12 it is also related to the social cohesiveness that we
13 want our country to have as we go forward, committed
14 to the ideas that have brought our country to where we
15 are today.

16 It is also related to health status. One
17 of my other roles is working to develop a national
18 health museum here in Washington whose purpose will be
19 to increase the health literacy of our citizens. We,
20 as a nation, are not the healthiest nation on Earth in
21 spite of the fact that we spend more dollars per
22 capita on healthcare than any other country in the
23 world. A lot of that deficit is related to inadequate
24 health literacy of our citizens.

25 So here again, education is the key to

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 improving our society. The social transformation
2 through which we are going is very challenging and I
3 want to thank Secretary Spellings and congratulate her
4 on bringing us together to see what we can do, as a
5 nation, to address the challenges that confront us so
6 that we will continue to have the leadership that has
7 indeed characterized our country thus far.

8 We must adapt to the changes that are
9 underway and I am pleased to be working with all of
10 you as we respond to the challenge given to us.

11 JAMES DUDERSTADT: Mr. Chairman, Secretary
12 Spellings, Secretary Bodman, I am Jim Duderstadt, I am
13 from Michigan, I believe in miracles, at least this
14 Saturday afternoon. I also know Charles's reputation
15 well and I am confident that this commission will
16 respond well to your charges, Secretary Spellings, on
17 time.

18 My own background is, trained as a nuclear
19 engineer on an atomic energy commission fellowship,
20 has been University President, and now back in a more
21 natural position of University Professor. I am not
22 going to make remarks with one exception, but I will
23 note that the framing document that Charles convinced,
24 Chuck Vest and I put together for the commission, kind
25 of lays out some of our own views.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 The one comment I would like to make and
2 commend Secretary Spellings for is that if you look
3 back about the same time that President Roosevelt was
4 signing the G.I. Bill in the waning days of the Second
5 World War, he also accepted a report from Vannevar
6 Bush, that created the structure of partnership
7 between the Federal government, higher education, and
8 industry that really created the intellectual capacity
9 of the nation, R&D, trained scientists, engineers, and
10 so forth, and I think was responsible for much of our
11 economic growth in the last half of the twentieth
12 century.

13 I commend you because you have kind of
14 recreated that partnership and energized it on this
15 commission. And I think that is the partnership that
16 is necessary to understand better what the needs of
17 the nation are from higher education as we try to
18 create economic prosperity, national security/social
19 wellbeing in the face of evermore-competitive global
20 knowledge-driven economy. It is an appropriate
21 constellation of people, constituencies, that has to
22 address that together.

23 RICHARD VEDDER: My name is Richard
24 Vedder; thank you, Secretary Spelling, Secretary
25 Bodman, and Chairman Miller. I am a lowly college

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 professor, but I do not consider it lowly at all. I
2 think it is the most noble job in the world and
3 although I have written seven or eight books, one of
4 which is somewhat notorious in the academy, which is
5 why I am on the commission, I think, it has gotten me
6 in a little snit with Mr. Ward over here that the
7 press back here has speculated about.

8 CHAIRMAN MILLER: We are going to build on
9 that.

10 RICHARD VEDDER: I would note that we are
11 not sitting next to each other. That, in spite of all
12 this, I think my proudest claim is the fact that I
13 have educated over ten thousand students personally
14 over forty years, and I love it in the classroom. And
15 I am missing two classes today and I hope this meeting
16 is qualitatively good enough to justify missing class,
17 something I have only done three times in forty years.

18 I suspect I was put on the commission
19 largely because of issues relating to the
20 affordability question. Because I have written a book
21 called, "Going Broke by Degree - Why College Costs Too
22 Much." The affordability issue, in turn, ties in
23 closely with issues of accessibility and
24 accountability. And I was particularly delighted by
25 these three, as well as the quality issue, forming the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 basis of the commission. I am delighted to be here, I
2 have quite a few ideas, but I do not think this is the
3 time to expound them.

4 CHARLENE NUNLEY: Good morning, Secretary
5 Spellings, Secretary Bodman, Chairman Miller, I am
6 Charlene Nunley, president of Montgomery College. I
7 want to make it clear that Montgomery College is a
8 community college and that America's community
9 colleges educate more than half of the undergraduates
10 in the country, so I am very glad to be here with you.

11 I also want to let you Dr. Duderstadt know
12 that as an alumnus of Penn State a miracle truly is in
13 the eyes of the beholder. I still have not recovered
14 from that game. I have a couple of very, very big
15 concerns, I think. I saw a survey recently that says
16 that about, more than ninety percent of the third
17 graders say that they intend to go to college, that's
18 a wonderful thing. But, I am very troubled by the
19 fact that across the country we are seeing community
20 colleges turn students away from higher education
21 because of lack of space or lack of resources. And if
22 these students cannot be admitted to community
23 colleges, where in fact are they able to go that is
24 affordable?

25 I am very concerned because I think No

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 Child Left Behind is working and what I do not want to
2 see is No Child Left Behind Until College. So, the
3 issue of access is very important to me, it is tied up
4 with affordability.

5 I think our nation's community colleges
6 can play a very significant role with all of that as
7 well as the workforce issues that we have heard about
8 so eloquently from the Chamber of Commerce.

9 So, I am looking forward to this, I am
10 very honored to be here, and I am very impressed with
11 all of the wonderful people I am getting to know.

12 ROBERT ZEMSKY: Madam Secretary, Mr.
13 Secretary, Mr. Chairman, I am Bob Zemsky and I always
14 point out that to my embarrassment and their chagrin I
15 am frequently mistaken for an economist. Actually, I
16 am trained as a historian. So I really would like to
17 second something that Jim Duderstadt said and I
18 thought it was fascinating and really important that
19 the two Secretaries bracketed the issue in a
20 remarkable way.

21 Secretary Spellings, you talked about the
22 G.I. Bill. If there is any one piece of Federal
23 Legislation that structured American higher education
24 it was the G.I. Bill. Even more than the Morrill Act,
25 actually, because the G.I. Bill affected all

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 institutions not just public.

2 And the other is, as Jim said, is the
3 Vannevar Bush's Science the Endless Frontier. If you
4 have ever read the report it is as cogent today as it
5 was fifty years ago. And in a way it seems to me that
6 the commissions work structure by these two things.
7 We are not getting the science right. It is not just
8 that they want to become lawyers; they do not even
9 want to read about science. And, in a way, we have
10 forgotten all of what the G.I. Bill did in a
11 collective kind of way. So it just looks like a
12 financial aid program.

13 The G.I. Bill was much more than a
14 financial aid program in the beginning. I grew up in
15 Tucson, Arizona; I can still remember the Quonset huts
16 that they suddenly put up on the U of A campus because
17 the G.I. Bill was flooding that campus with students.

18 I make just two final observations as we
19 go forward. I have two rules of thumb. One is - more
20 of the same is not going to work. If, in come august
21 we give you more of the same we have failed you. And
22 the second is: we are not going to be able to design
23 the future. This is not like California in the 1960s
24 where you were going to have a master plan and you
25 said so many kids go here and so many kids go there

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 and all of that.

2 However we got here no longer matters. We
3 run a market enterprise. They are not pure markets
4 but they work like markets. And they distribute
5 resources like markets. So we are going to have to,
6 as a commission, it seems to me, be one of the first
7 to say can we explicitly use the market to achieve
8 public purpose. And, again the two public purposes
9 are, the investment in science and the investment in
10 access.

11 DAVID WARD: Madam Secretary, Mr.
12 Secretary, and Chairman Miller, I am delighted to be
13 on the commission. Like my colleague and combatant
14 here, Mr. Vedder, I spent most of life as a lowly
15 professor. But then misfortune afflicted me, I became
16 College Chancellor at University of Wisconsin, Madison
17 and now I represent my former colleagues in the
18 Advocacy Organization for All of Higher Education in
19 the American Council of Education, which has eighteen
20 hundred members drawn from every niche in the higher
21 education community.

22 And of course, one of my challenges is to
23 identify the separate interests and then, distill it
24 into a common interest. And I do think that that
25 common interest, the interdependency of these

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealgross.com

1 different niche positions in higher education is one
2 of our important tasks.

3 The genius of our system is its variety,
4 but the limitations of the system is its inability to
5 articulate as well as it probably could if it were
6 more optimally defined and some of the challenges
7 better specified. That is really my challenge as an
8 association head, but also I think this commission
9 recognizes that we are also in unusual times.

10 My friend, Jim Duderstadt said that he
11 believes in miracles and I think it does take a
12 miracle in a very serious way in that I think we are
13 in a new era. When you try to plan and invent, if you
14 like, a practical, actionable, national agenda in
15 changing times it is, in some senses, much more
16 difficult than in times that appear to be stable.

17 And I think as we look back over the last
18 century, or look forward on the next quarter century,
19 we are in changing times with an exponent upon them.

20 The Tom Friedman book in some ways is one
21 example of a call to action based on changes, whether
22 we describe them as globalization, the unfulfilled
23 promise of technology and learning, and above all, the
24 great new social compact about how we will pay for
25 access and affordability that we, in fact, I think,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 have a creative dialogue going.

2 What kind of aid is necessary or
3 appropriate? What kind of tuition is appropriate in
4 terms of quality? What kinds of systems of transfer
5 will make access and affordability work? They are a
6 set of questions, which I think are very different
7 than those that existed with the G.I. Bill. We need
8 something that has that vision, but designed for a
9 completely different era.

10 And perhaps the hardest thing in addition
11 to the fact that we have this sense of limitation
12 about science, technology, and engineering in our
13 human capita resource base is knowledge of history
14 itself, particularly of contemporary history, and a
15 recognition that we are in big change. Our young
16 people need both a sense of technology and science,
17 but a sense of context that comes from the deep
18 understanding of the age in which we live in relation
19 to those of the past and those of an imagined future.
20 And I think that is another of our challenges. Thank
21 you.

22 EMILY STOVER DEROCCO: Madam Secretary,
23 Mister Chairman, I am Emily DeRocco the Assistant
24 Secretary of Labor for Employment and Training and I
25 must join my colleague Charlene, as a Nittany Lion,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 and tell you Jim, not all miracles in Michigan are
2 good for the nation. It truly was a miracle. It may
3 be rare, to some of you, to have a representative of
4 the Labor Department as an ex-officio member of a
5 commission on higher education, but there are two
6 reasons why we really do need to here.

7 First is our strong belief and
8 understanding that the key to the nation's
9 competitiveness is an educated and prepared workforce.

10 Some eighty percent of the fastest growing jobs in
11 the nation require post-secondary education. And as
12 we administer a fifteen billion dollar public
13 investment every year in job training, it is critical
14 that we spend those dollars wisely in the post-
15 secondary environment to ensure the level of our
16 educated workforce is consistent with the needs of our
17 economy.

18 The second reason is that talent
19 development is indeed key to regional economic
20 development and as a university R&D spins out
21 commercialization of product and drives innovation in
22 regional economy, it is incumbent upon us to assure
23 that we understand the skills and competencies that
24 our workforce needs to follow and attract in many
25 cases, lead that innovation and regional economic

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 growth for the good of the nation. So I am very
2 privileged to be part of this commission and look
3 forward, really Mr. Chairman, to working on what I
4 believe is the accountability in higher education for
5 an educated and prepared workforce.

6 ROBERT MENDENHALL: Madam Secretary,
7 Secretary Bodman, Mr. Chairman, I am Bob Mendenhall; I
8 am the President of Western Governors University. My
9 background is in technology-based education and
10 learning and WGU was created by nineteen Western
11 Governors, essentially to use technology to create a
12 new model in higher education that would expand access
13 and lower the cost and maintain or improve quality.
14 We are the only accredited competency-based university
15 in the country, which means simply that we measure
16 learning rather than time. Our students are working
17 adults, average age of thirty nine, most of whom have
18 competencies developed, sometimes at the University
19 and often in their life experiences and work
20 experiences.

21 I really have three interests in this
22 commission that I hope we can address. The first is,
23 to use technology to change models in higher education
24 to improve quality and expand access and lower cost.
25 Technology has impacted the way we do business and

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 greatly improved productivity in this country and yet,
2 has so far impacted very slightly the academy. The
3 second would be to expand and improve our research
4 capability, particularly in science and engineering.
5 And the third is to facilitate new models of higher
6 education that would allow us to address the issues
7 that have been raised Secretary Spellings, by
8 yourself.

9 We have great diversity in our higher
10 education system, but we are primarily still based
11 around one model that was created a long time ago
12 engrained in both law and tradition, which is that we
13 measure time rather than learning. And I would hope
14 that we could create the opportunity at least for new
15 models of higher education that might fundamentally
16 change the enterprise and improve the productivity of
17 the enterprise.

18 GERRI ELLIOTT: Madam Secretary, Mr.
19 Secretary, Mr. Chairman, I am Gerri Elliott, corporate
20 Vice President for Microsoft and I lead the team of
21 thousands of folks around the world who serve
22 government and educational institutions.

23 I, like you Madam Secretary, sent a son
24 off to college for the first time this year. And I
25 have a fourteen-year-old daughter as well, and she is

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 determined to go to one of the fine institutions in
2 the U.S. But I am very worried about what the world
3 will look like when my son graduates and my daughter
4 enters, and for the following reasons.

5 There are bright, determined kids that
6 will not have the means to go to college. There are
7 bright, determined kids that may not have the
8 sustainability to graduate. There are bright,
9 determined kids that may not be encouraged or incanted
10 to enter technical fields that must spark the
11 innovation that we need in this country to stay
12 competitive. And those bright, determined kids,
13 percentage-wise, might not be women in those technical
14 fields. And there are bright, determined kids that,
15 when they do graduate, may not have the skills
16 necessary to compete in a global marketplace. I do
17 believe that it is going to take a public/private
18 partnership to fix this problem. I love the way that
19 you have articulated and framed the work of the
20 commission, but I do think that not only as access of
21 problem but sustainability needs to be addressed with
22 access as well. Certainly affordability, I love that
23 you have quality in there, but under quality there
24 must be relevance and like my friend, Mr. Donofrio
25 said from IBM, it must be innovative as well and there

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 must be a stream of diversity across all of the
2 aspects of the work streams that we do.

3 My company's mission, stated mission, is
4 to enable people and businesses around the world to
5 realize their fullest potential. And so we are
6 thrilled to be a part of a commission that aspires to
7 do the same. Thanks for the opportunity.

8 JAMES HUNT: Madam Secretary, Mr.
9 Secretary, my friend, Mr. Chairman, my name is Jim
10 Hunt. I served four terms as Governor of North
11 Carolina but I did it in an unusual way. I was
12 elected in 1976 and I served two terms, I was the
13 first two-term Governor of the state. I was term
14 limited and went out for eight years and then came
15 back, elected in 1992 and served two more terms. So I
16 have been involved with Governors and leaders around
17 the country for about a quarter of a century.

18 As Governor, my main concern was jobs for
19 my people, and that is the case with just about every
20 Governor in America. They primarily focus on jobs.
21 As I did that, and as most Governors do that, you
22 quickly realize that the key thing you need to do well
23 is education. Educating your people, developing their
24 minds and their skills, I like to say helping them
25 learn to think for a living.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 One of the things I did as Governor was to
2 establish the North Carolina School of Science and
3 Mathematics. Then I worked with Governors all over
4 the country to do the same thing and about seventeen
5 of them did a statewide school.

6 I also quickly discovered that we needed
7 to focus if we are going to improve education we need
8 to focus on improving teaching. So working with the
9 Carnegie Corporation of New York, I led the efforts to
10 establish the National Board for Professional Teaching
11 Standards. And I chaired that board then for ten
12 years.

13 I now am Chairman of the Board of the Hunt
14 Institute's Education Leadership and Policy. In all
15 those years as Governor I found that Governors did not
16 get a chance to focus on what they could do and how to
17 improve education a lot. Came to Washington a lot and
18 talked about Medicaid. And Medicaid is important, Mr.
19 Secretary. But, the main thing Governors need to
20 focus on is education and developing our people so
21 that we can be competitive in this world.

22 And so now the Hunt Institute is focusing
23 on that and I am very proud to chair the National
24 Center on Public Policy in Higher Education. I
25 believe very strongly that this country can compete

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 and win. Now our competitiveness is slipping, and I
2 think most of us around this table know that. But we
3 can do it, if we know what we have to do, if we know
4 what the challenge is.

5 And then if we have a plan, and we are
6 going to be working on one here, and if our leadership
7 asks us to do whatever it takes including down the
8 road making sacrifice. And we need to be asked to
9 make more sacrifices, in my opinion, to the good of
10 the nation. I think that education in this country
11 has to be our absolute top priority, for every reason
12 that you can think of, foreign and domestic.

13 I am delighted at the progress we have
14 made in lots of ways. When Secretary Spellings was
15 working with Governor Bush in Texas, they made
16 tremendous progress. And they did that because
17 Governor Bush gave it leadership, the business
18 community got behind it, the political leadership and
19 the business leadership together pushed forward, and
20 the public said we want change, we want to improve
21 things, we will do whatever it takes. And Charles
22 Miller was right in the thick of all of that. And
23 that happened in Texas.

24 And we have done some very good things in
25 America; I am one of the strongest supporters of No

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 Child Left Behind. Yes, we can do it better.
2 Secretary Spellings is doing a lot of the things we
3 need to do. And we need to fund it better. I also
4 believe we can do higher education better, folks.
5 That little paper that was sent out to us at the end
6 of it said, "Do no harm." Well, we sure don't want to
7 do any harm, but folks; we can do a lot better.

8 And it is going to take business
9 leadership; I'm delighted with the Chamber's
10 leadership with our business education network. And I
11 am delighted to see all of you around this table
12 including the great companies of America. But, folks
13 we are going to have to do better, a whole lot better,
14 not a little bit better. This is not an exercise in
15 marginality. We have got to do a lot better if America
16 is going to compete with the new competitors we have
17 in the world. I believe we can do it.

18 And let me just leave it this way. We
19 have had some references to football here. We all get
20 excited about our teams. My team is going to take a
21 miracle every Saturday to get very far, unfortunately.

22 But, as higher education is where we went to school,
23 we love it; we think about it, we want our children to
24 go there.

25 Now if higher education really pitches in

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 and does the job that can be done to improve
2 children's opportunity, first to prepare them to go,
3 then the opportunity and the affordability, and then
4 the quality of it all, if we can do that in America,
5 those places where we like to go to those Saturday
6 games and watch them on television when we can inspire
7 Americans to do this job of preparing and competing
8 and winning. I believe we can do it and I am excited
9 to be working with all of you and our leaders to make
10 that happen.

11 JOHN MOLINO: I knew when I was sitting
12 next to Governor Hunt that I was hoping that we would
13 go this way and not this way. Just my luck. I am
14 John Molino, I am a Deputy Under Secretary of Defense
15 and I am representing Secretary Rumsfeld this morning
16 in his ex-officio role on the committee. The DOD is
17 interested, of course, in the work of this committee
18 for several reasons, two that I will highlight:
19 research development, and acquisition of technology.

20 Obviously we are a big customer and we
21 look forward to having folks of great talent work and
22 have careers in the Department of Defense. But we
23 also do not forget that we have thousands of service
24 members who are, every day, taking advantage of the
25 Montgomery G.I. Bill and we want to make sure that we

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 give them every opportunity while they are in the
2 service and after their service, so we look forward to
3 our participation.

4 CHARLES VEST: Secretary Spellings,
5 Chairman Miller, I am Chuck Vest, mechanical engineer
6 and the former President of MIT. I have been very
7 deeply engaged for several years with the Council on
8 Competitiveness and also the recent work of the
9 National Academies that several people have referred
10 to this morning.

11 More important, I have had a -
12 approximately a forty year unabashed love affair with
13 American higher education. I was an undergraduate at
14 West Virginia University where I received a fine
15 education and a field of opportunity was opened before
16 me. I then moved on to the University of Michigan
17 where I stayed for twenty-seven years in that great
18 public institution both as a graduate student and
19 faculty member and ultimately administrator. I have
20 been a visiting professor at Stanford University on
21 the private side of the house and for fourteen years
22 had the incredible honor of being MIT's President.

23 With that background, I am sure it is
24 quite clear to you that my fundamental view of
25 American higher education is that we are about

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 creating opportunity. We create opportunity for young
2 men and women; we also create opportunity for a
3 nation, for states, and for regions.

4 I will, on this Commission, I am sure
5 emphasize something that several of you have
6 mentioned, which is to keep us all thinking about the
7 huge breadth of responsibility that America's
8 universities have. Not only in its most fundamental
9 mission of educating young men and women, creating
10 human capital, people in knowledge, but also that
11 following the 1945 report of Vannevar Bush, which has
12 been mentioned several times, we are the United States
13 basic research infrastructure and all that that
14 implies for the creation of a vibrant economy,
15 security, health, quality of life.

16 And as the former President of MIT I get
17 to give you a little inside scoop here. The proper
18 pronunciation is "Va-nee-ver" so you can be an insider
19 if you say "Vannevar" Bush.

20 I believe there are a number of factors
21 that contribute to the excellence of U.S. higher
22 education. Among them, in my view, as others have
23 said is the diversity of kinds of schools we have all
24 over the map. That we have well-developed public and
25 private institutions. That we thrive on a merit-based

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealgross.com

1 competition when our system is at its best.

2 Frankly, a personal belief that we also
3 benefit greatly from the fact that unlike almost every
4 other nation in the world, we really do not have a lot
5 of central planning and Federal control, something I
6 said to the Secretary when she called me to ask, you
7 need to understand my perspective.

8 And also we are very dependent on
9 openness. Openness to young kids from all different
10 kinds of social and economic strata, race, and
11 culture. And openness to international students,
12 faculty, and scholars, something that we must be
13 particularly attuned to in this very difficult post-
14 9/11 era.

15 On the commission I will, like all of you,
16 be particularly interested in wrestling with the deep
17 issue of access. We must have excellence but we must
18 also have access to that excellence on the part of
19 what will in fact be our twenty-first century
20 population. And as Former Secretary Sullivan has so
21 eloquently stated, if we are to have a coherent
22 society going forward, we must have equity across the
23 board.

24 And let me just close this bit of station
25 identification by saying that, in this age of

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 globalization and innovation that of all the enemies
2 the United States faces, the one I fear most is
3 complacency. So I think our job is not be complacent
4 while still recognizing the excellence of our system.
5 Thank you for allowing me to be a part of this
6 dialogue.

7 CHAIRMAN MILLER: Thank you, Dr. Vest.
8 Secretary, would you like to follow up with any
9 questions? I am going to invite them to toss some
10 your ways and start a dialogue.

11 SECRETARY SPELLINGS: After you, Charles.

12 CHAIRMAN MILLER: Okay, thank you. If it
13 suits the commission, I would like to open the first
14 round of discussion, I think as we learn the
15 personality of the commission we have got some of it
16 with this introduction. We ought to dive in and have
17 a round table discussion on these topics.

18 I would like to make the first topic the
19 affordability one. As a financial person, I see that
20 as a critical element in the whole dialogue. I think
21 we have some serious margins we are touching today
22 that will change the way higher education is funded.

23 I have very little optimism that at the
24 state, local, and national level with the demands from
25 entitlement programs and other priorities like public

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 ed or something new that comes in like homeland
2 security that there will be marginal or incremental
3 new money easily available for higher education.

4 And that especially without examining what
5 we spend today, and look at what I've heard called the
6 dubs and dabs of new programs, which almost never get
7 analyzed or challenged. Asking for new programs or
8 new money would be very hard, very unlikely to achieve
9 much. And in fact would probably not be the best
10 strategy, if you are looking from a strategic
11 standpoint.

12 So I would like to say, let's think of
13 affordability as looking at the whole financial
14 structure of higher education and address all parts of
15 that, including the things I referred to. I think we
16 have to show we are doing the best with what we have
17 to the public when they feel strained and it is
18 clearly at a marginal point of pressure to the public
19 and we had great framework that listed the cost, the
20 price, and the value, and the return on investment.

21 Those are terms that we do not use very
22 well, we can define those separately. They do not
23 mean the same thing to all the parties, in fact, value
24 could mean one thing to the student and another thing
25 to the parents, and certainly a third thing to the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 community.

2 And we need to distinguish those and talk
3 more about them in that language or we will not be
4 able to communicate all the other things we are doing.

5 I would like to start off just challenging the idea
6 that higher ed system is a market system.

7 I have heard that and people use the term
8 a lot. That seems to be because there is a
9 competition; there are a lot of vendors or a lot of
10 offers. I don't think that makes a market system, I
11 think there could be competition in a totally
12 undemocratic world and it is not a market system to
13 have a lot of competitors.

14 For example, high cost of entries for
15 higher education. Infrastructure cost, for example,
16 particularly in the traditional building type higher
17 education institution. Accreditation is a hurdle
18 getting in; licensure is not usually in a free market,
19 an important element.

20 Funding sources and the form of that
21 funding makes it very hard to enter and staffing, what
22 we need to staff an institution of higher education in
23 a traditional sense is limited.

24 Pricing, I can't see it, this being a
25 market pricing system. It is complex, it is

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 nontransparent, and it is anti-competitive in many
2 aspects of it. At least I think so. I would like to
3 examine that.

4 It is highly subsidized not always by
5 government, local, state, federal subsidized a lot of
6 higher education, private subsidy also in the form of
7 contributions and all kinds of tax advantages with
8 contributions to endowments and returns of endowments,
9 non-payment of use of infrastructure that colleges and
10 universities get.

11 So I think the subsidization doesn't mean
12 a market system and then there is a third party
13 payment aspect that, like healthcare, tends to distort
14 almost any kind of value pricing decision which I
15 think is one of the principle problems with higher
16 education.

17 It is a highly regulated field; at least I
18 think it is for some of you more than others. It is
19 not as highly regulated or determined by government as
20 in other countries like a Federal regulation, but
21 there are forms of it throughout. There is some
22 choice but not really in regard for every student.

23 There is a supplier that chooses more than
24 the consumer for a lot of universities. The consumer
25 does not choose to get into many places; it is the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 supplier that chooses who the students will be as much
2 as the other way around. And it is hard to imagine
3 somebody in rural Wyoming of being able to go to
4 almost any place.

5 Any one of those institutions is very hard
6 substantively to get there. And there are all kinds of
7 cross subsidies within the institution that you may or
8 may not find in a market. And, of course tenure does
9 not exactly make a fluid labor market, I would say,
10 and the use of graduate students as part of that
11 tenured system. The staffing system is more like a
12 medieval guild than a market system.

13 So I think all of these elements put
14 together, even though you have some of the elements,
15 make it really not a market system and that we ought
16 to unravel that and examine that issue. I would like
17 to take the bottom part of the alphabet, I am sure you
18 do not get enough opportunities if your name ends in
19 V, W, or Z, so I would like to start with those three:

20 Dr. Vedder and then Dr. Ward, and Dr. Zemsky. Maybe
21 you could do us a few minutes each and get everybody
22 else revved up if I have not already done it.

23 RICHARD VEDDER: Well, I am delighted to
24 hear that alphabetic discrimination has been wiped
25 out.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 DAVID WARD: Which one of you wants to
2 begin?

3 ROBERT ZEMSKY: I was going actually with
4 me but you can argue that we are trying to eliminate
5 discrimination, Z would be at the ---

6 RICHARD VEDDER: Well, Bob you should like
7 this because you get to go last.

8 CHAIRMAN MILLER: Well, that is what I
9 thought was an advantage. I would say V then comes Z.

10 RICHARD VEDDER: Mr. Chairman, I think
11 your remarks are very perceptive. Jim Duderstadt and
12 Chuck Vest in their document raised the issue of rate
13 of return in some abstract sense. And a rate of
14 return on social investment and higher education
15 relates the benefits of higher education to the cost.
16 So it is appropriate, as we identify the benefits of
17 higher education, and there are many and no one here
18 denies those, to look at the cost and what can we do
19 to contain those costs. Not only to win public
20 support for higher education but to have a better use
21 of resources in our country.

22 It seems to me that if you look back to
23 1950 or 1960 and you look at cost in the broadest
24 sense of the word we were spending about one percent
25 of our Gross Domestic Product on higher education,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 one, one and a quarter, one and a small fraction.

2 Today, and there is an interesting
3 question, how do you define spending it on higher
4 education. Chuck Vest made a point to me last night,
5 he says, "Is the Lincoln Labs part of the expenditure
6 or higher education or not."

7 You could argue the point, I suppose, in
8 two different ways. But if you use the most expansive
9 definition of higher education costs, higher education
10 now costs roughly three percent of our Gross Domestic
11 Product. Now that is far smaller than the fifteen
12 percent that we spent on healthcare and it is even a
13 little less than what we spend on national security
14 broadly defined.

15 But it is a rising share and an increasing
16 burden on the American public. Why has this happened?

17 In part, of course, it is no matter what public
18 policy had been there would be some increase.

19 A nation grows wealthy and has economic
20 growth has rising aspirations for higher education,
21 the demand for higher education rises for good and
22 natural reasons, enrollments therefore at colleges
23 rise, and we would expect some growth under any set of
24 circumstances. However, public policies have worked
25 to increase this somewhat.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 One fact, and let me mention six factors,
2 and I will do this rapid fire speed cause us college
3 professors with tenure will just go on and on and on,
4 we are almost as bad as politicians if not
5 constrained. We probably all have these little red
6 lights that go off after five minutes. I will do this
7 almost in enumerative fashion.

8 First of all, there has been over the
9 years rising third party payments that have fueled the
10 demand for higher education including the eighty
11 billion dollars that Secretary Spellings's
12 organization hands out. And at the same time there
13 has been much less done to increase the supply of
14 education. So the demand has risen relative to the
15 supply, which has pushed prices up. When prices rise,
16 and quantity rises with it somewhat, we have a greater
17 share of our resources going for this purpose.

18 A second factor is that most of higher
19 education, and I am pleased to see that Kaplan is here
20 for example, there is a for-profit sector of higher
21 ed, but the not for profit sector dominates the field.

22 And that means, in my judgment and I am actually
23 picking up on what you said Chairman Miller; there is
24 really no true bottom line in higher education. Did
25 Michigan have a good year in 2004? Who knows? In

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 football, we know. We know with incredible precision.

2 But what about higher ed?

3 And there is also in public education,
4 because of the desire to provide institutional
5 independence, we have relatively less accountability
6 perhaps than would normally be the case provided with
7 public institutions. And so we do not have a bottom
8 line so people manufacture bottom lines because
9 Americans want bottom lines, we love bottom lines that
10 is what our nation is about. That is why U.S. News is
11 so popular in the higher ed field. So they created a
12 bottom line. And what has this bottom line done? It
13 has raised the cost and accelerated the academic arms
14 race. Now that is not all bad, but it is not all good
15 either and it is something we need to address.

16 A third factor is that there has been a
17 growing amount of cross-subsidization in higher
18 education. What I mean here is, and I am accepting in
19 this broad generalization that community colleges
20 certainly do not fit what I am about ready to say to
21 the same extent that the major research universities
22 do, or nor do the liberal arts colleges, but there
23 have been a decline in support of instruction within
24 budgets of major universities as a share of the total
25 budget.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 Part of this is because of rising research
2 but part of it is because of other factors such as
3 rising administrative cost, some cases elaborate
4 student facilities, you have got to have a climbing
5 wall today or you are just not an important
6 university, increased expenditures on intercollegiate
7 athletics and so forth. And, frankly, some continued
8 cross-subsidization with more and more of resources
9 going for graduate education relative to undergraduate
10 education. This has contributed to the rising price
11 explosion.

12 Another factor has been price
13 discrimination, charging different amounts to
14 different customers. It would be interesting to see
15 what would happen if the FAFSA form were abolished and
16 made illegal to tuition levels in American
17 universities. I am not proposing this; by the way,
18 there are a few panicked faces in the audience. But I
19 am just suggesting it would have a profound impact.
20 When you go to a Chevy dealer they do not ask you to
21 fill out a form saying how much money did you make
22 last year, what are your assets, oh, are you paying
23 alimony to someone, and when they learn all this tell
24 you what you will pay for someone to go to college.

25 And price discrimination has always

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 existed, that is scholarship aid, that is the form in
2 which price discrimination takes, has always existed
3 but it has increased enormously. And increasingly has
4 gone on the basis of merit rather than need.

5 And I commend to everyone recent, last
6 issue of the Atlantic Monthly, there are several fine
7 articles on higher education in the last issue, one by
8 the President of Reed College, by the way. And I urge
9 you to read that issue, I will commend it to the
10 group.

11 A fifth factor is one that is highly
12 controversial and has made me a pariah amongst some in
13 the academy; there has been some increases of what us
14 economists call rent seeking behavior. As money has
15 dropped out of airplanes from Washington and state
16 capitals or wherever on campuses, some of that money
17 has found its way into the pockets of the staff and
18 others. We have made life better for ourselves in the
19 academy.

20 Now some of this is the natural
21 consequences of economic growth, we have to keep up;
22 we have to be competitive with nonacademic fields in
23 hiring professors and all. But, and there is a lot of
24 talk about five hundred thousand dollar university
25 presidents and three hundred thousand dollar

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 professors and million dollar football coaches, even
2 million dollar football coaches who lose.

3 But if you look at things, the life has
4 gotten a lot better for people in the academy. Our
5 teaching loads as professors have fallen. We need to
6 examine what we are doing as people and how we are
7 paying people.

8 Now the one thing I have not said that my
9 colleagues will be apoplectic about, which I will say,
10 and it has already driven the Secretary from the room,
11 is that it is true that in the last few years there
12 has been a decline in Federal, not Federal support so
13 much as state support, particularly for public
14 universities. It is very significant; it has been
15 going on in some way and more of a stealth way for
16 twenty-five or thirty years.

17 And the share of, not only of state budget
18 going for our higher ed has fallen, but by any
19 criteria you want to look at, the share of university
20 budgets funded by higher education in the public
21 sector has declined.

22 This has created not only the tuition
23 explosion of public universities in the last four or
24 five years, added to it some, but it has also created
25 something of a qualitative gap between the public and

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 private universities and that is something which may
2 be of interest for the commission to talk about. So,
3 I will stop there.

4 CHAIRMAN MILLER: Thank you. Dr. Ward?

5 DAVID WARD: Well, let me say that I think
6 that this is a sketch, if you like, of the recent past
7 in terms of pressures on higher education. Whether I
8 agree completely with the factor analysis that goes
9 into it, I think there is something in common that
10 since, certainly 1960, two developments have
11 transformed the cost structure and the functional
12 structure of higher education.

13 One of them, of course, is the rise and
14 the expense of international class research, and the
15 other is the massification that is the opening of
16 institutions to a larger percentage of our population.

17 Both of these, it seems to me, have
18 occurred in a period when the budgets of institutions
19 have then become divided into various categories. And
20 I think this argument about markets is the fact that
21 while we have talked a little bit about cross-
22 subsidies, my experience as a college president is
23 that was actually quite difficult. The state support
24 and tuition went for instruction and much of the
25 Federal support went for research, it was very

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 difficult to move them.

2 My football coach was paid from revenues;
3 there was not a piece of academic funding in his
4 salary. It was all paid by TV stations and various
5 alumni insuring his salary. So the idea of a cross-
6 subsidy of athletics is not, there is very rarely any
7 cross-subsidy or any faculty - some institutions the
8 subsidy is the other way. In fact, most contracts we
9 got were subsidies to undergraduate tuition
10 fellowships from athletics.

11 Another area would be the issue of
12 buildings. It was relatively easy for me to raise
13 funds for physical structures, including stadiums I
14 might add. Again, the faculty senate attempted to
15 embarrass me by arguing why could this not go for
16 naming chairs or for student support. The donor had
17 no other interest or any other purpose than the
18 building.

19 So, one of the problems, actually, is that
20 while cross-subsidies seem to be thought of as being
21 easier, actually, in practice, you actually are
22 dealing with a quintet of revenue flows most of which
23 are not easily transferable.

24 And so I think that the idea that it is
25 our strategic intent that we undervalue undergraduates

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 so we overvalue buildings is a little bit ingenious in
2 that I am not sure how easily that occurs and in fact
3 it usually, the cross-subsidies occur because college
4 presidents sense a public good in the university, a
5 sense of the whole and redirect funding often to peril
6 of their job. Because, in effect, these changes are
7 not that easy.

8 The second issue is the issue that really
9 is all part and parcel of building up the
10 infrastructure of the institution, most of it is not
11 trivial building most of it is obviously to build up
12 the science and technology capacity of the campus.

13 The second issue is, I think, the
14 challenge of tuition and access that we have faced.
15 That is that state support and tuition used to be,
16 among our public institutions, the sum of those two
17 was the bulk of what made the university survive. And
18 as the ratio between those two has changed, I think
19 what has happened is that we have not really had a
20 public policy debate about a shift from a system in
21 which you have a universal entitlement to low tuition,
22 irrespective of income.

23 Universities which at one time were
24 overwhelmingly, of course, skewed in their income
25 distribution of their students to one in which we have

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 driven to what I would describe as moderate tuition,
2 some of it certainly discounted by financial aid, but
3 that is very different. As the middle class of
4 America now face the idea of significant college cost
5 through tuition, which, of course, twenty years ago
6 may not have been there.

7 That, too, could be thought of as a market
8 pressure where in fact there is a mixed sense, instead
9 of being a public investment in the student going to
10 college it is now split between some private
11 investment and some public investment. But we have
12 never really had a debate about whether that is
13 desirable; we have never had a debate about what those
14 proportions should be. Is there a private benefit
15 worth one half of tuition? Public benefit one half?
16 Or, is it, in fact; in some cases a hundred percent of
17 the benefit is public benefit.

18 So we have not really had a debate about
19 the nature of tuition and what tuition is as an
20 investment or whatever. I think it is not a matter of
21 whether I would disagree with my colleague Richard
22 here, but we have never really discussed it about what
23 that balance should be.

24 So I would just make those two big points,
25 one is that university budgets have become very

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 segmented, they really are not as easy to cross-
2 subsidize, as you would imagine.

3 In fact the various pools of money are
4 actually quite separate and it is a challenge to
5 indulge in cross-subsidy and in fact every time I
6 tried to do it, that is, build a music department out
7 of the surplus of chemistry, it is a very dangerous
8 thing for university presidents to do. And certainly
9 the issue of the fact that students do demand, and
10 their parents do demand, higher quality facilities as
11 a result of a sort of upward course in our standard of
12 living.

13 But I do think that the market pressures
14 are in part not a reflection on the whole picture but
15 on the segmentation of revenues where some of them are
16 more intensely market-driven and others are not.

17 And the second issue is this issue of the
18 cost to the consumer. Where I think we have moved
19 from a model of essentially universal entitlement to
20 low tuition to one in which it is moderate tuition
21 with some discounts based on income and/or merit and
22 we have never really had a debate about how to resolve
23 that.

24 Overlaying this, however, I do think the
25 third factor is this changed era. That is that I

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 think higher education has coped well, in general,
2 perhaps coped well in the U.S. better than in some
3 parts of Europe or Japan with both of these
4 tendencies.

5 But the rival, obviously, of developing
6 countries specifically India and China as players in
7 international education and new players like Ireland
8 for that matter is changing the scene.

9 So that while we have got these two
10 challenges of how you create the infrastructure of a
11 research university and of a system, how you deal with
12 massification, how those come together, and then place
13 them in a new, competitive environment which is
14 global.

15 All of those three things need public
16 debate. And maybe the challenge for us, and why this
17 commission is so important, is that we have not
18 overtly discussed the issues. That we take pot shots
19 from each side but in fact these three problems,
20 creating the capital for the infrastructure, resolving
21 the nature of tuition as a public or private benefit,
22 and the new competitive environment, is to try and in
23 effect to bring a public policy debate about what the
24 parameters of these should be. What should be the
25 investment infrastructure, what should be tuition as a

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 public and private good, and what, indeed are the
2 threats to the current state of higher education
3 because of a new international context.

4 ROBERT ZEMSKY: Charles had warned me in
5 advance the he does not agree with me, so I am sort of
6 startled a little bit, not since I was warned in
7 advance, obviously I'm not startled. But you set it
8 up, Charles, that this is not a free market. And I do
9 not think that anybody argues this is a free market
10 any more than anybody argues that healthcare looks
11 like a free market. You have all the same high-entry
12 barriers, you have all the same accreditation, all of
13 that.

14 And I do not think anybody, though I would
15 defer to our colleague Dr. Sullivan, I do not think
16 anybody would argue today, seriously, that market
17 economics have not substantially, maybe even
18 overwhelmingly changed the healthcare business. And I
19 think that is sort of the cusp that we are on. And I
20 sort of look at it, when I say is there really market
21 forces here? What would be the real indicator that
22 there were market forces?

23 I think one is, and I think David and
24 Richard both are getting at it in different ways, is
25 that where once upon a time cost set tuition, now the

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 market sets tuition. We have seen and some of what
2 Richard is talking about, as the upward trend of
3 prices is the result of enterprises trying to see
4 where price sensitivity really occurs.

5 And that you have this long history now,
6 and Richard is right, it is about thirty years this
7 has been going on. And then it was accelerated
8 because the states, in their need, decided, well,
9 let's take a look. Prisoners do not want to pay rent,
10 old people do not want to pay for Medicare, nobody
11 wants more toll roads, about the only thing left was
12 that we can charge and shift that burden from the
13 public to the consumer.

14 And so, actually it was state policy more
15 than Federal policy that sort of moved us in this
16 direction. Now the other thing that you asked is, do
17 you have a market or not? Well, let's look at the
18 enterprises themselves and that David was starting on
19 that, though I suspect David and I have some
20 disagreement here.

21 But, one of the rules in a market, if you
22 are really in a market it is sort of Lee Iacocca time;
23 you either get out in front, get behind, or get out of
24 the way. And the translation to that is that if you
25 are running a market enterprise you really need more

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 revenue, more real revenue every year. That is what
2 makes a market enterprise work and I think all of
3 those at the table will explain that revenue growth is
4 really an important variable to realize.

5 In over twenty-five years institutions
6 have learned to generate and to spend more time
7 focusing on revenue than on operating cost. And it is
8 only when there is a real crunch that you get back to
9 the operating cost sum. And I think that is also an
10 indicator of where we are in the market.

11 And then we get all confused when we say,
12 well, what is a market for. And I used the healthcare
13 analogy, but I do not really like the healthcare
14 analogy. I really like the real estate market. You
15 know, I am always sort of struck when I think about
16 real estate. I do not see a national commission
17 trying to figure out how to roll back the price of
18 housing in the Bay Area or Washington D.C. The
19 markets set the price and a lot of people played the
20 game and a lot of people got hurt playing the game.

21 But the thing that is comparable between a
22 purchase of a house and a purchase, and I use the word
23 purchase quite consciously, of a college education is
24 these are accruing investments. Most people assume
25 they will sell their house for more than they paid for

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 it. It is just one of the things that drive that
2 market.

3 And most people assume correctly that they
4 will get more direct financial return from the price
5 they paid for their education, including the
6 opportunity cost and including the cost of money than
7 they would get for not doing that.

8 So, the way to look at this is that this
9 is like a real estate market. A real estate market
10 that has got all kinds of barriers to it, called
11 zoning, and all of that, you just cannot go build any
12 old house. Now, in some - I have been to Houston,
13 Charles, I realize that I am in a little bit of
14 trouble to talk about zoning, but nevertheless.

15 That we do fence it in, it is more fenced
16 in than the real estate market, and I understand that.

17 But, it is still worked somewhat like that. Great
18 big giant purchases which people make seldom so they
19 do not have a lot of experience, they are not
20 experienced shoppers, there are very few people in the
21 real estate market who are experienced shoppers. But
22 that it is terribly important that they make the right
23 decision. And the market says, and as long as the
24 value accrues, the price will rise.

25 And I think that is where we are. One

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 last observation, I spend a lot of my time helping
2 institutions figure out how to do in this world. And
3 the interesting thing, and I was sort of struck, I do
4 not think you quite heard David so I am going to
5 repeat what David said. I cannot take the surplus
6 from chemistry and give it to art history or music; I
7 can't remember where you were - music. The
8 interesting thing about that observation is, thirty
9 years ago that sentence would not have computed.
10 Nobody would have had any idea in the world what the
11 surplus of chemistry was versus the surplus of music.
12 We are putting in place all over American higher
13 education, we are putting in place all over the world
14 as a matter of fact, information systems that are
15 designed to essentially calculate what is nicely
16 called the contribution margin of various units across
17 the universities. And those are bottom lines. But I
18 have also, a little bit, quarreled with Richard about
19 to say there is no bottom line. There is, it is
20 calculable, it is being calculated, and the argument I
21 always make, and then I will stop here, it is not that
22 you cannot pretend you do not have the bottom line,
23 you cannot play the game I do not want to look, you do
24 have bottom lines. The question is, what are you
25 spending the bottom line on. And, if Richard says, if

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 you are spending the bottom line on your own
2 amenities, that is not a rational policy. If you are
3 spending your bottom line on the kind of things that
4 Secretary Bodman was talking about, then that is a
5 rational policy. So we need to be careful and observe
6 Jim Duderstadt's rule, "Do no harm."

7 CHAIRMAN MILLER: Thank you, that is a
8 great start and I am more supportive of that end of
9 the alphabet all the time. Governor Hunt, though,
10 from the middle?

11 JAMES HUNT: Thank you, Mr. Chairman. I
12 hope that we would begin; I do hope that we would
13 begin this work by looking at what the nation's needs
14 are in higher education, and then go to how we meet
15 those needs. And obviously that is going to involve
16 what the institutions need.

17 As we get into it, it seems to me, one of
18 the first things - we have heard some of this already
19 today but one of the first things we ought to do is to
20 look at and to establish for the country, because we
21 are sort of doing this for America, what is happening
22 with education pipeline. And folks we have a
23 hemorrhaging in the education pipeline. I hope
24 everybody around this table knows it. But let me give
25 you the figures.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 Of a hundred students that start the ninth
2 grade, sixty-eight of them graduate four years later,
3 only sixty-eight, it has gone down recently, not up.
4 Forty of those students, of those sixty-eight, forty
5 immediately enter higher education. Only twenty-seven
6 of them are still enrolled for the second year. And
7 only eighteen graduate three years later for an
8 associate degree or six years later, within six years,
9 for a bachelor's degree, now folks that will not do,
10 in my opinion.

11 I do not think that we can compete in this
12 new role that Friedman talks about and so many others
13 do, with those kinds of results. I think we must do
14 better and I think we can do better. As we look at
15 what the nation's needs are and what is going on, the
16 figures that I know about, that I think are
17 trustworthy, show that college has actually become
18 less affordable for most American families. Tuition
19 has increased at a rate that is faster than the income
20 of the average American family.

21 I think we need to be aware as we do this
22 study, this work that we know too little about the
23 outcomes of higher education. And we know we have got
24 great universities and it is probably the greatest
25 thing about America.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 But, how are we doing with outcomes? We
2 worked so hard on K-12 and we have still got a long
3 way to go. We measured how we were doing and you
4 cannot do it the same way in higher education. But
5 there are some appropriate ways to do it and we have
6 begun to develop some of those. But we need to know
7 more about student learning and we need to increase
8 student learning.

9 And then policy makers and students and
10 families really do not have enough data for making
11 decisions. We have already heard some discussion
12 about what families need to know and perhaps do not
13 have all that they need to know. I can tell you that
14 policy makers do not have enough information about
15 even how many students are enrolled and what is
16 happening with students of lower income families.

17 A lot of our Federal data collected this
18 fall will not be published for two more years. So we
19 have that kind of lag time, on some things you have
20 got a lag time of ten years.

21 But there is a lot of data, and we are
22 collecting some good data. But we need a lot more, it
23 needs to be done in a more timely way, a lot of this
24 is going to have to be done by the Federal Government,
25 these are not huge cost items I might hasten to add.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 It is just a matter of getting this data and making it
2 available to policy makers.

3 So, Mr. Chairman I would just want to say
4 that as we start into this, I would really hope that
5 our first order of business, in a sense, would be to
6 say, "what are America's needs in higher education,
7 what does the country need." And then move on into a
8 lot of other things including many of the things we
9 have just been hearing about.

10 CHAIRMAN MILLER: Thank you, Governor.
11 And we will address that, I think, some of the
12 breakdown we have obviously answers your questions
13 about accountability and I heard the Secretary
14 announce in your home state of North Carolina that
15 every student in America who worked hard or studied
16 hard would have available higher education opportunity
17 no matter what the income of that child was.

18 I thought that was a pretty important
19 statement of the nation's needs. We can get more
20 complicated and then the creation of new knowledge,
21 which is the research side and the quality of teaching
22 and learning, beyond that I am not sure how we can
23 identify it, some objectives, but we will be open to
24 look at that.

25 For me that one statement was a very

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 important objective and that is where accessibility
2 comes in, that is what we mean that, how do we get
3 every child into a position to have the opportunity to
4 have a post-secondary education regardless of the
5 financial capacity of that child.

6 So that would be one of the statements of
7 the national goal. I think most of us here feel and
8 believe that, maybe we should say it more clearly. I
9 am going to recognize one person to my left and then
10 you are next, thank you.

11 SARA MARTINEZ TUCKER: And that is a great
12 segue way. As I listen to your conversation on free
13 market and cost implications, the turnaround then is
14 price to the student. And if you look at the students
15 that I support and then how they fit with the rest of
16 the country, I could not help but reflect as you were
17 talking about state's prisoners not paying rent and
18 the elderly not paying for medical care. When I was
19 at AT&T, whether it was consumer markets or business
20 customers that I served, I did not have a lot of price
21 flexibility. Because if they did not like my price,
22 they would go to the competition.

23 Our kids that are low income do not have a
24 lot of options. A lot of our children do start at
25 community college. Ultimately, though, they need to

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 be able to afford a higher education to be able to
2 thrive in this country. And so while our costs and
3 all these little factors that you described. We do
4 not really have that free market for our students
5 because they have no choice.

6 Now there is a solution today. If you are
7 low income today you can get your Pell, you can get
8 your institutional loans, you can get your work-study,
9 you can get scholarships, and you can get loans. And
10 so, you have got an artificial system that is propping
11 up the ability of our children to be able to meet the
12 cost pressures. Unfortunately, I see three serious
13 implications from having this temporary band-aid.

14 Number one is, we are putting money
15 management responsibilities probably into the least
16 able to be able to do that. The families cannot
17 support it so our students are the ones that become
18 the money managers piecing this together, trying to
19 make it work, semester by semester. And so a lot of
20 the new components that we are seeing in the
21 reauthorization, I think are important for us to focus
22 on.

23 The second one, and this is probably a
24 little more controversial, is that if you look at
25 those components that I just identified, we understand

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 that pressures on Pell, and we also understand that
2 sometimes the thinking is that if you increase Pell it
3 may not go to the student. But, regardless there are
4 pressures there.

5 We have heard described the pressures on
6 the state aid to the student. We understand what is
7 happening with the privatization of scholarships and
8 need versus merit based, frankly the only segment of
9 that equation that is able to make money off of this
10 and grow and invest to meet the students' needs are
11 the loan segment. And I think we have got to
12 understand what this loan business is doing to
13 students, what it is doing to families, and making
14 sure that we do not have this temporary fix that we
15 have got going right now, have the wrong people
16 leading the discussion around what is happening with
17 the price and the cost in higher education.

18 And then the last piece of it is, if we do
19 not solve for the cost side at some point the price
20 becomes prohibitive to too many children in this
21 country and we have got to be able to solve it here,
22 with this generation. Because if we do not have more
23 of this generation, the parents have a college
24 education and the right income, then it only creates a
25 higher cost for the next generation of students.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 CHAIRMAN MILLER: Could you step up to the
2 mic? Thank you.

3 CHARLENE NUNLEY: I think the goal that
4 described of everybody being able to access higher
5 education and not being prevented because of cost is a
6 very good one. I would like to also add some, perhaps
7 bolder goals.

8 It seems to me that when we look at our
9 history we had this perspective that we needed to have
10 universal access to public education. And at a point
11 in time that probably meant grade eight. Then, I
12 think we shifted our focus to; we want everybody to at
13 least have the opportunity for a high school degree.

14 With what is coming to our nation in the
15 way of technology and higher needs for education,
16 perhaps we need to have some kind of a national goal
17 that shifts that up even higher. Not just access to
18 higher education but setting goals of actually
19 achieving degrees, an associate degree or a
20 baccalaureate degree.

21 Access will not be enough for the future,
22 given the data that Governor Hunt was describing of
23 how the people fall out of the pipeline. I think we
24 have to have goals for completion that will assure
25 that we are educating people to higher levels. So, I

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 do believe that some focus on, what are the national
2 perspectives, national goals that we are going to
3 achieve with this commission, helps us to wrestle
4 better with the affordability issue.

5 And then I would also say that being a
6 community college president where we have lower
7 tuition, still I know that at my institution there
8 were over twenty-five hundred students who applied for
9 scholarships that we were not able to award and did
10 not come to college.

11 Now those are people that we are losing
12 from the educational pipeline. And that is a tragedy,
13 and we have to figure out why that is happening, what
14 we can do to change the price even in our community
15 colleges affordable, and what we can do to make sure
16 that we have the kind of aid systems in place that can
17 help those students to be able to go to college.

18 JONATHAN GRAYER: The affordability
19 question, as it is presented to this commission, it
20 seems to me should encompass the fact that, what keeps
21 prices down in the long run in any market is not
22 really competition but rather productivity gains. That
23 markets that beat themselves up over price ultimately
24 do not go to a good place. But markets that find
25 better ways to use their resources ultimately are able

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 to get to deliver their product more cost effectively
2 in the long run.

3 And I would ask the group, from the for-
4 profit sector, these metrics for productivity are much
5 clearer. But, in higher education how do you define
6 productivity? How can you measure the gains of an
7 institution against a more efficient use of the
8 resources. There is no metric that I am aware of that
9 we can point to. And if this commission could take
10 that up, be able to offer to all the different types
11 of institutions that are struggling to meet the needs
12 of their students to what the Governor raised, that
13 would be a pretty dramatic statement, that this is how
14 productivity and higher ed should be measured in this
15 country. This is an idea about how productivity
16 should be measured. Because if institutions are - and
17 what I mean by productivity is using the same amount
18 of resources to do more, and the more part is the hard
19 thing to define. When we talk about our higher
20 education system is great, are we talking about its
21 research product, are we talking about its outcome of
22 its students, are we talking about the cost
23 effectiveness, are we talking about the ability to
24 meet all the needs of our disparate population.

25 If we are able to define that in a

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 coherent way, and then look at, to the point of data,
2 how institutions in the long run can measure against
3 it, I think we will have achieved an economic rent
4 that will provide more room for true gain against
5 international competition.

6 CHAIRMAN MILLER: I am going to recognize
7 Rick and then Nick, I will add that the accountability
8 section is intended to do that. We wrestled with the
9 use of the term accountability, talked about
10 productivity, and other measures. But it is a rate to
11 measure outcomes of the system and to follow up on
12 that that would be one of the intents, whether it is a
13 competitive or market or not, so Rick, you would be
14 next.

15 RICHARD STEPHENS: Yes, thanks Mr.
16 Chairman. I think one of the challenges I think we,
17 as a commission face is data that we can all look at.
18 Whether it is "In God We Trust" all others bring
19 data, or the data shall set you free, whether the
20 information the Governor is talking about or any of
21 the others, I think we are challenged by having a
22 common language to discuss.

23 If we look at the number of students, and
24 I know the university I went to I would not be
25 accepted today based up on my SAT score when I went

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 there some thirty years ago because the SAT scores
2 continued to rise at one point. Of course college
3 tuition went up nearly a hundred percent at the time I
4 was going to school. But the same challenge we have,
5 the number of students who are completing high school
6 being eligible to go on to post-secondary education is
7 going down significantly just because they are not
8 completing.

9 So, I think we have this bifurcation of
10 data going on, whether it is tuition, whether it is
11 completions, whether it is graduation rates, and I
12 think one of the things that the commission ought to
13 take on is, what are some of the appropriate metrics
14 and then prior to our next meeting, if we could gather
15 some of that data, then we will be able to get this
16 common language we are talking about.

17 And then when we look at whether it is the
18 economics, whether we look at the accessibility, we
19 will have a common frame of reference to work for and
20 coming from industry I would be happy to participate
21 on some of those metrics.

22 JONATHAN GRAYER: I just wanted to note
23 that it is not too late to raise your SAT score.

24 NICHOLAS DONOFRIO: So, Rick, it is all
25 grade inflation anyway, you would be accepted. So,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 Mr. Chairman, just a simple thought as we talk about
2 this and deliberate on it. As a global company, I do
3 hope that we take a measure of our competitiveness or
4 our efficiency or our productivity on a global scale.
5 And not just a U.S. scale.

6 We have here alternatives; we do not
7 necessarily like all the alternatives that we have.
8 We want to see America continue to be great and lead
9 in the twenty first century, but we are naïve to think
10 that they are not doing something better somewhere
11 else in the world. Often times I am reminded, many
12 times, the underserved shall lead. That may be a
13 lesson for us to learn here.

14 CHAIRMAN MILLER: Just define that a
15 little more, are you thinking about competitively,
16 competitiveness generally or in the educational side
17 primarily or --

18 NICHOLAS DONOFRIO: Clearly in this area
19 of education, we know what they are capable of in our
20 industry.

21 CHAIRMAN MILLER: Thank you. I wanted to
22 be clear and I thank you. I know - I don't want to
23 speak for the Secretary, I know that has been high on
24 her list of questions to ask. We are the greatest, is
25 what we hear, I am the greatest, we are the greatest,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 how do we really know what? And, so that is the
2 question we are going to try to get into. I think I
3 had --

4 CHARLES VEST: I wanted to say a quick
5 word about data that happens to fit in directly to
6 what Rick said. I was emailing back and forth with my
7 friend Bill Bowen last night, who, as most of you
8 know, is the former President of Princeton, currently
9 President of the Mellon Foundation. They have
10 maintained for many years one of the largest databases
11 having to do with higher education. It is called the
12 College and Beyond Database.

13 It looks at, admittedly, a very select
14 subset of private and public universities. It was the
15 base on which "The Shape of the River" was written,
16 and more importantly, a much more recent book called
17 "Equity and Excellence in American Higher Education."

18 Their goal, quoting from a memo that I had
19 from Bill, is to extend their work focused on the
20 question of whether American higher education, public
21 and private, is educating enough talented young people
22 from modest circumstances, that is low social/economic
23 status backgrounds as defined by both family income
24 and parental education.

25 The reason I bring this up, we have all

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 talked about the importance of data, and believe me,
2 these are complicated things. They are hoping to sign
3 on a much larger number of universities starting with
4 the promise of productivity, namely things are
5 available electronically now that were done by hand
6 when they started the database a decade or so ago.
7 And the goal is to extend this equity and excellence
8 study. And one of the things I find most interesting
9 in their goals are they are trying to find a more
10 sophisticated way of defining outcomes than just
11 simply looking at graduation rates and pure numbers.
12 And if you have a chance to look at the book, which,
13 by the way, he said he would be glad to make available
14 to the commissioners, what they have tried to do is
15 look at some somewhat subtle effects on career
16 choices, fields of study, all these kinds of things
17 that tend to be biased against the kids from lower
18 socio-economic statuses in very subtle ways. So, I
19 just want to call this to your attention. Those of
20 you who represent universities, if you are contacted I
21 hope you will encourage your university to
22 participate. It is a swath of higher education, but
23 it will be a swath that educates a very large number
24 of young men and women.

25 CHAIRMAN MILLER: Thank you. I have got

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 two more, Dr. Mendenhall and then --

2 ROBERT MENDENHALL: I think as we talk
3 about affordability, the general discussion tends to
4 revolve around the institutional costs at an
5 institution or the student cost and what the real cost
6 is to a student, or how we pay for it in additional
7 aid. What we do not talk about in education very
8 often is about brand new models that could increase
9 productivity and fundamentally change the cost
10 equation.

11 I mentioned earlier about, I think we have
12 had huge productivity gains in the last ten or twenty
13 years through implementing technology throughout
14 industry and society. But it has barely touched
15 education and certainly has not created any
16 productivity enhancements in education. I think we
17 could look at creating, whether it is a market-
18 oriented system today or not, creating a more market
19 oriented system, exploring something as radical as
20 states giving dollars to students rather than
21 institutions, same amount of dollars, but let students
22 use those to choose institutions where they will be
23 served.

24 I think we need to distinguish between
25 research institutions and teaching institutions. They

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 have different missions, different needs, and should
2 have very different cost structures. But, sometimes
3 with every teaching institution trying to be a
4 research institution they, the costs are confused.

5 We also have very different needs between
6 the 18-24 year old population, which needs residences
7 and buildings and football teams and social activities
8 and are worse than adults, where frankly, those things
9 often get in the way and certainly add unnecessary
10 costs and the working adults are now more than half of
11 our student population in higher education.

12 Finally, I was really interested in an
13 earlier comment that one of the issues with cost is
14 simply that we have been able to increase demand for
15 higher education without a commensurate increase in
16 supply. And I think one of our challenges would be to
17 reduce the barriers to entry so that supply could be
18 increased. And earlier I think Mr. Chairman you
19 mentioned a number of those barriers to entry, but
20 certainly accreditation and licensing and subsidies.

21 It is interesting to me that most new
22 institutions in the last twenty years have been for-
23 profit institutions simply because of the cost of
24 entering that is the only way to acquire enough
25 capital to get into the business. I think, finally,

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 market economics have changed the healthcare industry.

2 It is not clear to me that it has really changed
3 education and maybe that is the best evidence of
4 whether it is subject to market economics or not, is
5 whether it is causing fundamental changes in the way
6 we deliver education.

7 CHAIRMAN MILLER: Thank you. I want to
8 come back and respond to one of those comments in a
9 moment. Dr. Orbach?

10 RAYMOND ORBACH: I would like to pick up
11 on a comment that President Tucker made about the
12 complexity of the cost structure to a student who is
13 looking at the university. If you look at the
14 opportunities that the student has for support, it is
15 a mixture of Federal support, state support,
16 scholarship support, family support, and loan support.

17 And I think it is quite bewildering, even to parents
18 I suspect. And one of the things this commission
19 might think about doing is to create a template that
20 would enable parents and students to be able to make
21 use of the resources that are there.

22 Right now many of them are not aware of
23 it, but what is more important is how the student
24 actually manages their financial future. Loans are
25 the swing factor that makes up the gap; there are

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 limits on what students ought to get into.

2 And I think having a template for the
3 average student or perhaps a student on the basis of
4 family income, that would enable them to figure out
5 what a balance of opportunities there are and what a
6 balance that makes economic sense would be, would be a
7 great contribution if this commission could do it.

8 CHAIRMAN MILLER: Thank you. Any other
9 comments on that, we expanded affordability, got into
10 access and accountability. We did not directly touch
11 quality although we alluded to it. So we really did
12 have those four issues. Let me ask Jim --

13 JAMES DUDERSTADT: Not to wrap up, but
14 just to kind of insert. Let me say at the outset that
15 I strongly agree with Governor Hunt. That I think one
16 of the most important roles of this group is to really
17 consider what the nation seeks, needs, wants from
18 higher education. And that suggests that while
19 opportunity for educating our population is important,
20 R&D is important, we can also broaden it out to look
21 at kind of the Jeffersonian themes of preserving and
22 transmitting our culture of challenging our norms and
23 beliefs, preparing citizenry for a democratic society,
24 new things.

25 Most of our tertiary healthcare in this

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 country is provided by universities, innovation, and
2 entrepreneurial activity, creating a new industry that
3 will destroy the old in a Shumpter kind of way,
4 keeping up with the exponential increase in knowledge,
5 which is transforming on a continuous basis many of
6 the professions.

7 I mean our engineering schools now face
8 the dilemma that much of what students learn in the
9 engineering curriculum will be obsolete by the time
10 they graduate. So that demands new styles of education
11 that are truly life-long in character. And the reason
12 I put out those broader roles is because it could be
13 that this strange and misunderstood relationship
14 between cost of higher education to broader society,
15 price that is felt by students and parents, and value
16 that, of course accrues both to society and to
17 students themselves.

18 That relationship may be changing so fast
19 that in our discussions we are trying to fix something
20 that is beyond repair. We may not have a structure
21 right now that is capable of meeting the broader needs
22 of the nation, financing it.

23 So as we grapple with these things I think
24 we have to think much more innovatively of what that
25 is - I mean, United States is unusual because we have

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 such a large engagement of the private sectors
2 supporting higher education. Some estimate it is
3 almost as much as two-thirds of the support compared
4 to less than ten percent of most other countries.

5 But, we do, essentially depend on one
6 generation in one form or another to support the next
7 generation. And new paradigms might suggest that even
8 that is the wrong way to do it. I mean, Peter Drucker
9 has been proposing for years something more akin to
10 the social security system where people kind of pay
11 their own way through but over their lifetime because
12 they have lifetime educational needs.

13 So I come back again and say how important
14 it is to look at the broad range of roles of higher
15 education. Do not slice it up and look at the
16 productivity or efficiency in a more narrow range
17 because you may throw out the baby with the bathwater.

18 And also do not accept the status quo as
19 what we want to create marginal improvements on
20 because that may be inconsistent with the kind of
21 paradigms that we are going to face in the future.

22 CHAIRMAN MILLER: One more and then -
23 yeah, thank you.

24 ARTHUR ROTHKOPF: I think it is quite
25 important, and I think the conversation has

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 demonstrated it, but I think it is very important that
2 we perhaps differentiate among the goals here. I
3 think we have got a lot of things we have talked
4 about. I mean, we want to have leadership in science
5 and engineering and I think that requires the kind of
6 research institution where the goals may be different
7 and the costs may be different.

8 On the other hand, we are talking as well
9 about perhaps more entry-level situations. And I
10 really think that as we talk about affordability there
11 are just vast differences here. And I do not think
12 that there is a single model and I think we have to be
13 somewhat more careful in differentiating as between
14 the two and maybe three or four models that are out
15 there. Because affordability, it gets complicated if
16 you are talking about affordability to a community
17 college which is providing critical needs for these
18 students that is a very different thing from talking
19 about going to one of our major research universities.

20 And I think we really have to look at different cost
21 models there because, I think they, in many ways are
22 very different.

23 And I think on the cost-side element,
24 there are things we have not talked about. But the
25 government is doing its share at driving up costs.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 There are some very significant Federal mandates and
2 state mandates that institutions have to deal with.
3 Unfortunately, at least my own experience has been,
4 that information technology whereas in the private
5 sector you get more productivity, my experience is
6 that you do not get more productivity in the education
7 institutions. It just simply adds costs; one on top
8 of the other and that has been a tremendous cost-
9 driver.

10 And, finally, I'll throw out probably an
11 unpopular view with the public at large.
12 Intercollegiate athletics, except for a handful of
13 institutions is one of the great money pits for
14 schools and I think it would be well for many
15 institutions to talk about deemphasizing
16 intercollegiate athletics even though it is a very
17 nice thing for people, for Michigan, and Penn State,
18 and Oklahoma, and Miami, but for those of us--

19 CHAIRMAN MILLER: I am not going to
20 recognize any more athletic discussion during this
21 commission's meeting.

22 ARTHUR ROTHKOPF: What I'm saying is, I
23 think it is a cost-driver that adds tremendous added
24 costs which --

25 CHAIRMAN MILLER: Well, it does. Let's

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 put that in the amenities department and say we are
2 not an amenities commission, but that is a cost-driver
3 that we will look at in a model of our education. But
4 that is an accurate statement. But, we could not deal
5 with that here and do anything in that nine months.
6 Then - here, one more --

7 RICHARD VEDDER: Yes, Chairman Miller,
8 this actually maybe is directed to Secretary Spellings
9 in a sense. And picking up on Jim Duderstadt's
10 comment that we need to think broadly and beyond the
11 current models and so forth, just let me read a real
12 quick quote from the new book by Jay Greene on
13 education myths. "The main barrier currently
14 preventing more minorities from entering college is
15 not money or race, but the shoddy K-12 education many
16 of them receive. Any attempt to address the problem
17 of minority enrollment in higher education that does
18 not focus on improved K-12 education will be
19 ineffective." Now I am not saying that quote is right
20 or wrong, but when we deal with the issue of
21 accessibility, obviously we cannot take on the world.
22 And you have a whole department dealing with K-12
23 issues. But, that is a concern and in the documents
24 that came out to us there was some mention of the
25 integration of K-12 in the college and how can we

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 integrate them better and so forth. I want to know,
2 is this really part of the mission of the commission?

3 CHAIRMAN MILLER: I want to say it is a
4 very limited part, although the high school
5 preparation and especially the fact that the
6 administration has put some strong proposals into the
7 public view and some of our major corporate leaders
8 have identified that as a major gap in preparation for
9 higher education, the articulation issue all the way
10 up and down the line from high school to what kids are
11 taught/learn, that is part of it.

12 But, I would hope, and I think it is very
13 important to say this, that we do not gravitate to
14 beginning to fix the K-12 system here. We are here to
15 look at the higher ed system. And if where it goes
16 back and we need that for the access we should do it.

17 Otherwise, I think we will be dragged into a full-
18 scale discussion and debate. There was a tendency of
19 that in a couple of meetings we had and I think we
20 just want to be cautious about it. The high school
21 part of it, I think is very pertinent, the community
22 colleges, and the articulation issues are a very
23 important part of accessibility. I think they need to
24 be there.

25 JAMES HUNT: Mr. Chairman may I suggest

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 this. I would hope that we would say something about
2 preparation. For example, I would hope that we would
3 see fit to endorse a twelfth-grade NAPE so that we
4 know where students are when they start this college.

5 If we are going to measure how well they are learning
6 in college. So, I just --

7 CHAIRMAN MILLER: I totally agree with
8 that. Alignment of what is taught in high school or
9 in community college with the whole system would be a
10 big part of it. We are not aligned in any state in
11 the country that I know of. Although, some are
12 beginning to do that. There is not a single place in
13 America where we line up what is necessary to get into
14 college or most colleges and what we are asking kids
15 to have when they graduate from high school. So it is
16 not there, I just want to be careful that we do not
17 get so far into that side. We are going to look at
18 that, we have to on accessibility and preparation.

19 We need to look at ourselves if we are
20 saying we are higher education. That is the point. I
21 mean, I think if we do not do that and start looking
22 at the other side it is going to be an excuse to not
23 look at the hard things we need to look at. That is
24 really what the problem would be. Because that is a
25 big set of issues being dealt with. What we do with

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 our colleges of education that would be appropriate,
2 that might be the kind of thing. But, I think where
3 the line is drawn needs to be - we need to be careful,
4 I believe.

5 LOUIS SULLIVAN: Yes, I would like to say
6 that certainly for low income individuals and
7 minorities, the whole issue of financing education is
8 very important. I certainly would agree with Mr.
9 Vedder's comments that K-12 of the educational system
10 has a lot of problems that minorities suffer from.

11 But, having led a medical school for some
12 twenty-five years, a minority school, that we are
13 concerned for having more diversity in the health
14 professions. One of the great challenges that has
15 existed and continues to exist is the financing of the
16 health profession's education.

17 We have done part of this experiment as a
18 nation. In the early 1970s, funding for health
19 profession's education was primarily Federal dollars.
20 The Secretary of Health Education and Welfare at that
21 time changed that and shifted to loans as a primary
22 funding mechanism for a health profession's education.

23 As a result of that today, our graduates
24 of health profession schools leave their medical,
25 dental, or other schools with debts of a hundred to

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 two hundred thousand dollars. That indebtedness does
2 shift the career choices of those individuals. We
3 also have seen the shift in the family income of those
4 who are entering health profession schools. They are
5 much more affluent today than they were thirty years
6 or forty years ago.

7 So, I just want to be sure that whatever
8 we recommend are policies that do not close out higher
9 education to individuals from low income and minority
10 backgrounds. We have a lot of problems here to
11 address, and clearly access to education has been key.

12 We have to be sure that that continues, that must
13 widen.

14 We have to look at this question not
15 simply from the standpoint of the individual, this is
16 a societal investment. We need to have a system that
17 welcomes and supports individuals because we, as a
18 society, will benefit from those individuals
19 contributing much more effectively to our society.
20 So, we have to look far beyond market forces as a
21 primary determination for our decisions here.

22 CHAIRMAN MILLER: Thank you. I think we
23 will cover, or we should cover that in that broad
24 accessibility issue. Every child, or every student
25 that does the work would be a simple way to say it, to

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 repeat the Secretary's words, could have access to
2 higher education, broadly defined, no matter what the
3 ability to pay. You were going to say something?

4 SECRETARY SPELLINGS: Mr. Chairman, I just
5 wanted to react to your comments about this
6 articulation question. I would hope that the group
7 would affirm the need to address issues in the
8 pipeline, maybe stipulate that, focus on the areas of
9 articulation between the two systems.

10 But one of the things that I am being
11 confronted with a lot is how is this work, the body of
12 work that God willing will come from you all,
13 different from things that have gone on in the past?

14 And I think there are two ways that it is
15 different. One, it is convened by me and the Federal
16 government with broad and active participation from
17 around the government with my friends at the
18 Department of Energy, Commerce, Defense, and other
19 places. And the forum makes it a little different.

20 The second thing I would hope is that many
21 of these other external products really have talked
22 more about the pipeline than about this need for
23 reflection within the higher education system or
24 system of systems as sometimes I call it. And so I
25 would hope that the vast majority of your work would

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 focus on that as well as the articulation piece and
2 maybe just stipulate some of the preparedness issues
3 that we are confronting. So, within the
4 administration already, and I think that Governors are
5 working hard all around the country.

6 CHAIRMAN MILLER: Thank you, that
7 clarifies and focuses that much better for us and I
8 think that we got that message. It is hard to stay
9 put and focus on that because we are also concerned
10 about the other parts of it. I think we are close to
11 breaking for lunch. One of our major goals that would
12 be a information session, the commission is allowed to
13 meet and talk separately but not to have a formal
14 legal meeting, followed by a series of more
15 administrative and legal sessions where we are going
16 to get briefed by counsel at the very end of our
17 program.

18 I have to thank everybody for
19 participating the way we did today. I think this is
20 exactly what we wanted. We learned the sense of some
21 of the people, it will help us organize. We heard
22 suggestions loud and clear, we have written them down.

23 When this session is over and you have
24 gone back to wherever you are headed back today or
25 tomorrow, it would be urgent for you to begin to give

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 us ideas about how to proceed.

2 Like Governor Hunt talked about some big
3 picture ideas, specific approaches. I see us breaking
4 down into task forces on those four items and they are
5 very broadly overlapped.

6 I see us having small sets of meetings or
7 meetings through telephonic or other methods and
8 beginning to talk to each other and that is perfectly
9 appropriate. Work product we can expand can be just
10 used among the commission members. And I think I see
11 us writing things fairly quickly that could be parts
12 of the report because as soon as we do that, we will
13 begin to shed some things and add some things. It is
14 an interactive process, I think, with this kind of
15 group. And at the beginning it may not seem as
16 organized as we could. I think the more organization
17 we put in there, the more boundaries we set for
18 ourselves, and the more limit we will have for ideas.

19 I want to personally say that I feel
20 strongly on this financial side that we have come to a
21 point in this country where local, state, and Federal
22 dollars are going to be limited because of other
23 needs, entitlements, budget pressures, tax
24 limitations, whatever that is. And global competition
25 is going to require what we need to do in higher

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 education and what we need to do for the good of the
2 county.

3 So, it is correct to say the private
4 sector puts a large amount of capital into this area,
5 and wouldn't it be appropriate to find a way, when we
6 talk about things we talk about, that the private
7 sector, if it is such a great investment for the
8 student and the community, could be brought into this
9 with more capital to invest. We do not have to tax
10 people or look for donations to fund higher education.

11 What we have that is just as competitive
12 internationally as higher education has been, what is
13 clearly the best thing in the world that we have,
14 competitively, is the capital markets. We do that
15 better than all the rest of the world put together.
16 So, what about the idea of matching those two things
17 where we find ways for the private sector to be
18 active, positive investors and not to take away the
19 independence or freedom of the academy, but certainly
20 to encourage that with policies and ideas.

21 Why should we try to do that? I would
22 like to leave that impression with you all and we will
23 see you after lunch in the official meeting. Thank
24 you very much. Stay on time.

25 (Whereupon, the above-referenced matter

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 went off the record at 12:11 p.m. and resumed at 1:36
2 p.m.)

3 CHAIRMAN MILLER: I would like to call the
4 meeting to order. Thank you. We have two more items
5 on the agenda. At the end of those two items I am
6 going to adjourn and ask the commissioners and invited
7 staff to stay for a legal briefing, which shouldn't
8 take too long.

9 Cheryl Oldham.

10 CHERYL OLDHAM: Okay, I will try and be
11 brief here, but I wanted to take a little bit of time
12 to introduce myself to those of you I have not met
13 yet. And then to introduce you to the staff of the
14 commission.

15 As Charles said, I am Cheryl Oldham. I
16 have been with the Department now for about three
17 years, prior to that the White House, and have known
18 Secretary Spellings for about ten years, which is part
19 of the reason why I am here. I told Dr.'s Duderstadt
20 and Vest the other day - yesterday, I guess, that I
21 took a day off with my two year old son and came back
22 the next day and found out this is my new job. So,
23 that's my lesson learned about taking the day off.

24 No, actually I am honored to have this
25 opportunity to be here with all of you all. And, a

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 little background on me, I graduated from TCU, Texas
2 Christian in Fort Worth. Got my law degree from St.
3 Mary's University, got involved in politics and came
4 to D.C. about ten years ago. So, the time flies.

5 There is a couple - I should say before I
6 start, there are a couple documents on your, at your
7 place now. One is the Secretary's speech that she
8 gave this morning and the other is the executive
9 summary of the report that Secretary Bodman
10 referenced, "The Gathering Storm," I probably do not
11 have the title right.

12 The report is quite large, Dr. Vest has
13 it. And so we will, I think we will get each of you
14 one of those, but just so you have the executive
15 summary. And her speech, I thought was important for
16 you to have written as she asked you all to look at
17 some very specific issues. So, maybe a little plane
18 ride information for you to read.

19 What I want to do, and be brief and
20 introduce the higher ed commission staff to you
21 because, hopefully, these folks you will call on all
22 the time. Vickie Schray. Vickie is sitting over there
23 by the wall there. Vickie has been an educator and
24 administrator at the secondary and post-secondary
25 level. She has led education improvement efforts at

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 the local, state, and national level, has worked on
2 numerous commissions involving private and public
3 sectors, and prior to the commission before we stole
4 her away, she was working for the Executive
5 Secretariat of the Department of Education in the
6 Office of the Secretary. So we are thrilled to have
7 Vickie be a part.

8 Eleanor Schiff. Eleanor was definitely a
9 steal that the Secretary allowed us to take her is
10 kind of a miracle. She has been the right hand to
11 Secretary Spellings for about four years now, so when
12 the Secretary agreed to let her go it was only under
13 the, sort of direction, that she be doing something
14 important. So, this is it. She is a graduate of
15 Carleton University pursuing her Masters in Business
16 at GW. As I said, spent four years with the Secretary
17 prior to that with some legislative experience at HHS
18 and with Senator Frist, she's from Tennessee, so she
19 is excited about our next meeting in Nashville.

20 Kristen Vetri is a graduate from James
21 Madison University in Virginia, worked for a delegate
22 there and has some extensive campaign experience with
23 both Governor Bush and President Bush and was formerly
24 the Deputy Chief of Staff at the Office of Post-
25 Secondary Education and so we thank Sally for giving

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 her to us.

2 Our mission from a staff perspective is
3 really just to make this as painless a process for
4 you, if possible. So, however we can be helpful and
5 useful to you, I hope that you will call on us. Feel
6 free to call me at any time for any thing. And if you
7 cannot get me, any of the staff are there to provide
8 support and to help in this effort.

9 We are here to serve you, you are experts,
10 we want to contribute in any way that we can to a
11 report that has a huge impact, but we recognize that
12 you guys are the ones that are the experts and we are
13 just going to make this, hopefully, an easy process
14 for you.

15 Just a couple little things about the
16 staff, actually, on sort of their duties. Vicky is,
17 as we speak, formulating a strategic plan, sort of how
18 do we get to August 1 from here, make sure we meet all
19 our major milestones, fulfill the commission's goals,
20 working with the experts and consultants, the many
21 that we will gather to help us with this and working
22 on some budget things for us.

23 And Eleanor is going to be the one that
24 looks and reviews and compiles all of these great
25 works that are already out there and what we can use

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 and the relevant research publications that we will
2 use to sort of make a start at our report here.

3 And then also work a lot, we have
4 obviously numerous, numerous external organizations
5 that are very interested in be a part of this and
6 helping in some way or another and I think it is
7 important to at least figure how out we can utilize
8 all of those folks. So, Eleanor will help with that.

9 And Kristen is sort of, as you all know
10 have received lots of communication and contact with
11 Kristen and probably will continue to do so. And she
12 is also going to liaison with our office of
13 communications and outreach at the Department of
14 Education so that when it comes to press things, if
15 you have got inquiries, you want to do press, we
16 certainly do not want any of you - we want everybody -
17 I mean, you all are more than welcome to talk to the
18 press at any time. It would be helpful for us to know
19 what is going on and we can help coordinate that. And
20 Kristen will be the person to help do that.

21 So, that is a little bit. There are a
22 couple of things in your briefing books that I wanted
23 to just - sure.

24 CHAIRMAN MILLER: Excuse me; let me add to
25 that just real quickly, is Townsend still in the room?

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 Townsend? You met Townsend McNitt earlier; she is
2 the liaison to the Secretary and a Senior Consultant
3 to the Department. She and Sally Stroup who you see
4 sitting at the table - well, she just walked in. What
5 a grand entrance. And Townsend and Sally and Cheryl
6 make up the Senior Staff of Advisors to the commission
7 in a variety of different aspects and I encourage you
8 to use any and all of them. Work with Cheryl when you
9 can, from an organizational standpoint, but you will
10 find that they are going to have different views and
11 different sets of information and they are all anxious
12 to help any way they can. And Samara works in the
13 press office that helps us make the press contacts and
14 if you need some help in any of those areas, contact
15 any of the people we have talked about.

16 It will be a team effort; most everybody
17 will be informed about what is happening. If you need
18 advice and cannot find somebody, find the other one.
19 And we will help in any way we can. We will have to
20 develop some good communication systems with each
21 other and I look for some advice about how to do that.

22 ROBERT ZEMSKY: Charles, I'm wondering. I
23 don't carry more luggage than I need to, is there a
24 way to get these in PDF?

25 CHERYL OLDHAM: Absolutely, Yep.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 ROBERT ZEMSKY: I don't know about others
2 but whatever you can send me electronically. I won't
3 carry this with me.

4 CHERYL OLDHAM: Absolutely, and you know
5 what, you should not. Some of this information you
6 might want to keep in hard copy. Some of it maybe you
7 do not want and you can chunk it. Probably every
8 meeting you are going to have a briefing book, and
9 especially for the meetings coming up there will be
10 presentations, there will be things that you will need
11 to have in hard copy for you to look at and see while
12 you are having a discussion. But, yeah, I mean, this
13 is not something you need to carry from meeting to
14 meeting and we will get everything in here that we
15 think is useful to you in email form.

16 And one of the things that I encourage you
17 - there is a commission roster and contact information
18 in here, and we have done the best using the
19 information that you gave us to accurately reflect all
20 of your contact information, your assistant's
21 information. But I just encourage you to go over it
22 with a fine-toothed comb and make sure that we have it
23 all correct. And if not, please let us know because
24 that is, obviously, most important that we know how to
25 get in touch with one another.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 Just a little kind of, just a couple more
2 housekeeping things. We have set up a commission
3 website at The Department of Education website and
4 there is a little sheet in your briefing book that
5 shows you how to get there. The other thing that we
6 are talking about and would like to do is set up
7 access to a password protected piece of the website
8 just for commission and staff. Sort of pre-decisional
9 deliberative nothing, some way that we can share
10 information, post information, share information that
11 way. So that is forthcoming. And any information,
12 any suggestions that you all have as to how that can
13 be useful to so that we set it up properly and that it
14 is effective. Yes?

15 RICHARD STEPHENS: Where might we find
16 that website location?

17 CHERYL OLDHAM: The private one is not set
18 up. Oh, that is in Executive Director update, 3. Yes.
19 It should be the web, there it is. ED.GOV, yes. And
20 really, for the public, it is their way to comment.
21 There is access there to go in and make their public
22 comments by email to us. What we plan to do is
23 compile all those public comments and get them to you
24 all so you know what folks are saying. And, then also
25 the, we have had a court reporter here, obviously that

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 is taking down everything that is said. We will post
2 the transcript. So it will be nice easy folks to
3 review and look back and see what was said.

4 GERRI ELLIOTT: I just wanted to note for
5 any recommendations since Nick and I are the two
6 technologists on the commission, that the two of us
7 figure out what that part ought to be for us and just
8 get it done for us.

9 CHERYL OLDHAM: I would love that.

10 CHAIRMAN MILLER: Just get the legal
11 counsel to tell us how to --

12 GERRI ELLIOTT: We'll do it together, it
13 will be fine.

14 CHERYL OLDHAM: Yes, thank you, thank you.

15 Next meetings we have got Nashville set for December
16 8th and 9th. I apologize for the change in the location,
17 we sort of ran into some issues in Atlanta that we did
18 not anticipate. It being a big city we thought we
19 could do a meeting there, and lo and behold they are
20 booked. So we wanted to stay in the same region of
21 the country, so therefore, we decided to go with
22 Nashville so I apologize for any problems that that
23 may have caused for you. We do not have locations set
24 for the rest of the meetings, but we plan to get that,
25 we know that is important for everybody to know where

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 they are going and what they are doing.

2 CHAIRMAN MILLER: Central U.S. or Midwest,
3 we would say, probably Southern California, and one
4 toward the Rockies would be what we are thinking
5 about. Not necessarily in big cities, but reasonably
6 accessible. We talked about not having them on
7 college campuses because of all the people we would
8 have to say no to, but we are open if you have any
9 ideas about location. We always are interested in the
10 cost, but also convenience and flexibility for the
11 public to participate and not the other way around.

12 ARTHUR ROTHKOPF: Cheryl, a question, I
13 noticed I have an impression that we are supposed to
14 make our travel arrangements through the government.
15 It is not okay to, this is logistical, just make our
16 own travel arrangements and --

17 CHAIRMAN MILLER: Especially if you would
18 pay for it, I mean that would be --

19 ARTHUR ROTHKOPF: Well --

20 CHAIRMAN MILLER: We could do that.

21 CHERYL OLDHAM: If you are going to pay
22 for it yourself, you are more than happy to. The
23 problem is that the government gets government rates
24 and all of that and so we have to make them for you in
25 order to pay for them. I think there is the ability

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 for you to make your arrangements but we would only
2 reimburse you for the cost of a government rate from A
3 to B. So if you made a reservation that cost you
4 \$800, we could get it for \$300 that is what we pay you
5 for.

6 JAMES HUNT: But may we send you our
7 suggestions about when we will travel?

8 CHERYL OLDHAM: Yes. Tracy Harris, who
9 your assistant has been working with, Tracy is
10 actually not officially part of the commission staff,
11 but we work very closely with her. She is in the
12 office of communications and outreach for the
13 Department of Education and she is handling all travel
14 and logistical arrangements and she will deal with you
15 directly or your assistants, however you prefer. And
16 if you have suggested ways you like to travel, out of
17 what airports, that kind of stuff, she will work with
18 you.

19 ROBERT ZEMSKY: Could you go over the rule
20 - this business of - I talked to Eleanor about it last
21 night. It is really hard when you buy the tickets and
22 send me a paper ticket and we worry about all the cost
23 of Fed Ex that if I have to change. Could you set it
24 up so that we just had, we were told what we would be
25 reimbursed and let, at least those of us who would

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 like to, do it. Because I run a really complex one, I
2 am changing it all the time, and to have in the middle
3 of the trip a non-changeable ticket that I am not
4 responsible for is very awkward for me.

5 CHERYL OLDHAM: Okay. Let me work on that
6 for you. I will do that.

7 ROBERT ZEMSKY: I appreciate that.

8 ARTHUR ROTHKOPF: I second that; I think
9 that anything that gives us more flexibility is great.

10 CHERYL OLDHAM: Okay.

11 SARA MARTINEZ TUCKER: Particularly most
12 of us will do, we won't just do a round trip, and we
13 will work it into a swing. And when the middle of a
14 swing is not negotiable it makes it really tough. So
15 if you could just let us know what is the
16 reimbursable, we will make our own.

17 CHAIRMAN MILLER: We will make any of it
18 work that you need as long as it is legal.

19 ROBERT ZEMSKY: As we say in the markets,
20 Charles, as long as it is revenue neutral it ought to
21 be all right.

22 CHERYL OLDHAM: Right. That is all I
23 really have to say unless you all have additional
24 questions for me, we can move on.

25 CHAIRMAN MILLER: You get a bonus because

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 you finished ahead of time.

2 CHERYL OLDHAM: Yes, that's on my - I'm
3 going to introduce Gloria Mounts. She is the
4 committee management officer for the Department of
5 Education and she is our resident expert on all things
6 Federal Advisory Committee Act, which is what we are,
7 so, I will turn it over to Gloria.

8 GLORIA MOUNTS: Hello and welcome to the
9 Department, I know you have been welcomed a lot today.
10 Can everybody hear me or am I supposed to push? All
11 right, push? Okay, AV? It worked for the Secretary,
12 I bet.

13 CHERYL OLDHAM: I think it is on, Gloria.

14 GLORIA MOUNTS: Okay. This mic? Use it?
15 Oh this one is on already? Can everyone hear me? Oh,
16 okay. I am Gloria Mounts, the U.S. Department of
17 Education Committee Management Officer. I work in
18 Cheryl's office, recently moved there from the Office
19 of Communications. It is my responsibility at the
20 Department to help establish these advisory committees
21 and manage and oversee the ones that we have in the
22 department. We have about twelve Federal Advisory
23 Committees now that are functioning in the Department
24 of Education.

25 In your brochures you will have a little

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 overview. This is a little fantastic overview that
2 our General Services Administration puts out that
3 actually describes exactly what Federal Advisory
4 Committees are, what the responsibilities of each
5 Federal Agency is. I am just going to kind of go over
6 and highlight some of the issues that are in this
7 little brochure. But if you have any questions at
8 all, after I give my little briefing, just ask them
9 now or my name and telephone number and email are
10 included in a small two page, I think it is two or
11 three page, brief that I have prepared for you. Which
12 I can also email to each of you once we get the emails
13 all set up.

14 FACA was enacted by Congress in 1972 to
15 put in place a process for advisory committees to be
16 established, managed, and maintained. Congress saw
17 the way that, a way that the government could go out
18 and seek advice from public citizens and wanted to put
19 it in some kind of public law so that there would be
20 some type of process and procedures that would be
21 written down.

22 The President in 1977, I believe it was,
23 put the responsibility of the oversight of all Federal
24 Advisory Committees under the General Services
25 Administration. That is why you see GSA's name is on

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 our little overview pamphlet here.

2 GSA has a management secretariat office
3 that maintains the accomplishments and a list of every
4 Federal Advisory Committee that is operating currently
5 for all the Federal Agencies in the Department. In
6 the paperwork there is a website at GSA that you can
7 go to if you are interested. It has information on
8 FACA, the Federal Advisory Committee Act itself; it
9 has a copy of the public law.

10 It has a copy of the Sunshine Act, which
11 mandates our open and public meetings. The Sunshine
12 Act is also there on the GSA website. And also GSA
13 publishes a Federal Advisory Committee management
14 rule, which actually just sets in place our process,
15 and procedures that we have to obey under, from under
16 the law. So, GSA has set these guidelines in place
17 and it is all available on their website.

18 I had mentioned the three sources of
19 reference material, the Federal Advisory Committee Act
20 itself, is on the GSA website, the management rule is
21 on the website, and so is the government and the
22 Sunshine Act.

23 Briefly our committee management
24 requirements for the Department of Education are: The
25 Department has to appoint, under the law, a committee

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 management officer, which is myself, who as I have
2 said is responsible for the establishment and the
3 overseeing and the operating procedures for all of our
4 committees. The Department of Education writes a
5 charter, your charter was filed on October 14, which
6 means that you may legally conduct business now.
7 There should be a copy, I believe, of your charter in
8 your charter in your briefing books. That is kind of
9 your, it gives you information on your establishment,
10 your membership, your authority, your termination,
11 your reporting responsibilities and requirements, and
12 things of that nature.

13 No Federal Advisory Committee can meet
14 without a charter. Charters are, they have a lifetime
15 of two years. GSA requires a two-year renewal of all
16 Federal Advisory Committee charters. I believe your
17 committee, you are considered an ad hoc committee, and
18 you have a report that is due within that limited
19 time. So we do not expect that this commission will
20 be re-chartered, but if the Secretary has more work
21 for this commission we have that availability to
22 continue this commission by renewal of the charter.

23 The Department also appoints a Federal -
24 it is called a Designated Federal Official, which
25 Cheryl is acting in that capacity now. The Secretary

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 has named her the Executive Director of this
2 commission. She will be the liaison person between
3 the commission and the Department. Anything that you
4 will need she will be able to take care of for you.

5 The DFO or the Designated Federal Official
6 must be present at all your meetings. She has the
7 authority to, over the Chair, to adjourn a meeting if
8 something that she feels the meeting would get out of
9 hand, she has that authority under her mandate by the
10 Federal Advisory Committee Act, so she has the
11 authority to adjourn meetings, she works with the
12 chairperson on the agenda and takes care of all the
13 logistics of the meeting and the requirements of the
14 Federal Advisory Committee Act. She can call the
15 meetings if the Chair cannot be at the meeting. She
16 can also represent the Chair at the meeting.

17 The commission is required by the law to
18 notify the public at least fifteen days in advance by
19 publishing a Federal Register Notice in the Federal
20 Register. Other means of notifying the public of your
21 meetings is encouraged such as the website that we are
22 currently preparing, your meetings will be posted on
23 the website for the general public to know when you
24 are meeting, when you are meeting, and probably a copy
25 of your transcripts will be available for the public

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 to view on this website.

2 The commission must have a quorum of eight
3 commissioners to meet. If you do not have eight
4 commissioners you cannot officially have what we
5 consider a Federal Advisory Committee Meeting. Less
6 can hold hearings and administrative type work if you
7 divide into subcommittees, those subcommittees can
8 meet but they must report their findings and
9 everything through the main commission at a regularly
10 scheduled FACA meeting.

11 Commission meetings are always open to the
12 public unless they are closed or partially closed in
13 accordance to the exemptions in the Sunshine Act.
14 Those basically are, if you are discussing nature's,
15 let's say that there are three exemptions, let me see,
16 I always - okay, those include deliberations involving
17 considerations of personnel privacy and discussing, of
18 course, any classified information that might not be
19 available to the public, and if you are working on any
20 data that is in support of a Federal Grant
21 application.

22 So, basically I think most of your
23 meetings probably will be held in open sessions. And
24 if you decide or you come to a conclusion that you
25 need to close a meeting for some reason, those

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 requests come through our office of general counsel so
2 that they can be, they can concur on the fact that you
3 need to close this meeting in accordance to the
4 exemptions in the Sunshine Act.

5 Minutes must be taken of all the meetings.

6 These minutes include a record of all the persons
7 present, an accurate description of the matters
8 discussed at the meeting, including positions taken by
9 individuals. Especially with respect to controversial
10 issues. Copies of any papers that are presented at
11 this meeting must be in the public domain. And
12 anything that the commission, any recommendations that
13 you may make or that you have voted on must be written
14 into these meetings.

15 These minutes must be signed by the Chair
16 within ninety days of your, of that initial meeting.
17 He needs to verify these meetings and certify them.
18 Each year the Committee Management Officer, myself,
19 and the DFO issue an Annual Comprehensive Review of
20 your accomplishments here. It is done through a
21 database that is electronically established at the
22 General Services Administration so you will, all your
23 names will be listed under the membership.

24 Your accomplishments will be noted, the
25 number of meetings that you held, whether they were

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 open, closed, information on the budget will be
2 available to the public through this FACA database
3 that GSA has and the GSA website, if you wanted to
4 view any of those reports, you just go to gsa.gov and
5 hit search for Committee Management and you can pull
6 up the FACA database and you can see an example of
7 what those accomplishments look like.

8 You will not really be involved in any of
9 that type of reporting. That will be handled by
10 Cheryl and myself. But, if you are interested and
11 want to see what anything looks like you are welcome
12 to go there.

13 The commission may be away from Washington
14 with the advanced approval of the Secretary. The
15 reason that is stipulated in the FACA requirements is
16 that because all of the meetings are normally held
17 here in Washington. Some special committees need to
18 meet throughout the United States but we just have to
19 justify those meetings and get the Secretary to sign
20 off on those. That is an administrative chore which
21 Cheryl and I will work together on so that next
22 meeting we will be doing a memo requesting the
23 Secretary's approval.

24 Special provisions for this commission,
25 you members are serving as representatives that will

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 be discussed later in your ethics briefing on what
2 role you play as a representative. It is different
3 than a special government employee, which a lot of my
4 Federal Advisory Committee members are. I think some
5 of you here, there is a couple of you I recognize the
6 names so you probably, might be serving in a different
7 type role here.

8 You will serve for the life of this
9 commission. This commission has a report and written
10 recommendations and comments due by August 1, 2006 and
11 according to your charter you will conduct at least
12 three meetings in different parts of the country.
13 This commission shall terminate thirty days after
14 submitting its report, or unless the Secretary chooses
15 to renew the charter and add specific, if something
16 you need to work on after your recommendations.

17 My name is on the back on that last page,
18 like I said. My telephone number here at the
19 department is area code (202) 401-3677 and if you have
20 any questions regarding FACA or anything else I can
21 help you with please don't hesitate to call me. I
22 would be happy to answer any questions at this point,
23 if anyone has any.

24 CHAIRMAN MILLER: Thank you. Questions?

25 ARTHUR ROTHKOPF: Maybe just one question.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 What are the rules as to the openness or requirement
2 for public publicity where individual's members or a
3 smaller group than the entire commission may be
4 meeting? Is there some cut off point where there is
5 no requirement of public release?

6 GLORIA MOUNTS: As long as two or three
7 people are meeting, say, to prepare for a larger
8 meeting. Say you needed to do some background or
9 research or come together to put together a report
10 that you want to submit to the commission. Or, say
11 you have a meeting come up in Nashville and you need
12 to do some preliminary work to get ready for that
13 meeting. That is okay. They discourage any kind of
14 business going on between two or three members
15 discussing business. There is a fine line, and I am
16 sure our ethics office can probably explain this a
17 little bit better, but there is a fine line where you
18 cannot just sit around and discuss the business of the
19 commission. And it is a very hard line to almost try
20 to communicate.

21 CHAIRMAN MILLER: I think we will know
22 more about that after our ethics briefing this
23 afternoon, but thank you for asking, that's critical
24 to our ability to function, so we will try to refine
25 that.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 GLORIA MOUNT: But any time you are just
2 exchanging information or gathering information or
3 exchanging information with a Federal Official that
4 can be done without invoking FACAs.

5 CHAIRMAN MILLER: Any other questions?
6 Thank you. That brings us to the concluding part of
7 our meeting. This is a good time if somebody has
8 other operational or organizational questions. How we
9 are going to operate or things to bring up now, or we
10 can do that as I ask in the next few days or over the
11 next week. And when we finish this part of the
12 discussion we are going to adjourn. I will adjourn
13 the meeting and I will ask everybody in the room
14 except the Commission and the staff to leave and we
15 will have an ethics briefing at that time. Any
16 comments about how to go forward, suggestions?

17 RICHARD STEPHENS: Charles I do not have a
18 question on the operational side, nor relative to
19 FACAs, but I do have an observation and I do not know
20 how we are going to handle it from a commission
21 standpoint, but certainly we are going to spend a
22 considerable time looking at the items that are
23 outlined and we talked about earlier.

24 My sense is one of the areas, and a few
25 people hit around a little bit, that relate to our

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 work is in fact about what is going on from a social
2 fabric from America that is impacting education on all
3 levels. It is the motivation, the attitudes, and all
4 the elements that impact people's perspectives,
5 therefore their attitudes and therefore their
6 behavior.

7 We have not had any discussion and I just
8 want to plant the seed that we can create the lake
9 that we want people to come drink the water from, but
10 unless they are ready to go drink we may not be
11 successful in our deliberations. And I just wanted to
12 put that on the table as, I think, an important part
13 of the discussion of this commission.

14 ROBERT ZEMSKY: A different kind of
15 question. To make sure that we actually have some
16 common data, just a suggestion as Governor Hunt
17 brought it up, so I presume he can commit to the
18 center that he is Chair of. But there is a pretty
19 good briefing book out of Pat's Center that I think
20 could and should be made available to all of us and it
21 ought to include state-by-state data, because if you
22 know this game, there is a whole lot of difference
23 between any two states that you want to mention.

24 And so we have to be careful that we look
25 at the variance. It is not just the report card

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 itself, there is actually a fact book, I think they
2 call it. And, again, if it was made available as PDF
3 format rather than hard copy, it would be very helpful
4 and we could have ready access to it. But, at least
5 provide one common place to start the number
6 discussion.

7 CHAIRMAN MILLER: Thank you. We have
8 identified that and Pat Callan has a very important
9 source for the commission, about half a dozen people
10 like that. We have a very strong National reputation
11 who have data, who have published recent reports, and
12 we are going to try to refine those things in the
13 sense of not overwhelming you with that, but make some
14 judgment about passing that on to you. That is a good
15 example of it.

16 And I expect you all to have the same
17 ability, so we have to remember when we pass that
18 through each other's hands that we do not want to
19 overwhelm each other either. But, we should get
20 common data and we will have to be discerning about
21 which gets in which hands. One of the ways to do that
22 is if we subdivide the group a little more, which is
23 what I would like to start to do. But I would say
24 uniformly everybody would get some minimum amount of
25 data through this process.

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 And like I said I have found, depending on
2 how you would count it, six to eight people who could
3 be consultants to the commission a number of whom
4 would not necessarily be paid directly but who would
5 serve in a relative formal capacity who would expect
6 to bring to the meetings to brief us or to meet with a
7 smaller group in whatever legal capacity we could do
8 on those topics.

9 JAMES HUNT: Charles, if I may say this,
10 Arturo Madrid and I both serve on the Board of the
11 National Center on Public Policy in Higher Education
12 and we do have a lot of what I think is very good
13 data, much of it over ten years, on accessibility,
14 affordability, accountability, and preparation of
15 course. And I would think this would be one of the
16 important things that we would work from and we want
17 all of you to have it.

18 CHAIRMAN MILLER: I agree. It was
19 incomplete on student learning, but they are moving
20 forward on that. The last report that came out last
21 week had some movement on that, too. So they have
22 done some remarkably good state policy work. And we
23 have found some good institutional accountability
24 work. We have an A Team on this commission for
25 accessibility, part of it for accountability, for

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

(202) 234-4433

www.nealrgross.com

1 affordability. So the commission itself has a lot of
2 that knowledge. We want to identify the kind of
3 consultants that could benefit us in our
4 deliberations. So, more advice on that still would be
5 helpful.

6 ROBERT ZEMSKY: But, Charles, just so that
7 at least what I asked for was clear, I am not, I make
8 a distinction between the report card and the fact
9 book.

10 CHAIRMAN MILLER: Full database, I heard
11 you.

12 ROBERT ZEMSKY: Okay, so that it is the
13 reports are interesting, I think they always carry the
14 interpretive cast, as they should. But I have worked
15 with Pat's data, and it is just good, he just
16 collected it, he was very, very assiduous in
17 collecting it and it would be really helpful to us,
18 basic database.

19 CHAIRMAN MILLER: Got it.

20 RICHARD VEDDER: Charles, I assume if, for
21 example, the new Digest of Educational Statistics is
22 out 2004 and if I see something, say in Table 327 or
23 something and it looks particularly provocative or
24 something I can let Cheryl or someone know and then a
25 judgment call will be made whether to pass that on to

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 the full commission or is that something we should
2 just pass on ourselves?

3 CHAIRMAN MILLER: I would rather you send
4 it and editorialize it. But you could do it through
5 Cheryl to organize it and anything you could add in an
6 editorial comment would be helpful. I think we should
7 --

8 RICHARD VEDDER: So we could do this on
9 our directly with all the commissioners.

10 CHAIRMAN MILLER: It is up to you. I
11 think that process can work and -

12 RICHARD VEDDER: Either way.

13 CHAIRMAN MILLER: If it gets to be a log
14 jam or if it would help the information flow then we
15 will just have to adjust, but I recommend that to
16 begin with.

17 CHERYL OLDHAM: And if you will include me
18 on anything that you send it would be good just so we
19 know.

20 CHAIRMAN MILLER: Oh, copy the staff,
21 yeah. Well, thank you, I would like to ask you to
22 stay seated for a moment so we can be briefed on the
23 ethics side. I would like to ask everyone but the
24 staff from the Department to clear the room
25 immediately and the meeting, therefore, now stands

NEAL R. GROSS

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

1 adjourned.

2 (Whereupon, the above-entitled matter was
3 concluded at 2:13 p.m.)

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22