"THE NEW NORMAL: DOING MORE WITH LESS"
Remarks of U.S. Secretary of Education Arne Duncan
at the American Enterprise Institute panel,
"Bang for the Buck in Schooling"
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I am here to talk today about what has been called the New Normal. For the next several years, preschool, K-12, and postsecondary educators are likely to face the challenge of doing more with less.

My message is that this challenge can, and should be, embraced as an opportunity to make dramatic improvements. I believe enormous opportunities for improving the productivity of our education system lie ahead if we are smart, innovative, and courageous in rethinking the status quo.

It's time to stop treating the problem of educational productivity as a grinding, eat-your-broccoli exercise. It's time to start treating it as an opportunity for innovation and accelerating progress.

The outlines of the New Normal are easy to sketch. The federal government historically provides only about eight percent of all K-12 revenues. By contrast, states provide close to half of all public school revenues. With few exceptions, state budgets have yet to recover from the Great Recession.

Thirteen states project they will drain their rainy day reserve funds this year. Forty states reduced their general fund expenditures in fiscal 2010. And most states do not expect revenues to return to their pre-recession peak until 2012 or 2013--at the earliest.

K-12 funding in the United States also depends heavily on local funding, which accounts for about 44 percent of K-12 revenues nationwide, with most of it coming from local property taxes. Lower property valuations, caused by the housing crash, are likely to persist for the next two to three years--and possibly longer.

During the worst recession since the Great Depression, the federal government provided a large one-shot injection of education funding to state and local governments in the Recovery Act. Last year's stimulus funding saved the jobs of more than 325,000 educators--and this year's education jobs bill is saving tens of thousands more. The last thing our country needed was hundreds of thousands of teachers on the unemployment line, rather than in the classroom.

The abrupt loss of those jobs would have been absolutely devastating for children and the nation's economic recovery. But the stimulus funding will run out--and states and districts are facing a funding cliff as those dollars disappear.

This New Normal is a reality. And it is a reality that everyone seeking to improve education must grapple with. Yet, there are productive and unproductive ways to meet this challenge of doing more with less.

The wrong way to increase productivity in an era of tight budgets is to cut back in a manner that damages school quality and hurts children.

I'm talking about steps like reducing the number of days in the school year, slashing instructional time spent on task, eliminating the arts and foreign languages, abandoning promising reforms, and laying off talented, young teachers.

Unfortunately, that pattern of cutbacks has prevailed too often in the past. As Rick Hess says in his book Stretching the School Dollar, "when it does come time to trim, districts often make cuts that are more

harmful than helpful . . . they gut music instruction rather than close down under-enrolled schools." The National Association of School Boards reports that less than 10 percent of districts closed or consolidated schools last year.

A different strategy for increasing productivity is to improve efficiency by taking steps like deferring maintenance and construction projects, cutting bus routes, lowering the costs of textbooks and health care, improving energy use and efficiency in school buildings, and reducing central office personnel.

Many districts, including Chicago, have pursued such cost efficiencies for years. The strategy is to pare back less-than-essential costs, while minimizing the impact of cuts on schoolchildren. In 2006, when I was CEO of the Chicago Public Schools, we faced a projected deficit of over $300 million. The district adopted a series of cost-cutting measures to minimize the impact of our cuts in the classroom, including reducing the central office budget by 12 percent--which kept 350 teachers in the classroom.

These types of district-level cost efficiencies are absolutely essential. But they can best be described as necessary but nowhere near sufficient.

By far, the best strategy for boosting productivity is to leverage transformational change in the educational system to improve outcomes for children. To do so, requires a fundamental rethinking of the structure and delivery of education in the United States.

My hope is that New Normal will encourage educators, principals, unions, district leaders, state chiefs, parents, lawmakers, and governors to explore productive alternatives to old ways of doing things. Challenging the status quo will take courage. It will take commitment. And it will take collaboration.

Broadly speaking, there are two large buckets of opportunity for doing more with less. The first is reducing waste throughout the education system.

Almost every executive I have spoken with about improving productivity begins the conversation by talking about eliminating waste. We can and should do more to cut costs and increase the bottom line in our schools. And the truth is that our education system has to get out of the catch-up business. We have to do a much better job of reducing dropout rates and boosting college and career readiness.

We spend several billion dollars a year on remedial education, re-teaching college students skills they should have learned in high school. Millions of children each year are not ready to start kindergarten, or they drop out of high school, costing untold billions of dollars in public investment.

The second bucket of opportunities is doing more of what works--and less of what doesn't. That is a simple sounding idea. Yet, as experience shows, that simple mantra is often not followed.

So, what do I mean when I talk about transformational productivity reforms that can also boost student outcomes? Our K-12 system largely still adheres to the century-old, industrial-age factory model of education. A century ago, maybe it made sense to adopt seat-time requirements for graduation and pay teachers based on their educational credentials and seniority. Educators were right to fear the large class sizes that prevailed in many schools.

But the factory model of education is the wrong model for the 21st century. Today, our schools must prepare all students for college and careers--and do far more to personalize instruction and employ the smart use of technology. Teachers cannot be interchangeable widgets. Yet the legacy of the factory model of schooling is that tens of billions of dollars are tied up in unproductive use of time and

technology, in underused school buildings, in antiquated compensation systems, and in inefficient school finance systems.

Rethinking policies around seat-time requirements, class size, compensating teachers based on their educational credentials, the use of technology in the classroom, inequitable school financing, the over placement of students in special education--almost all of these potentially transformative productivity gains are primarily state and local issues that have to be grappled with.

These are tough issues. Rethinking the status quo, by definition, can be unsettling. But I know that these discussions will be taking place in the coming year in schools, in districts, in union headquarters, in statehouses, and the governor's mansion. The alternative is to simply end up doing less with less. That is fundamentally unacceptable.

I have said that a quiet revolution is underway in America today in education. And this is very much a revolution that has been driven by leaders at the state and local level.

I am heartened by this change--and the shared sense of urgency driving education reform nationwide. I believe that dramatically improving educational productivity may be the next challenge for that quiet revolution.

Now, rethinking the factory model of education shouldn't be an invitation to indiscriminate change and cost-cutting. Federal, state, and local officials have to be smart about boosting educational productivity.

Educators have to look at the evidence of what works to accelerate student learning--and stop doing what doesn't work. They cannot pursue the traditional model of reform, which Professor Michael Kirst has called "reform by addition."

Technology is a good example. Technology can play a huge role in increasing educational productivity, but not just as an add-on or for a high-tech reproduction of current practice. Again, we need to change the underlying processes to leverage the capabilities of technology. The military calls it a force multiplier. Better use of online learning, virtual schools, and other smart uses of technology is not so much about replacing educational roles as it is about giving each person the tools they need to be more successful--reducing wasted time, energy, and money.

Let me throw out a few other examples to provide a sense of the potential opportunities here. Forty to 50 percent of all district expenses go to teacher compensation.

Doing more with less will likely require reshaping teacher compensation to do more to develop, support, and reward excellence and effectiveness, and less to pay people based on paper credentials.

Districts currently pay about $8 billion each year to teachers because they have masters' degrees, even though there is little evidence teachers with masters degrees improve student achievement more than other teachers--with the possible exception of teachers who earn masters in math and science.

Or consider the debate around reducing class size. Up through third grade, research shows a small class size of 13 to 17 students can boost achievement. Parents, like myself, understandably like smaller classes. We would like to have small classes for everyone--and it is good news that the size of classes in the U.S. has steadily shrunk for decades. But in secondary schools, districts may be able to save money without hurting students, while allowing modest but smartly targeted increases in class size.

In our blueprint for reauthorizing the Elementary and Secondary Education Act, we support shifting away from class-sized based reduction that is not evidence-based. It might be that districts would vary class sizes by the subject matter or the skill of the teacher, or that part-time staff could be leveraged to lower class size during critical reading blocks.

I anticipate that a number of districts may be asked next year to weigh targeted class size increases against the loss of music, arts, and after-school programming. Those tough choices are local decisions. But it important that districts maintain a diverse and rich curriculum--and that they preserve the opportunities that make school exciting, fun, and engage young people in coming to school every day.

Many high-performing education systems, especially in Asia, have substantially larger classes than the United States. According to OECD data, secondary school classes in South Korea average about 36 students. In Japan, it's 33 students per class. In the U.S., it's 25 students per class. In fact, teachers in Asia sometimes request larger class sizes because they think a broad distribution of students and skill levels can accelerate learning.

We have to learn from high-performing school systems in other nations, including how to elevate the teaching profession and better support our neediest schools.

The United States currently spends more per student than almost any nation in the world on education. Yet we are only one of three OECD nations--along with Turkey and Israel--that do not devote at least as much resources or more resources to schools with the greatest socioeconomic challenges. We must question our priorities and strategies if we are serious about closing achievement gaps.

I want to be clear. I am not recommending a specific course of action today to any state or district. I am urging state and districts start to think more boldly about ways to improve educational productivity.

Now, while doing more with less is primarily a state and local challenge, the federal government has a role here, too. We have a responsibility to cut red tape that diverts dollars from improving student outcomes and to focus our resources on those areas with the greatest potential impact.

The Recovery Act programs helped states and districts to undertake more reform than has taken place in the last decade.

Race to the Top has incentivized states and districts to put in place teacher evaluation systems that will ensure human capital dollars are better spent. States and districts need complete information about where their best teachers are, about retaining, rewarding, and learning from their best teachers, and to ensure that high-need schools get the great teachers and principals they need.

The i3 fund ensures our federal dollars are being used to identify and scale-up innovative and effective practices that improve outcomes for students. The simple principle that drove our i3 grants of a little money for things with a little evidence, and a lot of money for things with a lot of evidence, will hopefully help reshape education spending for years to come. For the first time in a competitive grant program at the Department, unit cost was among the selection criteria in the i3 competition.

It is important to remember that boosting productivity can cost money. In some cases, government may have to spend more now to get better returns on our current investments in the future. We should not be penny wise to be pound foolish. Race to the Top and i3 are good examples of programs that are important to continue in FY 2011 and beyond.

It's also important to underscore that having a common and higher definition of success is essential to measuring the effectiveness of educational spending. That is why the amazing strides made in the last 18 months toward true college and career-ready standards and more accurate graduation rates are game-changers.

Now it is true that layering new programs on top of existing ones has been the norm in education. We've worked hard to get away from that layering mentality at the Department. We are trying to walk the walk and lead by example.

Our ESEA reauthorization proposal consolidates 38 programs into 11 new funding streams--so we can focus on achieving fewer, larger goals, better--and it reduces red tape for people at the state and local level. Congress accepted the administration's proposal to eliminate four programs in fiscal 2010. And in fiscal 2011 we proposed eliminating six more programs.

There are many examples, too many to name here, of districts and schools that are actively pursuing transformational productivity improvements, from Florida's Virtual School and improved response-to-intervention strategies in special education to the Hewlett Foundation's Open Learning Initiative, especially their work with Carnegie Mellon.

At the Department, we have developed a productivity priority that can be applied to a number of our discretionary programs. But federal, state, and local educators--all of us--still have a lot to learn about measuring, evaluating, and improving productivity. We are eager to learn as fast as we can.

In our quest to improve productivity, we will improve as we go. We will make some mistakes--no question. But that is no excuse for inaction. The stakes are too high--and I am convinced that we have a special window for reform that will shape the education system for the next 20 to 30 years.

Working together, with candor, courage, and commitment, I believe the New Normal can be a wake-up call to America--and a time to rethink how we invest in education for our nation's children.