

Testimony of

Anthony Miller
Deputy Secretary
U.S. Department of Education

Before the Committee on Oversight and Government Reform

March 5, 2013

Thank you, Mr. Chairman, Ranking Member Cummings and Members of the Committee for inviting me to testify before the Committee as you examine opportunities to reduce waste and improve efficiency within the federal government. During these challenging fiscal times, the Department of Education is doing its part to identify areas where we can reduce spending, while preserving our ability to manage a broad array of programs and activities as effectively as possible to ensure our nation's students have the opportunity to obtain a world-class education.

Executive Order 13589, "Promoting Efficient Spending"

On November 9, 2011, the President signed Executive Order 13589, "Promoting Efficient Spending," which directed all federal agencies to identify cost-cutting opportunities in a variety of administrative categories, including travel, printing, and supplies. Overall, administrative spending represents less than 1 percent of the over \$200 billion in total annual program appropriations and new loan volume administered by the Department. The Department has historically been very efficient in administering its grant and loan programs.

The Department has placed great focus on complying with Executive Order 13589. We formed a working group with members from across the Department with a goal to reduce spending in the areas of travel, printing, and supplies by at least 20 percent below FY 2010 levels by FY 2013. We were able to exceed this target in FY 2012, reducing spending on these activities by over 20 percent. The working group took a holistic look at the various activities cited in the Executive Order and developed multiple strategies for obtaining savings in travel, printing, and supply costs.

Among other things, we:

- Increased the use of video-teleconferencing, conference calls, and other electronic meeting technologies to reduce staff travel expenses such as airfare, hotel, transportation, and per diem costs.
- Successfully incorporated electronic alternatives to printing, such as electronic grant award notifications and posting and accessing documents online. We streamlined work areas to reduce the number of printers and created shared environments to reduce hardware costs.
- Developed strategic sourcing protocols to enable the Department to implement acquisition strategies to reduce contract costs, particularly with regard to office supplies.

These strategies have allowed us to significantly reduce costs for travel, printing and supplies. Specifically, since 2010, the travel budget has been reduced by 20 percent, printing costs have decreased by 30 percent, and the Department cut supplies by 29 percent.

Reducing Personnel and Contract Costs

In addition to carrying out Executive Order 13589, the Department has taken extra steps to control personnel levels and adjust or cut contract costs during the last 18 months. We have also looked for ways to increase efficiency, from reducing our rented office space to taking advantage of emerging technologies such as cloud computing. Moreover, as we continue to become more efficient, we have been able to reduce staffing levels. Some examples of how we have reduced costs in these areas include:

- Nearly a year after implementing the 100 percent Direct Loans program, the Department had more than 4,400 on-board full-time-equivalents (FTE). Today, with a similar if not heavier workload, we have approximately 4,250 FTE.
- Revamped our contract negotiation practices and the use of fixed-priced contracts to reduce contract costs and obtain the best value, while maintaining quality of service.
- The Department undertook an initiative to significantly improve its existing IT Infrastructure contract called EDUCATE. In doing so, the Department will save \$550,000 in FY 2013 and approximately \$16 million over the life of the contract. All services under the contract will take advantage of the latest technologies and services to internal and external customers will be improved.
- The number of entrances to Department buildings during non-peak hours has been reduced and evening and weekend hours when the Department buildings are open and fully staffed have been limited, thereby enabling us to realize a decrease in guard service costs.
- We have realized cost efficiencies by cutting back on heating and cooling costs during non-peak hours and cycling usage during peak hours.

Streamlining Grant and Federal Student Aid Programs

In recent years, the Department has worked aggressively to enhance efficiency and reduce waste in a number of critical areas related to our core work of supporting and providing oversight of grantees and aid recipients. For example:

- Since 2009, we have proposed cost-cutting efforts to save billions of dollars by eliminating and consolidating some Department programs and reforming other programs. From 2010-2012, Congress acted on many of these recommendations by eliminating 49 programs, representing a savings to taxpayers of \$1.2 billion annually.
- We also proposed, and Congress enacted, reforms to the student loan programs in 2010, which further saved taxpayers \$68 billion (some of which we invested in the Pell Grant program) by boosting our share of federal student loan volume from around 20 percent of

total volume to 100 percent. The transition to awarding and collecting all federal loans was a significant undertaking, but the significant long-term savings justified the change.

With respect to improving efficiency, the Department:

- Moved from a paper-based Free Application for Federal Student Aid (FAFSA) to almost entirely online FAFSA process for students and their families, which has reduced cost associated with paper forms and lowered the burden on applicants.
- Instituted a new feature in FAFSA that allows applicants to specify their high school to help protect against fraud and abuse of the federal student aid program.
- Established a link to IRS data with the online FAFSA application, which cuts down on the amount of data that applicants have to enter manually and improves the verification of income to determine benefit amounts, reducing the potential for fraud and abuse of the federal student aid program as well as lowering the burden on our schools in the manual verification process.
- Implemented new guidance for ED and grantee staff who are responsible for conferences, directing them to first determine whether in-person conferences are necessary or can be replaced by virtually hosted events, and then, if in-person conferences are necessary, to scrutinize all expenses through a rigorous review process.
- Devoted resources to the Department's suspension and debarment process to ensure that grantees whose conduct demonstrates a lack of business integrity or honesty are ineligible to receive federal grants.

The Department's Risk Management Service works with all program offices to support the monitoring of grantees. The risk management team is responsible for working with program offices to conduct a fiscal risk analysis before awarding new or continuing discretionary grants.

Continued Focus on Efficient Spending

With respect to our continuing work to increase efficiency, we appreciate the Office of the Inspector General's (OIG) audits, recommendations, and findings as important tools in our continuous improvement efforts. We have the same expectation for ourselves as we have for schools: "We can always do better." We believe in accountability. Our goal is to continuously improve the Department's functioning so that we deliver high quality services and make the best use of taxpayer dollars. We carefully review all OIG audit findings and recommendations and focus on the areas of greatest financial risk.

In the last 12 months we have dramatically improved our ability to identify and resolve high-priority audits in a timely manner, and we are finding new ways to leverage audits to make targeted improvements in other critical areas.

For example, in response to a July 2012 OIG audit that focused on External Audit Resolution, the Department established an Audit Resolution Advisory Panel with members from every major office in the agency involved in audits, including the OIG. This panel has been successful in establishing a new governance and accountability framework for audits, and is making significant progress in ensuring more timely and efficient resolution of high priority audits.

Conclusion

The Department is committed to ensuring that taxpayer dollars are spent wisely and that recipients of taxpayer funds are using them as intended. We believe that we have done a good job implementing Executive Order 13589 and continually examine how we can further improve. Thank you Chairman Issa, Ranking Member Cummings, and Members of the Committee for the opportunity to testify today about the efforts the Department has taken to promote efficiency and reduce costs. I would be glad to answer any questions from the Committee.

SENIOR STAFF

Anthony Wilder Miller, Deputy Secretary—Biography

Tony Miller is the deputy secretary and chief operating officer at the U.S. Department of Education. In this role, he manages a broad range of operational, management and program functions.



Prior to joining the Department in 2009, Miller was an operating partner with Silver Lake, a leading private equity firm. From 2003 to 2006, he was with LRN Corporation, a compliance software and eLearning company, where he was executive vice president of operations. Prior to LRN, he worked for 10 years at McKinsey & Company, where he was a partner specializing in growth strategies, operating performance improvement and restructuring for companies throughout the United States, Europe and Asia. Miller began his professional career with Delco Electronics, a subsidiary of GM Hughes Electronics, where he managed regional channel marketing. In addition to his private-sector operating experience, Miller advised the Los Angeles Unified School District from 1997 to 2000, developing student achievement goals and strategies, aligning budgets and operating plans, and designing metrics and processes for overseeing district-wide performance. He undertook similar work with the Santa Monica-Malibu Unified School District in 2001. Through his service as an ex-officio member of the Los Angeles Unified School District Board of Education Budget and Finance Committee in 2002–03, he deepened his understanding of state funding and school district budgeting matters.

Tony Miller is a graduate of Purdue University and holds a Master's in Business Administration from the Stanford Graduate School of Business.

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