Clinton Presidential Records
Digital Records Marker

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies the place of a tabbed divider. Given our digitization capabilities, we are sometimes unable to adequately scan such dividers. The title from the original document is indicated below.

Divider Title: **EDUCATION**

THE DEPARTMENT OF EDUCATION AGENCY TEAM REPORT

NATIONAL PERFORMANCE REVIEW

INTERNAL WORKING DOCUMENT--NOT FOR DISTRIBUTION

August 10, 1993

DRAFT August 10, 1993

TABLE OF CONTENTS

LIST OF CONTRIBUTORS

Alice Bettencourt, U. S. Department of Health and Human Services; Carl Burrus, U. S. Department of Transportation; Alan Ginsburg, U. S. Department of Education; Jim Herbert, National Endowment for the Humanities; Ronnie Loeser, U. S. Department of Health and Human Services; and, Cora Gurien Rubenstein, unknown.

OTHER CONTRIBUTORS

Brian Reed, U. S. Department of Transportation;and David Rymph, ACTION.

ABBREVIATIONS

ALJ	Office of Administrative Law Judges
CAN	Combined Application Notice
CFDA	*Catalogue of Federal Domestic Assistance*
DCS	Debt Collection Service
ED	Department of Education
EDGAR	Education Department General Administrative Regulations
ERIC	Educational Resources Information Center
ESEA	Elementary and Secondary Education Act of 1965
FCCSET CEHR	Federal Coordinating Council for Science, Engineering and Technology Committee on Education and Human Resources
FDSLP	Federal Direct Student Loan Program
FFEL	Federal Family Educational Loans
FIRST	Fund for the Improvement and Reform of Schools and Teaching
FMFIA	Federal Managers' Financial Integrity Act
FTE	Full-Time Equivalent
GAO	General Accounting Office
GCS	Grants and Contracts Service
GEPA	General Education Provisions Act
HEA	Higher Education Act
HMLC	Horace Mann Learning Center
IDEA	Individuals with Disabilities Education Act
IRS	Internal Revenue Service
JTPA	Job Training Partnership Act
LEA	Local Education Agency
MPMT	Management and Performance Measures Team
NAEP	National Assessment of Educational Progress
NAPA	National Academy of Public Administration
NAS	National Academy of Sciences
NCES	National Center for Educational Statistics
NCRVE	National Center for Research in(on?) Vocational Education
NCSL	National Conference of State Legislatures
NDN	National Diffusion Network
NGA	National Governors' Association
NIDRR	National Institute for Disability and Rehabilitation Research
NIE	National Institute of Education
NIH	National Institutes of Health
NSEA	National Security Education Act
NSEP	National Security Education Program
NSF	National Science Foundation
OERI	Office of Educational Research and Improvement
OESE	Office of Elementary and Secondary Education
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education

OPP	Office of Policy and Planning
OSERS	Office of Special Education and Rehabilitation Services
OVAE	Office of Vocational and Adult Education
POC	Principal Operating Component
R-TAC	Rural Technical Assistance Center
R&D	Research and Development
SEA	State Education Agency
SMARTLINE	Sources of Materials and Research About Teaching and Learning for Improving Nationwide Education
S&E	Salaries and Expenses
TAC	Technical Assistance Center
TOPS	Total Organization Performance System

ABBREVIATIONS

ALJ	Office of Administrative Law Judges
CAN	Combined Application Notice
CFDA	*Catalogue of Federal Domestic Assistance*
DCS	Debt Collection Service
ED	Department of Education
EDGAR	Education Department General Administrative Regulations
ERIC	Educational Resources Information Center
ESEA	Elementary and Secondary Education Act of 1965
FCCSET CEHR	Federal Coordinating Council for Science, Engineering and Technology Committee on Education and Human Resources
FDSLP	Federal Direct Student Loan Program
FFEL	Federal Family Educational Loans
FIRST	Fund for the Improvement and Reform of Schools and Teaching
FMFIA	Federal Managers' Financial Integrity Act
FTE	Full-Time Equivalent
GAO	General Accounting Office
GCS	Grants and Contracts Service
GEPA	General Education Provisions Act
HEA	Higher Education Act
HMLC	Horace Mann Learning Center
IDEA	Individuals with Disabilities Education Act
IRS	Internal Revenue Service
JTPA	Job Training Partnership Act
LEA	Local Education Agency
MPMT	Management and Performance Measures Team
NAEP	National Assessment of Educational Progress
NAPA	National Academy of Public Administration
NAS	National Academy of Sciences
NCES	National Center for Educational Statistics
NCRVE	National Center for Research in(on?) Vocational Education
NCSL	National Conference of State Legislatures
NDN	National Diffusion Network
NGA	National Governors' Association
NIDRR	National Institute for Disability and Rehabilitation Research
NIE	National Institute of Education
NIH	National Institutes of Health
NSEA	National Security Education Act
NSEP	National Security Education Program
NSF	National Science Foundation
OERI	Office of Educational Research and Improvement
OESE	Office of Elementary and Secondary Education
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPE	Office of Postsecondary Education

OPP	Office of Policy and Planning
OSERS	Office of Special Education and Rehabilitation Services
OVAE	Office of Vocational and Adult Education
POC	Principal Operating Component
R-TAC	Rural Technical Assistance Center
R&D	Research and Development
SEA	State Education Agency
SMARTLINE	Sources of Materials and Research About Teaching and Learning for Improving Nationwide Education
S&E	Salaries and Expenses
TAC	Technical Assistance Center
TOPS	Total Organization Performance System

Section I

Introduction

U. S. Department of Education

Introduction

In 1981, two years after its creation from parts of what had been the Department of Health, Education and Welfare (HEW), the U.S. Department of Education (ED) had 150 programs and 6,883 employees. A year later the new department was down to 115 programs, just before the National Commission on Excellence in Education declared in the momentous publication *A Nation at Risk*, that "if an unfriendly foreign power had attempted to impose on America the mediocre educational performance that exists today, we might well have viewed it as an act of war." In 1993, ten years after that resounding call to reform, the Department of Education has 230 programs and only 4,960 employees.

One obvious conclusion is that--given the fiscal realities facing the federal government--the department will need to invent new, more efficient ways of doing its urgent business. Another conclusion, perhaps not so obvious, follows from the fact that so many people are implementing so many good ideas about how to improve American education. Effective national leadership by an agency responsible for only about one dollar in ten of the $375 billion invested each year in American education will require creating ways that these many efforts can work in concert rather than at odds with one another, ways of orchestrating what is coming to be called systematic reform of American education.
nd the Inspector General.

The department administers a fiscal 1993 budget of $30.4 billion, distributed largely as grants-in-aid to state and local education agencies for programs designed to educate disadvantaged children and help the disabled or to students to help finance their higher education. Three components of the department account for over 90 percent of its fiscal 1994 budget submission. These are the Office of Postsecondary Education (41 percent), the Office of Elementary and Secondary Education (31 percent) and the Office of Special Education and Rehabilitative Services (18 percent). The Department of Education's total budget request for fiscal 1994 is $30.7 billion.

Education's budget has increased by 116 percent since 1980. Most of this growth was concentrated in three fiscal years: 1985, 1989, and 1991. In fiscal 1985, the predominant factor was an increase of 41 percent in the Postsecondary area, particularly student financial assistance. In fiscal 1989, Guaranteed Student Loans went up by 59 percent, which accounted for most of the overall increase that year. In fiscal 1991, funding for Guaranteed Student Loans again took a big jump, but funding of Compensatory Education for the Disadvantaged also increased by 16 percent.

The department currently defines its mission as ensuring access and excellence in education. This mission has not yet been aligned with the National Education Goals adopted by the nation's Governors and then-President Bush in 1989. However, the current Administration has made these goals the centerpiece of its proposed Goals 2000: Educate America Act. The National Education Goals declare that by the year 2000:

1. All children in America will start school ready to learn.
2. The high school graduation rate will increase to at least 90 percent.
3. American students will leave grades four, eight, and twelve having demonstrated competency in challenging subject matter; and every school will ensure that all students learn to use their minds well, so they may be prepared for responsible citizenship, further learning, and productive employment in our modern economy.
4. U.S. students will be first in the world in science and mathematics achievement.
5. Every adult American will be literate and will possess the knowledge and skills necessary to compete in a global economy and exercise the rights and responsibilities of citizenship,
6. Every school in America will be free of drugs and violence and will offer a disciplined environment conducive to learning.

These goals provide an opportunity finally to bring together the Department of Education as a coherent, mission-driven organization. The department has suffered from mistrust and management neglect, almost from its beginning. To overcome this legacy and to lead the way in national education reform, ED must redesign and reinvigorate its programs and systems. To this end, the Administration already has presented two major legislative proposals: Goals 2000: Educate America Act and the Student Loan Reform Act, a part of the National Service Trust Act. It also has undertaken notable management initiatives and cooperative efforts with other cabinet departments.

The proposed Goals 2000: Educate America Act is intended to promote school reform by helping to establish internationally competitive standards so that communities and states can, if they wish, gauge their curriculum and instruction against those that are world-class. It thus seeks to provide a basis for a new partnership among the federal government, states, parents, business, labor, schools, communities, and students. Goals 2000 lays out a framework for comprehensive and sustained efforts to improve schools and student performance, aiding bottom-up reform, stressing teaching and learning, providing flexibility, and rewarding success. By addressing both quality and equity through setting of voluntary opportunity-to-learn standards, as well as content standards and improved assessments, it aims to give all children a chance to attain high levels of performance.

The proposed Student Loan Reform Act of 1993 will reform student loan programs by replacing guaranteed loans from private lenders with direct loans from the federal government. It also provides all borrowers with flexible repayment options, including income-contingent repayment. The Federal Direct Loan Program is intended to save taxpayers substantial amounts of money by substituting federal borrowing for more expensive private capital and by eliminating excess profits in the current system. Direct lending is estimated to reduce federal costs by $4.3 billion through fiscal year 1998 and by $2 billion per year in subsequent years. The Direct Loan approach also is meant to streamline the student loan system by reducing the vast number of middlemen in the system (7,800 lenders, 46 guarantee agencies, and numerous secondary markets and servicers). Students will get loans through their schools; the Department of Education will provide alternative originators to schools unable or unwilling to make loans directly to students. The proposal also could make repayment easier by lowering the costs of loans to students and by offering the flexible repayment options.

Working together, the Departments of Education and Labor also have developed a legislative blueprint for the institutions, partnerships, and standards needed in an effective school-to-work transition system. Currently, the United States lacks a coherent approach to helping young people acquire the knowledge, skills, and information about the labor market necessary to make an effective transition from high school to work. Many cannot find stable, career-track jobs for five or ten years after graduating from high school. The departments have proposed that through a series of planning and implementation grants, states and localities will create or expand school-to-work systems which integrate school-based and work-based learning, integrate academic and vocational learning, and link secondary and postsecondary education. Together, states and localities will take the lead in determining goals and priorities, developing new strategies and measuring progress. The federal role will involve investing in state and local initiatives by providing venture capital and building a knowledge base concerning effective school-to-work models. To implement this initiative, the two departments are working together through an interdepartmental steering committee and a series of working groups, instead of creating new bureaucracies.

Along with Goals 2000, Direct Lending, and school-to-work transition, Secretary Riley has made management reform a top priority of the Department of Education. Reinvention strategies are a central theme of this reform. A senior-level management retreat sought to clarify the department's mission and priorities. All ED appointees were briefed on the management problems identified by the General Accounting Office, the Office of Management and Budget, and ED's Inspector General. A new management structure has been developed to ensure continued senior level attention to reform and reinvention. The Executive Management Committee (EMC), chaired by the Deputy Secretary and consisting of a number of the department's senior political leaders, focuses on strategic-planning. The Reinvention Coordinating Council (RCC) includes an equal number of Senate confirmed political appointees and senior career employees, the latter to serve on a rotating basis. It has initiated and oversees the department's efforts to reinvent itself. These efforts already include a Monitoring and Performance Measures Team and five performance measurement pilot studies and debt collection improvement as well as an electronic bulletin board accessible to the public and several quality management teams focused on specific problems. The department's Reinvention Laboratories and related activities are discussed in detail in Section III of this report. Here it will suffice to observe that the new Department of Education presents a context for the National Performance Review that is alive with possibilities and with a good chance of sustaining reinvention.

"Chapter 1," the department's major program that supports compensatory education for disadvantaged students, provides a virtual case study of how a mission-driven organization can move from preoccupation with red tape to an emphasis on getting results. Conceived during the 1960's as a way of giving disadvantaged students the basic skills they needed to catch up with other students, Chapter 1 gradually developed an elaborate regulatory structure intended to assure that taxpayer dollars went only for the intended purposes and students. Layers upon layers of complex regulations and compliance review do assure the taxpayer about where the money is going, but not about whether it is getting the results needed in this new economic age. In its first issue paper, the National Performance Review presents recommendations to reinvent the program, aiming toward the result that disadvantaged students, like all other students, are able to demonstrate the "competency in challenging subject matter" stressed in the National Education Goals.

The situation of Chapter 1 is not an isolated case, but rather seems typical of the often self-inflicted regulatory busyness that can paralyze and exhaust the Department of Education, isolating its work from the real world of results. One way to reduce the red tape entangling the department is to reduce the number of separate programs it must manage. Following the discussion of Chapter 1, the National Performance Review recommends program eliminations and consolidations that would free the department to focus on the results American education really needs to achieve. Then the recommendations turn to simplifying the entire grant application and management process so that both the department and its grantees can be held responsible, not for following dozens of small steps in an elaborate process, but for getting results.

Federal student aid programs have long been one of the leading examples of market dynamics in American education. Since the 1972 reauthorization of the Higher Education Act students have been able to choose which institutions of postsecondary education they wish to attend--public, private or proprietary--and be assured of receiving equivalent financial support at those institutions. Meant to neutralize disparities in family income, the mixture of grants and loans that makes up federal student aid has also become an important source of financial support for postsecondary institutions. It generates, directly or indirectly, more than $20 billion a year of the approximately $140 billion annually that goes into this sector. The possibility of student choice and competition among colleges and universities as well as proprietary schools is given by many observers as a principal reason the U.S. system of higher education is considered the best in the world.

The proposal for a Federal Direct Loan Program can itself be seen as a major reinvention initiative. By stripping away layers of intermediate lenders and guarantee organizations, and by borrowing money at the lower federal rate, the program could result in reducing overall costs and improving service to student borrowers. Permitting borrowers to make use of flexible repayment strategies also may help reduce the major trouble spot in the student aid programs: the approximately $3 billion worth of loans annually that go into default.

The recommendations advanced by the National Performance Review go several steps further in making use of market dynamics to solve this default problem. The Department of Education is the collector of last resort on defaulted student loans. Obviously, the amount that can be collected depends to some extent on the resources that can be brought to bear on the problem. The National Performance Review proposes to use the profit motive to maximize the recovery of defaulted student loans. As a reinvention experiment, the department's Debt Collection Service should be freed from the usual budgetary, personnel, and contracting constraints to invest a certain percentage of the money it recovers from defaulted student loans as a means to recover even more. The more money recovered for the taxpayer, the more money available to invest in the business of recovering defaulted loans. Here is one area where market dynamics can be extremely effective in accomplishing public purposes.

Nonetheless, it would be even more effective to reduce the volume of loans going into default. The National Performance Review also recommends making it more difficult for postsecondary institutions with abnormally high default rates to participate in federal student loan programs, while providing an incentive--in the form of reduced red tape--for institutions to lower their default rates. Finally, to enable students to make sounder choices among institutions of postsecondary education, the information gathered in this institutional eligibility and certification process should be published.

An organization has a high quality management culture when it is managed for the convenience of those whom it is supposed to serve, rather than for that of the people who work in the organization. The Department of Education should move beyond a focus on its own units and divisions, and try to see itself as others see it. Schools and others approaching the department for suggestions and assistance do not want to fumble through dozens of sources of information concerning hundreds of programs; the customers of the department should be provided one-stop shopping, a single electronic point of contact where they can learn all they need to know about ED programs and grants. In the long run, however, inventing a coherent, mission-driven Department of Education, sustained by a high quality management culture, will require stable, department-wide management and much better opportunities for the employees of the department themselves to become better educated and trained.

In an important study of education reform and research, the National Academy of Sciences recently observed:

> that at the present time, the formulation of education policy is running far ahead of education research....new ideas are being advanced and implemented with little knowledge about how they might work. This is not all bad: trying new approaches opens the possibility of learning from failures as well as from successes. But if new policies often fail, interest in education reform may be closed off prematurely.

In general, the Academy noted, "the United States has been good at launching [education] reforms; it has been much less good at continuing them to completion." The problem seems to be that "Congress is clearly not convinced that federal support of research can benefit public education in the way it has benefited the nation's health and agriculture." And yet, education is being asked to play the same kind of role in the economy of the future that agriculture and health have played in the past.

The National Performance Review analyses the disappointing performance of education research, development and dissemination and finds that here again, the Education Department is accomplishing too little because it is trying to do too much. Too many research centers are trying to carry out too many small, unrelated projects and changing their direction too frequently. Too many technical assistance and dissemination centers are specializing in too many isolated aspects of education programs and topics; teachers and other educators have nowhere to turn for help in educating whole children and in changing whole systems of education. The National Performance Review presents recommendations about how the Education Department can seize the present opportunity to do much more over the long run with the money that is invested in education research, development and dissemination.

Better use of the nation's vitally important investment in education is the central theme of this entire report. While the National Performance Review does show how the Education Department can spend $3.4 billion less over the next five years, the following recommendations also indicate how, by clarifying and simplifying its work, the department can begin to do the public's business in the effective and efficient way the nation's future requires.

Before astronomers decided that the earth was not the center of the universe and invented a new arrangement of the skies, astronomy was getting very complicated. To explain why certain heavenly lights appeared where they did, if things were rotating in circles around the earth, astronomers had to make up little circles on the big circles on which things were also supposed to be going around. It may be difficult for outside observers to believe that the Department of Education engages in a procedure called grantbacks: when a grantee organization has an award taken away because it has failed to comply with some regulation, it can apply to the department to receive three quarters of the money back on the grounds that potential beneficiaries of the grant should not be penalized. Outside observers will easily believe, however, that, when grantbacks have disappeared because there are no longer regulations not worth following, we will have invented the U.S. Department of Education we need.

Section II

Issue Papers and Recommendations

DRAFT August 10, 1993

Shifting from Red Tape to Results

Draft August 10, 1993

Reinvent Chapter 1 of the Elementary and Secondary Education Act

Background

Chapter 1 of the Elementary and Secondary Education Act of 1965 (ESEA) is the major federal program to improve the education of disadvantaged children. The program is budgeted to receive $7.1 billion in fiscal 1994, 23 percent of the Education Department's (ED) total request. Chapter 1 serves one-in-nine school-age children, largely providing compensatory reading and mathematics instruction at the elementary school level. While the basic skills of low-income children have improved in the last twenty years, a wide consensus now holds that the time has come, as the Education Department's own assessment says, for "reinventing Chapter 1."[1]

Expert evaluation concludes that Chapter 1 monies no longer make much positive difference. The program adds on average only five to 10 minutes a day of reading and mathematics instruction and takes a remedial, basic skills approach which is inconsistent with schools' substantive curricula. Influenced largely by fear of federal audit procedures, eighty-two percent of school districts offer limited "pullout" instruction that takes children away from normal classroom activities. While the percentage of districts also offering in-class Chapter 1 instruction has increased from 37 percent to 62 percent between the 1985-86 and 1990-91 school years, this instruction is often characterized by rote repetition and homogeneous grouping generally regarded as counterproductive.[2] The following tables compare achievement levels for U.S. students overall with the one-tenth of students who live in disadvantaged urban areas:

Percent of Students below "Basic" Math Achievement Level[3]

Grade	Assessment Year	Urban Disadvantaged	All
4	1990	69%	46%
	1992	73%	39%
8	1990	58%	42%

1992	72%	37%

Mean Reading Proficiency Scores for Nine Year-Olds[4]

Assessment Year	Urban Disadvantaged	All
1988	192	212
1992	166	209

The Education Department's assessment concludes that "the evidence is consistent in showing that students receiving Chapter 1 services, as currently configured, are not progressing."[5]

Several key aspects of the program need reinvention. Chapter 1 regulations rigidly specify means and procedures, discouraging the exercise of judgment by teachers and principals, those closest to the point of service delivery. School districts are required to document that Chapter 1 funds go only to programs that benefit only designated "Chapter 1" children and that those programs are distinct additions to regular school activities. Even if a teacher's or principal's best professional judgment is that a disadvantaged child would be better served by upgrading certain activities in which the child is integrated with other students, Chapter 1 funds may be used only to support segregated services.[6]

The rigid specifications for the Chapter 1 program are so well established that they tend to persist even when they are no longer required. Although the 1988 reauthorization of ESEA permitted school-wide projects serving all students in schools with concentrations of 75 percent or more of low-income children, such projects were found in only 4 percent of school districts in 1990-91.[7] Principals at nearly half the 9,000 Chapter 1 schools eligible to use the new schoolwide approach had not even been made aware of that option.[8] Explaining this persistent rigidity, a team of researchers concluded:

> Habits of compliance-orientation no doubt change slowly even under strong pressures. Staying with a compliance approach provides the protection of a regulatory framework tested over time. The local administrators may be betting that they would have more to lose by risking an innovative approach whose outcome is uncertain than by

introducing change to the system only when necessary, and then only gradually, and at the margin.[9]

A second major problem with the Chapter 1 program is that it requires funding to be allocated to "educationally disadvantaged" students identified by annual standardized testing. This creates perverse incentives because schools that succeed in improving the achievement of their students stand to lose resources. Thirteen percent of all Chapter 1 elementary school principals in the country reported that their Chapter 1 program has lost some funding as a result of improved student performance.[10]

A third major problem is that Chapter 1 funding is dispersed away from the most serious problem areas, where it should be concentrated to achieve desperately needed results. High-poverty schools (75 percent of students eligible for free or reduced-price lunch) serve 25 percent of all poor children (only eight percent overall); schools in which at least half the students are poor serve 50 percent of all poor children (only 19 percent overall).[11]

% of Students Served	Schools with >50% Students Eligible	Schools with >75% Students Eligible
Low-Income	50%	25%
All	19%	8%

Nonetheless, 14 percent of the elementary schools serving more than 50 percent poor children receive no Chapter 1 funds.[12] On the other hand, 45 percent of the "least needy" elementary schools (no more than one in 10 children eligible for free or reduced-price lunch) are Chapter 1 schools. Eighty-five percent of "least needy" school districts have support for Chapter 1 services.[13] (Nationally, nearly two out of ten school children are classified as below the poverty line.)

<10% Students Eligible	% Receiving Chapter 1 Services
Elementary Schools	45%
School Districts	85%

Perhaps even worse in these "least needy" settings, federal accountability regulations tend to promote--as indicated above--the segregation of low-income children from regular classroom activities.

In addition to being reworked in these three problem areas, Chapter 1 needs to be integrated with the strategy of systematic education reform as represented in the Administration's Goals 2000 legislation currently moving through Congress. For example, instead of annual, norm-referenced, basic skills testing, Goals 2000 presumes assessment of students' proficiency in challenging academic content areas at grades 4, 8, 12. Many states are well ahead of the federal government in adopting this approach to assessing student learning outcomes. Nonetheless, "although many states are moving forward with their own systems for assessing students' proficiency levels at critical transition points (e.g., grades 4, 8, and 12), they are required to maintain a dual system by testing Chapter 1 students in all grades at which the program is offered."[14]

Chapter 1 also needs to be harmonized with the emerging national effort to intervene comprehensively in the decisive period before at-risk children reach the age of ten. The program too often functions as if schools operated in a social vacuum. For example, the strong emphasis on parental involvement that is found in some programs for younger children is not now typical of Chapter 1. In no school-related activity do more than 30 percent of principals report that Chapter 1 parents are very involved. While the number of all types of Chapter 1 schools reporting high parental involvement as volunteers did rise between 1985-86 and 1991-92, the number of high-poverty Chapter 1 schools doing so did not.[15]

Recommendations

In the 1993 ESEA reauthorization Congress should focus Chapter 1 resources on the schools serving disadvantaged children and create effective incentives at the school level to improve their entire education, not just "basic skills."

1. **Regulatory rigidity in the Chapter 1 program should be replaced by accountability for results.** The school-wide flexibility option should be extended to all Chapter 1 schools that have more than 50 percent low-income students.[16] Further reform should be achieved by

linkage with the National Education Goals, which include the objective "that the academic performance of elementary and secondary students will increase significantly in every quartile, and the distribution of minority students in each level will more closely reflect the student population as a whole." School districts in states that make themselves accountable for achieving this objective (among others) by submitting a reform plan under the Goals 2000 legislation should be eligible for a waiver of even the 50 percent requirement.

2. **The disincentives created by the use of standardized testing should be reversed.** The link between the Chapter 1 funding allocation formula and the designation of children as "educational deprived" should be broken.[17] School districts and states should be encouraged to replace the federally required annual, standardized, norm-referenced testing with general use state assessment procedures that are congruent with the National Educational Standards being developed as part of Goals 2000.[18]

3. **Chapter 1 funding should be concentrated on schools serving large proportions of low-income students.** The mix of funding between the basic grant mechanism and grants that concentrate on low-income areas should be changed to approximately 50/50.[19] The funding allocation formula also should be revised to exclude at least the first eight percent of low-income students in a school district from creating an entitlement to federal Chapter 1 funding.[20]

4. **Schools and school districts should be permitted to use some Chapter 1 funds to identify needed social services and develop cooperative arrangements with the other agencies that can provide those services.** They should be permitted to do this within a comprehensive plan for improving the education of low-income students. Moreover, positive incentives for parental participation should be provided where they are needed most by extending eligibility for the Even Start family literacy program to high-poverty Chapter 1 elementary schools. It currently is focused only on pre-school age children in all Chapter 1 school attendance areas.[21]

Implications

The Education Department's assessment of the program observes that "Changes...could bring Chapter 1 into the mainstream--indeed, the forefront--of reform in curricular standards, whole school improvement, performance monitoring, and integrated services. The urgent need to transform Chapter 1 reflects the need to transform American education, with special attention to the schools serving the most disadvantaged students.[22] This transformation can extend Chapter 1's earlier successes in narrowing the basic skills gap to even more rewarding academic content areas. In this way, reinventing Chapter 1 can respect and build on the deep commitment that many people have to the program as it was fashioned originally during the Great Society era.

Fiscal Impact

In Millions of Dollars

	1994	1995	1996	1997	1998
Budget Authority	$500.0	$500.0	$500.0	$500.0	$500.0
Outlay	$500.0	$500.0	$500.0	$500.0	$500.0
Change in FTEs	0	0	0	0	0

If Chapter 1 funds did not go to school districts with less than eight percent low-income students, approximately $500 million would be available each year.[23] The Education Department estimates that just shifting to the 50/50 funding mix would result--at current appropriation levels--in the redeployment of $325 million annually.

Elimination of the Chapter 1 requirement for separate testing each year would allow, at the least, much better use of approximately $300 million annually of Chapter 1 funds that go to state and local administration.[24]

Endnotes

1. U.S. Department of Education, *Reinventing Chapter 1: The Current Chapter 1 Program and New Directions; Final Report of the National Assessment of the Chapter 1 Program* (February 1993). See also Commission on Chapter 1, *Making Schools Work for Children in Poverty* (Washington, D.C.: American Association for Higher Education, December 1992).

2. U.S. Department of Education, *Annual Evaluation Report 1991*, pp. 101-4, 101-34; Reinventing Chapter 1, pp. 33-34, 80-85.

3. National Center for Education Statistics, *A Preliminary Report of National Estimates from the National Assessment of Educational Progress 1992 Mathematics Assessment*, (U.S. Department of Education, January 12, 1993), pp. 9, 21.

4. National Center for Education Statistics, *Trends in Academic Progress*, (1991), p. 19.

5. Alan L. Ginsberg, Testimony submitted to the House Subcommittee on Elementary, Secondary and Vocational Education (February 25, 1993), p.3.

6. U.S. Department of Education, *Chapter 1 Policy Manual: Basic Programs Operated by Local Educational Agencies* (April 1990), pp. 45, 49, 73.

7. *Annual Evaluation Report 1991*, p. 101-8.

8. Mary Ann Milsap, Marc Moss, and Beth Gamse, *Final Report: Chapter 1 in Public Schools*, (Cambridge, Massachusetts: Abt Associates, Inc., February 1, 1993), pp. 2-14, 2-15.

9. Carolyn D. Herrington and Martin Orland, "Politics and Federal Aid to Urban School Systems: The Case for Chapter One," in *Politics of Education Association Yearbook 1991*, p. 177.

10. *Reinventing Chapter 1*, p. 53.

11. Ibid., pp. 20-21.

12. Ibid., p.53.

13. *Annual Evaluation Report 1991*, p. 101-2.

14. *Reinventing Chapter 1*, pp. 208-209.

15. *Final Report*, pp. 5-7, 5-10.

16. The Elementary and Secondary Education Act of 1965 (ESEA) 1015(a).

17. ESEA 1013(c).

18. ESEA 10149(b).

19. ESEA 1006(c).

20. ESEA 1005(a), 1006(a)5.

21. ESEA 1011(a)2, 1055.

22. *Reinventing Chapter 1*, p. 183.

23. Chapter 1 serves 5.2 million students. Eleven percent of them (572,000) are in school districts that fall in the lowest Chapter 1 poverty quartile (seven percent poor or fewer). Estimated per pupil expenditures have a mean between $875 and $900. *The Chapter 1 Implementation Study: Interim Report*, (Cambridge, Massachusetts: Abt Associates, Inc., 1992), pp. 1-2, 1-3.

24. Roughly another $300 million a year of Chapter 1 funds go into non-federal administration of the program (states: $60 million; local school districts: $240 million). Of 11 categories of administrative requirements, surveyed district coordinators ranked the following as most burdensome: evaluation procedures; needs assessment procedures; ranking and selecting students. Eliminating the federal requirements for annual, norm-referenced testing would transform these activities. *Interim Report*, pp. 1-30, 6-17, 6-18.

DRAFT August 9, 1993

Reduce the Number of Programs the Department of Education Administers

Background

Some of the 230 programs that the Department of Education (ED) administers serve purposes which overlap those of other ED programs; some have achieved the purpose for which they were created; and others serve purposes which are more appropriately addressed by non-federal resources. Continued funding of these low priority programs draws resources away from programs which serve the most urgent needs of students in the U.S. The nation's priorities are defined by the six National Education Goals. Although each of these programs might address the goals in some way, the savings from eliminating them could be better used by other ED programs, which are better addressing the highest national educational priorities.

The department's programs consist of three basic types: (1) formula grants, which allocate funds to states, localities, or institutions based on a mathematical formula with variables related to the purpose of the program; (2) discretionary grants, which award funds based on a competitive review of application proposals; and (3) student financial aid, which includes loans and grants to assist students in attending postsecondary schools. In addition, the department is the conduit for the non-competitive allocation of federal funds to several organizations. The President has already submitted a legislative package to redesign student loan programs; accordingly, this paper focuses only on formula and discretionary programs.

The administrative costs associated with all 230 programs in the department are not easily calculated. They involve costs at all levels of government--Federal, state, and local--and would include, for example, development of regulations and grant competition notices; development of applications; reporting on programs; and the monitoring and auditing of projects. Of the department's 230 programs, 160 award funds through national competitions. Competitions are held only when funds are available for new projects, so not every program holds a competition every fiscal year. To award funds available under some of these programs, the department will hold about 245 competitions in fiscal 1993.

The department, as with all federal agencies, uses two main processes for making policy decisions concerning specific program consolidations and terminations: the legislative process and the budget process.

During the legislative process, policy and legislation for new initiatives and reauthorization of existing programs are developed. Prior to the expiration of authorizing legislation, program and policy staff identify issues, review evaluation data, recommend and analyze options, conduct outside consultations, and solicit public comment. This work results in reauthorization proposals that are submitted to Congress.

An example of how the department plans to pursue consolidation of these many programs is the current effort to design the Elementary and Secondary Education Act (ESEA) reauthorization package. The department has conducted a major effort to reshape the current legislation so that states, communities, and schools will be able to use programs flexibly, imaginatively, and effectively--not as mere categorical programs supporting piecemeal reforms, but as part of their own comprehensive efforts to move all students toward high educational standards in line with the National Education Goals.

In the ESEA reauthorization, the department will also take a number of steps to increase the flexibility of grant funds and to increase coordination of activities carried out under ED funded programs. The proposed measures include waiver authority, simplification and reduction of forms, consolidation of state plans, and reduction of auditing requirements.

During the budget process, the department identified a number of its programs that are no longer a priority for federal funds and requested no funds for them in the President's fiscal year 1994 budget submission. The department also will propose elimination or consolidation of some of these programs through the submission of reauthorization packages, particularly the ESEA. However, Congress will most probably restore funding to some or all of these programs during the process of approving the department's budget or reauthorizing legislation. In addition, the Office of Management and Budget has identified a number of other programs for elimination or consolidation for these same reasons but which are not part of the department's current budget request for fiscal 1994 or any reauthorization package.

Examples of programs recommended for elimination and the reasons why they should no longer be supported by limited federal resources follow:

(1) The Congress continues to fund programs that duplicate the purpose and service

provided by other programs administered by ED. For example, the National Academy of Space, Science, and Technology program and the National Science Scholars program both provide scholarships to support students studying in the fields of science, mathematics, and engineering at the postsecondary level.[1]

(2) The department also funds programs that have met their original goals. For example, the State Student Incentives Grants (SSIG) program was created as an incentive for states to develop their own need-based programs. Today, all 50 states have such programs. In addition, many of the states substantially overmatch the program's dollar-for-dollar federal-state matching requirement. The states provide in total about $2 billion in need-based student aid compared to the $72 million provided by the federal government under the SSIG program.[2]

(3) The department also funds programs that should be funded by non-federal dollars. For example, other non-federal sources of support, such as university endowments, are available to support activities funded under the Research Libraries program, which provides grants to major research libraries to help them strengthen their collections.[3]

A number of the department's formula grant programs serve similar educational purposes, but target discrete populations. State and local education agencies, which provide the services funded under these formula programs, must separately apply for, track, and report on the use of these funds. For example, the programs under the Drug Free Schools Act and the Safe Schools Act both address the sixth National Education Goal. The sixth goal states that by the year 2000, every school in America will be free of drugs and violence and will offer a disciplined environment conducive to learning. Consolidating these programs would allow states and local communities to pursue the sixth national education goal in the most efficient and effective way.

Elimination and consolidation of programs would allow the department to streamline administration of its programs. Customers should, in turn, experience improved service from the department.

Recommendations

1. Congress should eliminate the following Department of Education programs which

are duplicative of other programs, have already achieved their purpose, or are more appropriately funded through non-federal resources.

Education For Native Hawaiians
Impact Aid 3(e) Payments
Impact Aid 3(b) Payments
Bilingual Vocational Training
Foreign Languages Assistance
Library Research and Demonstrations
Library Literacy Programs
Assistance to Guam
Robert A. Taft Institute of Government
National Academy of Space, Science, and Technology
Territorial Teacher Training
State Student Incentive Grants
Cooperative Education
Howard University-Emergency Construction
Public Library Construction
Library Education and Training
Ellender Fellowships (Close Up Foundation)
Consumer and Homemaking Education
College Library Technology
Dwight D. Eisenhower Leadership Program
College Housing and Academic Facilities New Loans Subsidies
Foreign Language Materials
Research Libraries
Fund for the Improvement and Reform of Schools and Teaching (FIRST)
Educational Partnerships Program
General Assistance to the Virgin Islands
Immigrant Education
Law School Clinical Experience
Educational Improvement: Law-Related Education
Dropout Prevention Demonstrations
Follow Through
The Foreign Periodicals Program
Impact Aid-Section 2 payments
Educational Improvement: Inexpensive Book Distribution
Educational Improvement: Arts in Education
Vocational Education: Community-Based Organizations
Civics Education

2. Congress should consolidate various formula grants, which currently go to state education agencies for disbursal throughout their respective states, into a professional

development program, framed around the six National Education Goals. The following formula grants should be combined into this single formula grant:

Chapter 2 State Grant Program of the Elementary and Secondary Education Act

Eisenhower Math and Science State Grant Program

For a detailed discussion of this recommendation see the issue entitled "Consolidate the Eisenhower Mathematics and Science Education Program with Chapter 2 of the Elementary and Secondary Education Act."

3. The Department of Education should pursue reauthorization of the Individuals with Disabilities Education Act (IDEA) and the Library Services and Construction Act with the goal of consolidating various programs under each of these acts and increasing the flexibility recipients will have to design programs and spend funds. The department's strategy for reauthorizing the Elementary and Secondary Education Act should serve as a model for these reauthorizations in the upcoming year. In addition, the Elementary and Secondary Education Act Chapter 1 Handicapped program should be consolidated with the IDEA programs. These programs are already administered by the same program office and serve very similar purposes.

4. Congress should consolidate the Drug Free Schools and Communities Act and Safe Schools Act programs into a single, comprehensive, flexible program for safe and drug-free schools.

Implications

These recommendations would reduce the number of programs administered by the Department of Education, thereby reducing the administrative burden on the department's program and staff offices. This reduced administrative burden would allow the department to better focus its monitoring and assistance resources on a smaller number of programs.

The recommendations also would create a more cohesive and comprehensive federal educational program system aligned with the National Education Goals that would be more easily accessible to state and local education agencies, institutions of higher education and individual students which use the system. The National Governors' Association (NGA) and

National Conference of State Legislatures (NCSL) have authored a proposal which would combine numerous education formula grants into a single, flexible grant. However, the NGA and NCSL proposal sought a much more extensive consolidation of educational formula grants than is proposed in these recommendations.[4] Elimination of each of these programs will be opposed by certain constituencies and interest groups. For example, although the states should experience increased flexibility in the use of federal education dollars, they also would lose funds under some programs. All 50 states would lose funds through elimination of the State Student Incentive Grant program. Hawaii and the territories also would lose funds from the elimination of programs which duplicate the purposes of other ED programs. Institutions of higher education would also lose construction loan subsidies and assistance for buying some library materials.

Fiscal Impact

Some administrative cost savings would be realized by the elimination and consolidation of these programs. However, since the Department of Education generally does not receive additional administrative funds or full-time equivalents to administer new small programs such as many of these, the savings would be negligible. The savings reflect program dollars only.

In Millions of Dollars

	1994	1995	1996	1997	1998	1999
Budget Authority	$400	$400	$400	$400	$400	$400
Outlays	$400	$400	$400	$400	$400	$400
Change in FTE	0	0	0	0	0	0

Endnotes

1. U.S. Department of Education, "24 Programs Proposed For Zero Funding In 1994 That Were Funded in 1993", p. 6 (Photocopy).

2. Ibid.

3. Ibid.

4. National Governors' Association and National Conference of State Legislatures, "A Proposal for Federal-State Flexibility Grants," March 11, 1993 (Photocopy).

Draft August 9, 1993

Consolidate the Eisenhower Mathematics and Science Education Program with Chapter 2 of the Elementary and Secondary Education Act

Background

Although small by Department of Education (ED) standards, the Eisenhower Mathematics and Science Education Program is the largest federal program for training elementary and secondary teachers in mathematics and science and thereby addressing the fourth National Education Goal adopted by the President and the nation's governors in 1989. The program was established in 1984 and moved to the Elementary and Secondary Education Act of 1965 (ESEA) in the 1988 reauthorization. The Eisenhower Program includes a small national program as well as the state grant program which was budgeted at $252.7 million in the Education Department's fiscal 1994 request. While at least 16 federal agencies support some efforts to improve mathematics and science in the schools, only the National Science Foundation (NSF) is a comparable source of support ($276 million in fiscal 1992). All these agencies coordinate their efforts through the Committee on Education and Human Resources of the Federal Coordinating Council for Science, Engineering and Technology (FCCSET CEHR).

Teacher training consumes the bulk of Eisenhower program funding, but the impact of that training is highly questionable. Funds for the state grant program are distributed according to a formula based on student populations and poverty levels. Seventy-five percent of a state's grant goes to the state education agency which must allocate most of it to local school districts for teacher training (the other 25 percent goes to the state higher education program for competitive teacher training grants). The median amount of district-sponsored training that teachers received in school years 1985-86 through 1989-90 was six hours. In only one state was more than one-third of the training provided by the school districts in 1989-90 of significant duration: 100 percent of the training provided by the school districts in South Carolina was in the form of full-term courses. Experts are unanimous, however, in holding that short-term "in-servicing" cannot bring about significant educational improvement.[1]

Moreover, implementation of the Eisenhower state program is mired in meaningless red tape. Applications are reviewed using a checklist for the presence of required assurances; they are not reviewed for the effectiveness of the states' planned programs, nor is performance data from previously funded programs taken into account. No state application has ever been rejected. States are required to report annually on program activities, but Education's Office of the Inspector General (OIG) found that after two years, many reports were still missing or unusable, that many of the other reports were not responsive, and that, in any case, the department had not analyzed the reports it had received. Program monitoring is likewise futile. A single program officer must attempt to conduct a site visit to all levels of the program in an entire state in one week or less. The average time between state reviews is 3.3 years; 19 states (including California and New York) had not been reviewed in four years; and 37 states had only been reviewed once in the history of the program, with no follow-up review to determine if any suggested corrective action had been taken. The site review instrument focuses on programmatic compliance, with no attention to student learning outcomes.[2]

Funding for the state program is spread so thin as to be inconsequential, in many cases even to the school districts. In 1989-90, 17 percent of the nation's school districts did not apply for the Eisenhower grants for which they were eligible; 75 percent of these non-applicants would have received less than $1000.[3] By fiscal 1992, when funding for the program had increased by 90 percent, the average grant was still only $3.4 million per state; in fiscal 1993, it was $3.5 million.[4]

An approach with some similarities to the Eisenhower state grant program is taken in Chapter 2 of the Elementary and Secondary Education Act of 1965. It was created by the Education Consolidation and Improvement Act of 1981. Rather than narrow categorical programs, the state and local programs part of Chapter 2 is intended to support a broad range of activities to improve the quality of elementary and secondary education. Among those activities is training and professional development for teachers and other education professionals. Funds are distributed by formula to the states and from the states to local education agencies. The average state award in fiscal 1993 was $8.3 million. The Education Department requested $415.5 million for the Chapter 2 state and local programs for fiscal 1994.[5]

Recommendation

In the 1993 reauthorization of the Elementary and Secondary Education Act, Congress should consolidate the Eisenhower mathematics and science education state grant program with the state and local program under Chapter 2 of ESEA. Funds should be combined to create a new Eisenhower Professional Development program, providing a more coherent national focus on teacher training and staff development in the context of state systemic reform plans submitted under the Goals 2000 legislation. Additional professional development funding should be leveraged by requiring a 50 percent local matching of funds, which could be other federal program funds as well as state or local funds. Performance data should be collected only on a multi-year cycle from grantees, and that data should be aligned with identified student learning outcomes based ultimately on the National Education Standards currently being developed.

Implications

Eisenhower money would be focused within the framework of the National Education Goals as a concentrated investment with an expected return. A combined formula grant of this magnitude, with a focus on professional development, would complement the opportunities to learn standards and state systemic plans called for in Goals 2000.

This expanded new Eisenhower program would provide for a coordinated strategy of sustained training to provide teachers with the skills needed to teach to new standards and administrators who can create school reform for diverse groups of students. Comprehensive professional development plans, coordinated at the school level, would crystallize a unified professional development strategy to provide the staff renewal necessary to achieve the results defined by Goals 2000. The collection of performance data aligned with student learning outcomes would set the stage for eventually introducing incentives for improved student performance as a component of the funding formula.

Fiscal Impact

At current appropriation levels, this recommendation would leverage a total of approximately $1.2 billion annually of sustained professional development targeted at achieving the National Education Goals. Integrating the two formula funding programs and focusing on systemic approaches to defined results will reduce the costs of detailed and duplicative administration and compliance monitoring at the federal, state and local levels. Because the recommendation would reallocate dollars, it would have no net fiscal impact on federal expenditures.

Endnotes

1 U. S. General Accounting Office, *The Eisenhower Math and Science State Grant Program*, GAO/HRD-93-95 (Washington, DC: November, 1992), pp. 2-4, 23-24.

2 U. S. Department of Education, Office of Inspector General, *Management Improvement Report No. 92-09* (Chicago, Illinois: May 19, 1992), pp. 3-6.

3 *Eisenhower*, pp. 3, 6.

4 U. S. Department of Education, *The Fiscal Year 1994 Budget: Summary and Background Information*, p. 16.

5 *1994 Budget*, p. 15.

Draft August 10, 1993

Consolidate the National Security Education Program with the Center for International Education

Background

The National Security Education Act of 1991 (NSEA) established a trust fund of $150 million to be used to award grants, scholarships, and fellowships to study foreign languages and areas of the world not commonly studied in the United States. The National Security Education Program (NSEP), currently located in the Department of Defense, will support undergraduate study abroad, as well as graduate fellowships and programs of study. In the words of its principal sponsor, Senator David Boren: "The National Security Education Act is the largest new higher education initiative of this kind since the adoption of the National Defense Education Act of 1958."[1] The trust fund currently exists in the Treasury; staff in the Department of Defense--recently reorganized and relocated within that Department--have sketched out pilot programs. Implementation awaits legislation freeing use of the funds, as well as nomination and Senate confirmation of the full oversight board.

Implementation of NSEP will involve cooperation with the higher education community which has reacted to the initiative with simultaneous praise and alarm. The praise arises from the probability of increased and well conceived support for foreign language and international studies education. The alarm is occasioned by the location of the program and the appearance of active involvement by the defense and intelligence communities in its administration. This has implications for the physical safety of program participants in many countries, and probably also restricted research access individual scholars and others at their institutions.

While stressing its deep commitment to the purposes of the NSEA, the American Council of Learned Societies has insisted formally on the "urgency of developing a more appropriate institutional location and structure of governance for NSEP, one which will better protect the interest of the people whom the program is intended to support."[2] The Social Science Research Council and a number of key regional studies associations have elaborated similar concerns. Meeting on April 10, 1992, members of the Association of African Studies

Programs adopted a motion that they were "greatly concerned about maintaining the access, safety, long-range perspectives, and academic integrity of the Africanist scholars in Africa and in this country" and that they "unanimously agreed to abide by a moratorium on all soliciting or receiving of NSEA funds...."[3] On October 28, 1992, the Middle East Studies Association of North American passed a motion that the connection with the defense and intelligence community "can only increase the existing difficulties of gaining foreign governmental permissions to carry out research and to develop overseas instructional programs. It can also create dangers for students and scholars...." The Board urged "that its members and their institutions not seek or accept program or research funding from NSEA" until these concerns were addressed.[4]

In response, the NSEP staff has held that "the trust fund is a Treasury account that may be used only for the Boren Program. Under the budget agreement in effect at the time, the trust fund had to be administered by the Department of Defense. Senator Boren put the trust fund in his intelligence bill because he believed that was the best way to get it through Congress.... The legislation is explicit: no one with a Boren award may do anything for an intelligence agency."[5] While accepting that the scholarships "are for undergraduate study in foreign countries that are not emphasized in other U.S. study abroad programs," the NSEP staff avers that "the Board will not approve areas of undue risk for study and research abroad."[6] The academic community has not found these arguments reassuring or convincing, and the impasse continues. A very promising effort to enhance U.S. capacity to operate in the newly competitive and complicated international arena remains immobilized, caught in a bureaucratic entanglement.

The Center for International Education in the Department of Education already administers the largest assemblage of International Education and Foreign Language Studies programs in the federal government. The programs support comprehensive language and area studies centers within the United States, fund research and curriculum development, and provide opportunities for American scholars to study abroad. Most of these programs were established under Title VI of the National Defense Education Act of 1958 or the Fullbright-Hays Act of 1961. For fiscal 1994, the Education Department has requested an appropriation of $54.1 million (roughly the same as previous years) for these programs which "not only promote general understanding of the peoples of other countries, but also serve important trade, diplomatic, defense, and other security interests of the United States."[7]

While most experts find the United States severely underprepared in the area of foreign language and international education, to the extent that the country has any significant capacity at all, particularly with respect to non-European languages and areas, it is largely the product of work funded through the Education Department. With NSEP's innovative emphasis on in-country undergraduate study of less commonly taught languages and on integrating graduate study of those languages and important technical specialties, it would be a natural complement to the existing foreign language and area studies programs of the Education Department.

Recommendation

Legislation should be enacted to move administration of the Boren program to the U.S. Department of Education, coordinating it with the Fullbright-Hays and Title VI programs. Technically, the National Security Education Act of 1991 should be incorporated into Title VI of the Higher Education Act of 1965. The Education Department should seize the opportunity to revitalize and upgrade the administration and policy oversight of all its foreign language and international education programs.

Implications

The era of global competitiveness is forcing new attention to effective foreign language education. The Goals 2000 legislation, for example, has added foreign language to the areas in which academic achievement must be raised to high new levels. Implementing this recommendation will demonstrate that "listening to the customer" can produce effective public-private cooperation to address critical national needs.

In addition, the NSEP enables students to exchange service for financial support and, in that respect, would reinforce one aspect of the Department's current Direct Loan proposal.

Fiscal Impact

This recommendation would save the costs of any further delay in implementing NSEP. It also would prevent the trust fund from being depleted from preparatory research, and administrative arrangements already largely in place at the Department of Education.[8]

Endnotes

1 "Statement of Senator David L. Boren announcing the Enactment of the National Security Education Act of 1991" (undated).

2 American Council of Learned Societies, "ACLS Resolution concerning the National Security Education Act" (undated). See, for example, Social Science Research Council, *Items* (June-September 1992), pp. 17-23.

3 "Association of African Studies Programs Motion on the National Security Education Act of 1991" (undated).

4 The Board of Directors of the Middle East Studies Association of North American (October 28, 1992).

5 National Security Education Program, "Responses to Concerns about the National Security Education Program," (February 26, 1993), pp. 1-2.

6 National Security Education Program "Pilot Program Models for the National Security Education Program: Working Paper #1" (Washington, DC: April, 1993), p. 7; "Responses," p. 1.

7 U.S. Department of Education, *The Fiscal Year 1994 Budget: Summary and Background*

Information, p. 57.

8 "Pilot Program Models."

Streamline and Improve Grants Management in the Department of Education

Background

Interviews with several Department of Education (ED) grant recipients have revealed frustration with the discretionary grant application process in the department. Grantees have complained about the lack of sufficient time between the notice of some grant programs and the date for filing applications, particularly in cases requiring collaboration among agencies or institutions. The department takes nearly three times as long to process and award grants than it gives applicants to develop proposals. Once applications are filed, ED further frustrates applicants' ability to plan for the following school year, including delayed notices of grant awards and requests to alter proposals as a result of the negotiation process.

Grant functions in ED are separated between program offices and the Grants and Contracts Service (GCS). Program offices in ED handle substantive programmatic issues related to a grant and make funding recommendations to the assistant secretaries, while the GCS deals with administrative issues, such as reviewing financial reports for allowable costs and tracking all applications, and financial and programmatic reports.[1] The first major step in the grants process is the promulgation of regulations and notices of proposed funding priorities which can take one year or longer. After publication of these, the approximate time frames for the major steps in the grant process are as follows:

1. Printing and mailing the application packages takes an average of two weeks, depending on the number of packages ED needs to print based on estimates of the number of applicants.

2. ED allows applicants a minimum of 45 days for preparation of applications or proposals under existing programs and 60 days for new programs.

3. The Application Control Center, an office of the GCS, receives and logs pertinent data into the Grants and Contracts Management System. Since the postmark on an application package establishes whether the submission meets the closing date requirement, ED allows a minimum of three weeks between the postmark deadline and the start of panel reviews to be sure that all applications are received. For competitions

expecting more than 500 applications, an additional one or two weeks is allowed.

4. The panel review process and preparation of an award slate takes a total of five weeks. This includes program office screening of applications for eligibility criteria (one to two weeks), peer reviewer reading and evaluation of proposals (one week), and program office administrative review of panel evaluations (three weeks).

5. Preparation of a funding recommendations memorandum for the assistant secretary's signature, including justifications for funding any application out of rank order, takes one week.

6. Negotiation of the award with the grantee and production of the award document takes approximately six weeks to complete. This includes reviewing to ensure grant file completion, independent cost analysis, negotiation of the final terms of the grant, and review of the grantee's revised budget.[2]

The department estimates that the normal discretionary award process—after ED publishes in the Federal Register the notice requesting application submissions—takes 26 weeks, of which only six to eight weeks is for the actual development of the application proposal.[3]

This lengthy process seriously affects ED's customers—the grant applicants and the beneficiaries of the programs, including students and teachers. The timing of the notice of grant programs often results in a grant award in the middle of the summer or as late as September—many months after the grantee has to begin planning for the school year in which the grant funds will be used. From the perception of some ED grant applicants, ED does not attempt to line up a review panel for some competitions until well after the application deadline.

The first of the major delays in the process occurs when ED must go through the rulemaking process before soliciting grant applications. These delays may reduce the time that applicants have to submit applications for new programs. Program regulations are promulgated for newly authorized programs, and even reauthorized programs often require major revisions to existing regulations. Rulemaking is also necessary for establishing priority area announcements to indicate to the public areas related to a specific program in which the Secretary wishes to focus the department's limited resources. The application packages themselves also go through the rulemaking process before publication in the Federal Register. The department estimates that the regulatory process—including clearance of application forms—takes nine to 12 months.

Some of the delays are caused by statutory provisions which place various unique restrictions on ED's rulemaking authority. According to the department, these provisions, contained in section 431 of the General Education Provisions Act, impede flexibility, constrain the setting of priorities, and delay the award of grants. The timing and logistical requirements placed on the department are incompatible with the timing constraints for running an efficient grants process and making grant awards on a timely basis. Examples of these unique provisions include requiring the department:

(1) To transmit regulations to Congress. The regulations cannot take effect until 45 days (subject to the rules of adjournment) after transmission, unless Congress passes a resolution disapproving the regulation. (Although this veto authority is considered uncontitutional in light of the Supreme Court's ruling in *Immigration and Naturalization Service v. Chadha*, the department still abides by the waiting period.[4])

(2) To transmit a rulemaking schedule to Congress 60 days after enactment of each peice of legislation. Final regulations must be published within 180 days from the transmisison of the schedule. Sometimes the department has to negotiate and transmit a new schedule to Congress. This process has the effect of ordering certain regulations to be published ahead of others that may be more necessary.

(3) To provide a cite of authority after every section of each regulation. This adds to the length and complexity of the documents. Other agencies can provide a cite or list of cites of authority once at the beginning of each document.

(4) To take public comments on any "rule of general applicabitlity," including priorites set for a one-year competition.

To remove some of these delays, the department has initiated reforms in the rulemaking process for programs requiring rulemaking action before ED can announce a grant competition. ED has begun using policy working groups for developing program regulations to reduce the time to get regulations cleared internally. These groups consist of interested internal program and support staff members and occasionally include a representative from the Office of Management and Budget (OMB). The group writes regulations, taking into account the concerns and ideas of the entire working group. Departmental nonparticipants in the working group relinquish the opportunity to comment on the regulation and do not sign off on the final proposed regulation.

In addition, ED, along with several other agencies, has recently agreed to participate in an OMB pilot project beginning in July 1993. Under this project, ED will submit to OMB a weekly list of upcoming regulations requiring OMB approval. OMB will then perform "triage" on the list to determine which regulations are of sufficiently low priority or risk that ED may promulgate them without OMB review and which regulations ED should continue to submit to OMB for approval.

The department has convened a quality improvement team to analyze and recommend further improvements to the regulatory process. The team's goals include determining whether appropriate ways exist for the department: (1) to avoid rulemaking for the first year of a new program; (2) to simplify procedures for the preparation and clearance of funding criteria and priorities for these programs, including reduction or elimination of OMB review; and (3) to better coordinate regulations and paperwork clearances to expedite these processes.[5]

The department has also used other methods to reduce delays and assist customers in planning. For some programs, the department prints in the Federal Register the program announcement with all forms necessary for completing the application. For other programs, potential applicants may have to call, write, or submit by facsimile a request for an application package. In addition, usually in September of the preceding fiscal year, the department prints in the Federal Register a combined application notice (CAN), which lists all programs that ED plans to compete in the upcoming fiscal year and gives the approximate date an announcement for each program will appear in the Federal Register. The department also prints a "mini-CAN" in April, updating the combined application notice with changes to competitions or information on new competitions.[6]

To further assist potential applicants in identifying programs and the availability of funds, the department recently instituted an on-line bulletin board (ED Board) with grant (and contract) information. The bulletin board has a limited database of program information which a potential applicant can search by program office, Federal Register announcement publishing date, or current availability of grant funds.

The department also notes a serious paperwork problem in many discretionary grant competitions. For example, applicants who may not have a realistic chance for funding often spend extraordinary time and effort preparing lengthy application packages. The department must then review all applications submitted. Some programs have initiated a pre-application process in which potential applicants submit a shortened application package. These pre-applications are then reviewed by the department. In the next round of competition, the department accepts applications only from those applicants who submitted the best pre-applications.

In addition to pointing out delays in processing, some customers have noted that the evaluation criteria used by ED for peer review often remain a mystery and a frustration. Peer reviewers, experts in their fields, bring specialized knowledge and expertise, which ED staff may not have, to the review of proposals. Although ED publishes evaluation criteria in the Federal Register and peer reviewers are supposed to review proposals objectively based on these criteria, some customers perceive that peer review panels look for specific ideas in a proposal, which are not printed in the Federal Register announcement and about which applicants are not adequately notified. After awards are announced, applicants sometimes cannot tell what differentiates a good proposal from a bad one. Awards made to middle-range applications appear to be made with no differentiating evaluation criteria. This raises the question of whether peer reviewers can effectively read and evaluate applications in accordance with the department's programmatic goals, or whether the department's criteria are written as clearly and objectively as necessary. Although the department is not bound to fund applications that peer reviewers rate highly, in most cases it does.

The peer review process costs ED considerable money and in some cases may not significantly contribute to the decision-making process. Senior staff frequently perform logistical tasks, such as photocopying proposals and booking hotel rooms, to run the panel reviews. In addition, in fiscal year 1992, ED spent $4.3 million on peer reviewer compensation and travel. ED estimates it will spend $4.9 million for fiscal year 1993.[7]

Even though grants specialists use an automated, standardized negotiation instrument, customers complain that the negotiation process is inconsistent, depending upon the grants specialist they speak to and even the time of year. Grants awarded toward the end of the fiscal year tend to be awarded with little or no negotiation. This is caused by, among other things, Congress' passing an appropriations bill after the start of the fiscal year, other delays which push the grant award process close to the end of the fiscal year in which the funds are available for expenditure, and the necessity to award all grants before funds expire at midnight of September 30th.

The department publishes a range of expected grant awards in the Federal Register notice announcing a grant competition. For example, the announcement may say that the department expects to award 10 grants in the amount of $200,000 to $300,000. Despite this, the program office reviews all proposals even if a proposal exceeds the upper level of the range. For example, if the department announces that awards will be made in the range of $200,000 to $300,000 and an applicant submits a proposal with a budget of $500,000, the department will still review the $500,000 proposal. Thus, proposals based on a budget which exceeds the upper level of department's award range compete alongside applications within the department's announced award range. It is questionable whether a proposal would score as high in the rankings if that proposal were based on a smaller budget.

Some grantees view the budget funding decisions as arbitrary.[8] Once ED cuts a grantee's proposed budget and requests revisions to the proposal to accommodate these cuts, the proposal may no longer look like the one the panel reviewed. Also, grantees noted that they are usually given only 24 hours to respond to negotiation requests, which frequently does not give them time to produce quality revisions or to get the required authorizing signatures within the applicant's organization.

Some grants are negotiated by personnel who may not have a full appreciation of the work proposed in the application. This is because the program officials who authorized the grant award usually are not involved in the negotiation. The grants specialist conducting the negotiation is well-versed in what may represent fair and reasonable costs for certain line-items but may not be able to suggest substantive program areas that should be cut out of the application to satisfy funding requirements.

Applicants and the department identified delays in notifying applicants of whether a proposal was selected for funding, especially if the applicant was unsuccessful. Current department practice is to delay informing unsuccessful grant applicants until grant awards are made. This practice appears to be driven by a concern that disclosure to an unsuccessful applicant before the funds have been obligated may invite congressional pressure to alter the funding slate. This practice, however, is harmful to the applicants and the students they serve. Delays in making this information available early impede good planning and decision-making by the applicant who should learn as early as possible whether it can expect to be funded.

At the end of each budget period during a grant (except for the final year of the grant), the grantee must submit to the department an application to continue funding for the next budget period. Through this process, known as the continuation application process, the department is supposed to review a grantee's performance to date and decide whether to award funds for continuation of the project for another one-year budget period. According to the Education Department General Administrative Regulations (EDGAR), projects may be funded for up to 60 months, but usually are approved with a budget period of not more than 12 months. The federal budget cycle, with its single-year appropriations that cause funds to expire on September 30 and newly appropriated funds to become available on October 1, necessitates the continuation application process.

Everyone involved in the grant process agrees that the continuation application process has serious flaws. Frequently, grantees must submit continuation applications after only a few months of operation. The grantee has had no time to collect useful data to help inform ED in making continuation funding decisions. The department recently convened a quality improvement team to study the shortcomings and possible changes to the continuation application and award processes.

Grants management extends to overseeing grantee operations during the project. The department monitors a grantee to ensure that it is achieving its goals and adhering to all applicable rules. Traditionally, monitoring of grantee performance has consisted of federal staff visits to grantee program sites. In some cases, Congress requires in a program's authorizing legislation that the department visit a certain number or percentage of grantee project sites each fiscal year. This requirement limits the department's ability to prioritize its visits to grantees based on relevant risk factors. For example, the department may have to visit low-risk grantees under a program with a congressionally mandated monitoring requirement, while higher risk grantees funded under programs without a congressional monitoring requirement may go without a site visit.

The department's fiscal year 1992 report to the President and Congress under the Federal Managers' Financial Integrity Act (FMFIA) cites the monitoring of all of its grants as a high risk area needing "significant improvement."[9] The department has taken a number of steps to address this problem. In the FMFIA report, ED notes that a Monitoring and Performance Measures Team (MPMT) was established "to ensure a unified and coordinated approach to developing a comprehensive system of monitoring standards and performance measures, which should improve accountability for the department's discretionary and formula grants."[10]

To further the performance measurement effort, the department contracted with the National Academy of Public Administration (NAPA) for a pilot project to begin developing performance standards for some programs. The first program that NAPA focused on was a formula grant program, the Eisenhower Math and Science Program. The contractor's draft report, as noted by ED in the fiscal year 1992 FMFIA report, "indicates that it will be even more time consuming to develop program specific standards than originally estimated."[11] The department recently expanded the pilot project to four other programs or areas.[12]

The department recently chartered a reinvention laboratory on performance measurement which will attempt to reach the following goals:

1. Identify the major programs or administrative functions to be studied by the laboratory;

2. Define the mission, goals, and objectives for each selected program and function;

3. Establish performance indicators for the selected programs or functions;

4. Develop strategies for measuring performance indicators;

5. Report performance in a clear and readable format; and

6. Propose action plans for putting the indicators to work in daily operations, including annual performance reports and planning for new funding priorities. This new

effort will coordinate with the existing MPMT.

These efforts should allow the department to focus on the performance outcomes of its grantees, as well its own internal offices. This new focus should allow the department to strike a balance between standard monitoring of grantees for compliance with procedural requirements and monitoring for programmatic performance.

The FMFIA report also cites a material weakness in grant (and contract) closeout, which is the final step in managing a grant. The report notes that in some cases "final products have not been received. These products could have been disseminated to further improve education." Without final reports, grants cannot be closed by the GCS staff. In addition, "without final reports [the department] cannot be sure that the terms of individual grants...are met."[13] This includes ensuring that federal funds were spent properly. Final program reports are not due from grantees until after the project period has ended.[14] Grants and Contracts Services (GCS) staff members, who are responsible for documenting the collection of the reports in official program files, cite a current difficulty in getting final reports from grantees who have already spent all of their funds. The only leverage the GCS staff has to get final reports from grantees is the authority to place the grantee on a list so that the grantee's noncompliance is taken into account when making future decisions about that grantee receiving federal funds under that specific program or when determining future eligibility for further funding from ED.[15]

Final reports are especially critical for demonstration projects. One type of report which describes a grantee's activities, including how federal funds were expended and whether the original objectives of the project were met. Other reports examine the results of a project, such as whether the project effectively achieved the desired outcomes. If a federally funded demonstration project is to have any national impact, ED must have documentation of program outcomes and barriers to implementation of the original proposal and how these were overcome.

Recommendations

1. Congress should repeal section 431 of the General Education Provisions Act. Repeal of this section would leave the department's rulemaking process subject to Title 5, United States Code, sections 552 and 553, and put the department's rulemaking process on generally the same statutory footing as other federal agencies.

2. To shorten the grant application review process, the Department of Education should change the policy for receipt of applications to require that applications be received by the closing date (not postmarked by the closing date), while extending the time available for applicants to prepare application packages. This policy is already used for responses to requests for proposals for contracts and would allow the department to be consistent in its dealings with customers. This requires a change to the Education Department General Administrative Regulations (EDGAR) and a change in the application packages so that grantees understand the new policy. Since three to five weeks are allowed for receipt of applications after the current closing date, this would eliminate a considerable portion of this time from the grants process. To avoid possible negative customer reaction that this would cut into the time to prepare proposals, the time between the publication of the program announcement and the closing date should be extended, especially in cases in which the project requires collaboration among agencies or institutions. The advantage to customers that they should have a shorter wait between the time a proposal is submitted and the when awards are announced.

3. The Department of Education should consider ways to reduce the unnecessary paperwork in applying for funding under some discretionary grant competitions. The department should consider various reforms such as limiting the length of applications and returning to the applicant unread any application that exceeds the limit, or requiring pre-applications--as a number of programs already do--and only accepting applications from those who submitted the best pre-applications.

4. The Department of Education should give program offices the flexibility to eliminate the peer review panel process in cases where it adds little benefit to the grant award process. The process places an incredible logistical burden and cost on the department. Program staff spend one week coordinating the panel review process and three weeks reviewing the work of panel reviewers to validate their work. Elimination in some programs would require legislative changes. Savings from the elimination of the panels could be used to offset the costs of contracting for services in Recommendation 3.

Program offices should assemble teams, with input from experts in the education field, to develop guidelines for determining where panel reviews add little value and to develop alternative, objective methods for reviewing proposals. Program offices should also identify ways to improve the peer review process, especially to (1) improve the quality of review criteria, (2) ensure that reviewers use the published criteria to objectively rate proposals; (3) improve methods of scoring; (4) reduce administrative costs, including travel and per diem expenses for reviewers, and (5) shorten the three-week period needed by program offices to review the work of the panels.

5. Where panel reviews continue to be used, the Department of Education should immediately contract out panel review logistics to a single contractor which would perform the function for all program offices, including photocopying of applications, booking hotel facilities, and other clerical functions. This would reduce the burden of panel reviews on the program offices.

6. The Department of Education should develop materials to better explain to customers how the department reviews applications so that applicants have a better understanding of what happens to an application once it reaches the department. This could be a separate pamphlet or an inclusion in the Federal Register program announcement.

7. The Department of Education should reduce the need for negotiation with grant recipients by publishing in the Federal Register program announcement the maximum amount of grant awards and return to the applicant, as disqualified from competition, any proposal which exceeds the maximum amount. Since decisions about the amount of awards are made before negotiations occur, it makes no sense to negotiate the bottom line of an award after the decision to fund a project has been made. Awards should be granted on the merits of the proposal submitted. This would also create fairer competitions because all proposals would be developed based on the same basic budget. This would no longer cause recipients to have to make major last minute changes to their proposals to meet the department's demands. Grants and Contracts Service staff would still review budgets for allowable and reasonable costs and negotiate any changes necessary.

8. The Department of Education needs to initiate immediate steps to further

standardize the negotiation process through staff training. ED needs to review and standardize its negotiation procedures. Then it needs to train all negotiators in the process with periodic refresher courses to ensure continued standardization of the process. This training could be included as part of the grant management training in Recommendation 7.

9. The Department of Education should notify applicants of the status of their applications and funding as early as possible to help applicants plan and, if necessary, seek alternative funding.

10. The Department of Education should improve training for program and grants specialists so they can better serve their customers. The department's Horace Mann Learning Center currently offers several grants management related courses which could serve as a starting point for this initiative.

11. Grants and Contracts Services (GCS) staff members should rotate to program offices and program office staff members should rotate to the GCS on detail periodically to remain in touch with, and gain a better understanding of, the work of the other part of the department. These rotations could be short four- to six-week details every two years and occur simultaneously to ensure that neither office is left shorthanded.

12. The Department of Education should eliminate the continuation application process for budget years within the project period. The department believes that the continuation process does not serve a meaningful programmatic or financial control purpose, but adds an administrative burden to program offices, GCS, and grantees. The process should be replaced by yearly program progress reports focusing on program outcomes and problems related to program implementation and service delivery, combined with the regular financial reporting as required by OMB Circular A-110. At the beginning of each new budget period within the project period, grantees should automatically receive authorization to obligate funds for that budget period unless the grantee notifies the department of a need for revision which must be reviewed and approved by ED, or unless ED becomes aware of some deficiency through program reports, audits, or other means. If Congress delays appropriating funds for the department, the department would be unable to authorize funds for the grantee's use until the appropriation is made. The department should reserve the right to require continuation applications from any grantee with a history of demonstrated financial or programmatic deficiencies.

13. The Department of Education should develop criteria for evaluating the quality of a grantee's final program progress report. The department's current directive on Discretionary Grant Closeout (C:GA:1-103) focuses on the receipt of final reports and a review to determine "whether or not each grant recipient has achieved the objectives of the grant and satisfied the grant requirements." The standards developed for these reports should address such issues as whether the grantee reported on all of the original program objectives, which objectives were changed and why, what implementation problems were encountered, and how the grantee dealt with these problems. To successfully attain these goals, program staff members will require training in the provision of technical assistance to grantees for the writing of reports which meet the standards ED develops. Finally, ED staff should provide information to grant recipients at the start of a grant in regard to the expectations for submission of a high quality final report which meets ED's standards.

14. The Department of Education should revise the Education Department General Administrative Regulations (EDGAR) to allow the Secretary of Education to refuse future funding under any department program, excluding student aid, to a grantee that has failed to submit a final program progress report or has submitted a report of unacceptable quality. This could begin as a pilot project within ED, which could then expand to other federal agencies with grant authority. It would add more authority to the department's ability to secure final reports from grant recipients, and to make grantees more accountable for performance. Failure to submit a final report should be considered at least as serious an issue of noncompliance as any misuse of or fraud involving federal funds.

15. The Department of Education should use identified risk factors to establish priorities in monitoring of grantees. The department must stop trying to spread its resources thin in an attempt to visit as many grantees as possible. Prioritized monitoring with swift action and repercussions for violations, combined with performance outcome measures supported by evidence, should prevent waste, fraud, and abuse. Possible risk factors could include organizational experience with grants, size of grant awards, demonstrated programmatic or administrative deficiencies, or recorded public complaints.

For some programs, this will require statutory changes as Congress often includes in program authorizing legislation a requirement for visiting a certain percentage or number of grantees per year. This increased flexibility will also give program office staff more time to assist grantees with substantive programmatic issues and technical assistance.

16. The Department of Education should continue the efforts of the Monitoring and Performance Measurement Team to improve monitoring and develop performance measures: (1) to identify successful programs and practices; (2) to aid in the dissemination of information to interested parties; (3) to provide technical assistance to grantees, potential grantees, and other interested organizations; (4) to assist grantees with substantive programmatic issues; and (5) to ensure compliance with grant terms and conditions.

Implications

Some members of Congress may resist removing the statutory restrictions on the department's rulemaking process, as this provision gives Congress unique involvement in that process.

Changes to the grant application review and award process could have implications for all federal departments, such as the Department of Health and Human Services, involved in the awarding of discretionary competitive grants.

Applicants for ED funds indicate that they would welcome a simpler system which allows them to understand how grants are awarded and which relieves their project staffs of administrative and paperwork burdens.

Elimination of the peer reader panel review process would probably be met with great resistance by some in the education field and Congress, since the change would deprive many people of the opportunity to participate in the grant award process. However, this could be mitigated by allowing experts in the field to participate in the process of determining in which cases these could be eliminated and in developing other objective review methods. Program offices would have increased discretionary authority in awarding grants.

The information from the collection of quality reports will help the department, as well as Congress, to make future decisions for the direction of program and budget priorities. However, there will be no direct costs or savings from this effort.

Many parties, including members of Congress, state education agencies, local education agencies, and other state and local officials will likely oppose the recommendation to bar noncomplying grantees from receiving any future education funds which could conceivably cut off the flow of significant federal dollars to some entities.

Fiscal Impact

Eliminating the peer review process for certain programs would save the Department of Education the costs of transporting reviewers to Washington, D.C., renting hotel facilities, and compensating them for their time. Some of these savings could be used to offset the increased costs of contracting out for the remaining panel review logistics as stated in Recommendation 3 above. In addition, with reduction of the negotiation process, the Grants and Contracts Service staff should have reduced negotiation work loads, with the possibility of shifting some staff time to other activities.

Endnotes

1. Conference call with Kentucky institutions of higher education, Eastern Kentucky University, University of Kentucky, Georgetown College, University of Louisville, and Kentucky State University, May 14, 1993.

2. "Required Length of Time for the Normal Discretionary Award Process--26 Weeks," Attachment to memorandum from Diana Culp Bork, U.S. Department of Education, Deputy General Counsel, Regulations and Legislation Service, to John Morrall , et al, June 19, 1992 (Photocopy).

3. Ibid.

4. *Immigration and Naturalization Service v. Chadha*, 103 S.Ct. 2764 (1983).

5. U.S. Department of Education, "Discretionary Grants Regulations Quality Improvement Project: Project Charter," Washington, D.C., p. 1. (Photocopy)

6. Interview with Steve Schatken, Office of General Counsel, U.S. Department of Education, Washington, D.C., June 28, 1993.

7. U.S. Department of Education, Chief Financial Officer/Office of Management and Budget figure cited by Sherlyn Taylor, Office of Human Resources and Administration, telephone interview, Washington, D.C., July 16, 1993.

8. Conference call with Kentucky institutions of higher education.

9. U.S. Department of Education, Federal Managers' Financial Integrity Act Report to the President and the Congress, Fiscal Year 1992, (Washington, D.C., 1992), p. B-12.

10. *Ibid.,* p. 2.

11. Ibid., p. B-14.

12. The project has expanded to include the accreditation, certification and eligibility process for institutional participation in student financial aid programs (Office of Postsecondary Education (OPE)); the Perkins Loan Program (OPE); Special Alternative Instructional Program (Office of Bilingual Education and Minority Language Affairs); and the Basic State Grant Special Education Program--Part B (Office of Special Education and Rehabilitative Services).

13. *Federal Managers' Financial Integrity Act Report to the President and the Congress, Fiscal Year 1992*, p. C-19.

14. 34 CFR 74.82(b).

15. 34 CFR 75.217(d)(3); C:GPA:1-13, VII. C.3, p. 11.

DRAFT August 10, 1993

Introducing Market Dynamics

Draft August 10, 1993

Provide Incentives to the Department of Education's Debt Collection Service to Increase Default Recoveries

Background

The Department of Education (ED) is responsible for managing several student loan programs. The largest of these, Federal Family Educational Loans (FFEL), will soon be replaced by the Federal Direct Student Loan Program (FDSLP), but will nonetheless continue to require substantial management for years to come until all loans have been repaid or forgiven. The FDSLP, President Clinton's legislative initiative that is a part of the current budget reconciliation package, would begin in 1994 and be fully implemented by 1997.

Under the current FFEL program, borrowers receive loans through participating lenders, such as banks, savings and loans, and credit unions. The loans made by lenders are "guaranteed" by one of 46 guarantee agencies. When a borrower defaults on a loan, the lender is reimbursed for the defaulted loan by a guarantee agency, the guarantee agency is then reimbursed by ED after fulfilling requirements to attempt to get the loan back into a repayment status. Within ED, the Debt Collection Service, a unit of the Office of Postsecondary Education, is responsible for collecting defaulted student loans once they have been assigned to the department from the guarantee agency.

The Debt Collection Service attempts to collect on the loan with its in-house collection staff. If unsuccessful in this in-house effort, the Debt Collection Service contracts with collection agencies to pursue the uncollected debt further. Although the Higher Education Act (HEA) authorizes ED to fund HEA related debt collection activities from default collection revenues, interpretation of statutory authority by the department and the Office of Management and Budget limits ED's ability to use default collection revenues solely to paying for contracts with private collection agencies. All other costs related to debt collection are currently funded out of ED's salaries and expenses budget. Since numerous activities impact the Debt Collection Service's ability to collect on defaulted student loans, ED's current ability to collect successfully on these loans is limited by the funds approved through the budget process.

One of the largest debt collection-related contracts, for example, supports the maintenance of a database for the FFEL and Perkins Student Loan programs. This contract also provides for billing borrowers, receiving payments, and depositing payments in the Treasury. Other debt collection-related contracts perform such functions as handling debt collection correspondence, preparing ad-hoc documents for litigation, tracking down addresses of defaulters, and supplying credit reports. Obviously, the availability of these and other services affects how effective the Debt Collection Service is in collecting on its portfolio of almost $5.7 billion in defaulted student loans.[1] Examples of the magnitude of debt collection-related workload are depicted in Table 1:

Table 1

Debt Collection Service -- Workload Data

Fiscal Year	Number of Accounts	Number of Bills and Letters Sent	Number of Telephone Calls Received
1990	1,045,000	8,000,000	900,000
1991	746,000	8,206,000	969,800
1992	1,001,000	11,000,000	1,300,000
1993 (projected)	1,400,000	15,400,000	1,820,000
1994 (projected)	2,250,000	24,750,000	2,925,000
1995 (projected)	2,900,000	31,900,000	3,770,000

Recent policy initiatives and levels of program activity indicate that debt collection warrants special attention. Defaults have grown by well over 100 percent over the last seven years, while regional debt collection staffing has declined by 18 percent.[2] In fiscal year 1992, defaults on student loans cost federal taxpayers $3 billion. Although the new Federal Direct Student Loan Program has been designed to reduce the complexity of student loans, in general, collection of student loans will remain a critically important function for ED. During the transition from the FFEL program to direct loans, the burden of debt collections could actually increase as lenders and guarantors in the current program begin to withdraw. Currently, the department carries about 1.5 million accounts in its defaulted student loan portfolio. This is up from about 1.0 million at the end of fiscal year 1992 and is projected to increase to 2.9 million accounts by fiscal year 1995. Much of this increase is due to liquidation of the Higher Education Assistance Foundation, a national guarantor of student loans that collapsed in 1992 and for which ED must assume all outstanding defaults. Although the more flexible repayment options incorporated into the new FDSLP, including income-contingent loan repayment, will reduce the likelihood of default, ED will remain responsible for collecting on those defaults that do occur in the new program. Given current resource levels, it will be impossible for ED to collect on the projected magnitude of defaulted loans without increasing substantially the resources (dollars and staffing levels) at its disposal.

The department uses several other tools to collect on student loans in addition to in-house and collection agency methods. The most successful of these is the Internal Revenue Service (IRS) tax refund offset, which resulted in collection of $512 million in fiscal year 1992. ED also garnishes the wages of federal employees that have defaulted on student loans and is developing a pilot wage garnishment program for private employers.

Although a 1990 study showed the department's revenue collection operation to be reasonably effective, resulting in a higher recovery rate than six of nine guarantee agencies studied, there remain both private and public sector methods and organizational structures that should be tested by the department to improve further its debt collection performance.[3] The IRS, for example, which has a strong record in enforcing compliance with the Internal Revenue Code, could be further used in the collection of student loans. It is incumbent on ED to explore these various alternatives. To do otherwise would be shortsighted and a disservice to the taxpayers. This is truly a situation in which ED will have to spend money to make money. There is little doubt the average citizen expects the department to maximize its net revenues from debt collection.

In addition to increased resource levels, revenues can be increased through productivity increases. One method of increasing productivity is through the use of gainsharing programs. Gainsharing programs use incentives and employee involvement systems such as incentive payments and cooperative labor-management relationships to improve productivity and achieve more efficient, effective use of resources. Guidance regarding implementation of gainsharing programs within the federal government has been issued by the Office of Personnel Management.[4]

A prototype of gainsharing was implemented in 1987 within the Debt Collection Service and was considered successful. Nicknamed the Midas Program, this gainsharing program was in effect for the last five months of fiscal year 1987 and helped increase revenues by $16 million. Given the business-type environment of the Debt Collection Service, with productivity increases fairly easy to measure, a gainsharing program seems a logical step in efforts to increase revenues.

Recommendations

The Department of Education's Debt Collection Service should develop a strategy and evaluation plan, to be adopted by the end of fiscal year 1993, which:

1. Identifies ways in which the Debt Collection Service can use a proportion of the revenue it collects to fund more of the costs of its operations.

2. Tests the effectiveness of different revenue enhancing measures.

3. Re-institutes a gainsharing program within the Debt Collection Service.

4. Identifies ways in which personnel, contracting, budget, and logistical policies can be adapted to enhance the effectiveness of the Debt Collection Service.

5. In order to insure that lower income students are not adversely affected by

the increased debt collection activity, the department should insure that repayments for those least able to repay are based on income, similiar to the income contingent provisions of the FDSLP.

Implications

Even though legislation for the administration's direct loan proposal includes additional funding for debt collection activity, the Debt Collection Service's most optimistic projections show new defaults outpacing collections and write-offs for the next five years due to the dramatic increases in loan volume during the 1980's. The recommendation would give ED the flexibility needed to deal with the rapidly growing defaulted student loan portfolio. In addition, the department would be able to take advantage of rapidly changing technology (e.g., call routing, caller ID, optical scanning) to generate additional collection revenue.

The increased collection efforts brought about by the recommendation would have a side benefit as well. The increased emphasis on collecting defaulted loans would send a strong message to defaulters and potential defaulters. This message along with the income contingent repayment options included in the direct loan program could have a significant impact on the percentage of loans that end up in default.

The recommendation involves a total increase in staffing levels of 52 full-time equivalents (FTEs) through fiscal year 1995. Given the President's plan to reduce overall FTE levels, the proposed FTE increases would have to be offset by decreases in other areas of the federal government. The department's FTE level will decrease by 106 in fiscal year 1994 from the funded level in fiscal year 1993. Without the additional FTEs, the ability of the Debt Collection Service to collect the level of revenue estimated below is problematical. If the FTE increase is not approved, the cost savings will need to be reexamined by the department. The need for additional FTE will be even greater with the implementation of the direct loan proposal.

Draft August 10, 1993

Fiscal Impact

In Millions of Dollars

	1994	1995	1996	1997	1998	1999
Budget Authority	$37.9	$89.9	$140.8	$144.3	$152.0	$159.9
Outlays	$37.9	$89.9	$140.8	$144.3	$152.0	$159.9
Change in FTE	+36	+52	+52	+52	+52	+52

Endnotes

1. Represents estimated account dollars for loans included in ED's portfolio of defaulted student loans. By 1999, the dollar value of the defaulted student loans held by the department is estimated to be at least $9.8 billion.

2. U.S. Department of Education, *Debt Collection Service FY 94/95 S&E Budget Request*,undated, pages unnumbered.

3. U.S. Department of Education, Office of Postsecondary Education, Stafford Student Loan Program, Pilot Debt Collection Study,(Washington, D.C., November 30, 1990), p.4.

4. U.S. Office of Personnel Management, Federal Personnel Manual Letter 451-6,(Washington, D.C., April 10, 1989.

Simplify and Strengthen the Institutional Eligibility and Certification Process for Participation in Federal Student Aid Programs

Background

There are 8,500 colleges, universities, community colleges, and proprietary schools approved by the Department of Education (ED) to participate in the federal student-aid programs.[1] Participation in these programs allows students attending these institutions to receive funds from the federal government's two largest student aid programs (Guaranteed Student Loans and Pell Grants), as well as aid from several smaller loan, grant, and work-study programs also funded through the department. Each year, approximately 200 new applications are submitted and another 150 applications are submitted by proprietary vocational institutions whose ownership has changed. The eligibility and certification process has been criticized persistently by the ED Office of the Inspector General (OIG) and the U.S. General Accounting Office (GAO) as not providing sufficient assurance that the approximately $20 billion in federal student aid generated annually will be used as intended. Although federal losses on defaulted student loans declined in 1992 (from $3.6 billion in 1991), defaults still cost the taxpayers $3.0 billion.[2]

Institutional eligibility to participate in the financial aid programs has been based on the three criteria of accreditation, state licensure, and federal certification. To become eligible, an institution must be certified by an approved accrediting body. Since the institutions being accredited are members of these accrediting bodies, there is not always a strong incentive for close scrutiny of institutions. Institutions must also be licensed by the state. While some states have played a strong role in licensing, most states have not chosen to vigorously monitor or review schools licensed within the state. Obtaining a license often involves little more than submitting an application and paying a fee. As a result, the department has been the last link in the chain of ensuring schools are both administratively and financially able to provide the education promised. Since the current review process relies on labor intensive analysis of mostly subjective criteria (e.g., facilities and equipment, faculty training, support services, and administrative abilities), the department has not been able to adequately perform this function given staffing limitations and the sheer number of institutions involved in the program. In addition, studies have shown a weak relationship between the school inputs mentioned above and a school's effectiveness in providing an education to students.[3]

As a result of the high student default rates and media coverage of financial abuse by some institutions, proprietary schools have been the focus of much criticism aimed at the student financial aid programs. The amount of federal student financial aid being used to attend proprietary institutions providing vocational training has dramatically increased over time. Between fiscal years 1979 and 1988, the number of students receiving loans at proprietary institutions rose from 7 percent of borrowers to over 34 percent of borrowers. During the same period, the dollar amount of loans associated with proprietary school students rose from 6.2 percent to just under 30 percent of total dollar value of Guaranteed Student Loans.[4]

The primary factor in determining whether an institution can continue to participate in federal student loan programs is what is called the cohort default rate. This is the percentage of borrowers who enter repayment during a given fiscal year who default before the end of the next fiscal year. Congress and the department have done much in recent years to restrict participation of schools with excessive default rates. In 1994, schools can be eliminated from participating in the loan program if their cohort default rate is 25 percent or higher, but the school is not automatically eliminated from participating in other federal student aid programs (such as Pell Grants). Cohort default rates for fiscal year 1989 by institution type were as follows:[5]

Type	Default Rate
Proprietary	35.0%
Public 2-year	16.2%
Private 2-year	16.0%
Public 4-year	6.4%
Private 4-year	6.1%

Since students attending proprietary schools borrow more than one-fourth of guaranteed student loan funds, a default rate of 35 percent is very costly to taxpayers.

Some estimate that the rate is now closer to 45 percent. Students attending proprietary schools account for about 70 percent of loan default dollars.[6] In 1991, 70 percent of default costs amounted to more than $2.5 billion.

Problems exists with the use of the cohort default. The cohort default rate counts all borrowers that go in default, even after the borrower resumes making payments. The current method of determining defaults does not take into account the percentage of students at a school that receive loans or the proportion of dollars in default, therefore, there is no distinction between schools that rely on federal student aid programs for the bulk of their revenue and those that have very few students receiving loans.

There are two main reasons for high default rates. One reason is that the education being provided is not effective and therefore does not allow the student to obtain a job in their field of study or a job with a sufficiently high level of earnings. The second factor is that there is little demand for students in the particular field of study or occupation for which the student is being trained. In either case, by allowing the student to receive financial aid at an institution with a record of enrolling a large number of students who default, the federal government in essence lends a degree of legitimacy to the institution involved and expectation of employment (following graduation) by the student. Too many times, the student ends up with sizable debts, little or no education of value, and no job. As a result, he/she is unable to pay back their loan and the taxpayer is left holding the bag. This situation was characterized by the GAO as follows:

> Many people believe that students who typically default on their loans got a good education for their money, became doctors or lawyers, and simply chose not to repay. While this happens sometimes, the more common situation is far different. Many defaulters are poor, attended a proprietary school, dropped out of their course of instruction, and have little or no means to repay. Some were "pressured" by unscrupulous recruiters to enroll in proprietary schools that provided a poor-quality education and dismal employment prospects. As a result, many such students failed to get value for their money and are reluctant or unable to repay their loans.

Students who fail to repay their loans, however, may suffer greatly for that default. They may (1) be denied other federal student aid, (2) receive a negative credit rating, (3) have their income tax refund seized, and (4) have their wages garnished.[7]

There are many examples of problems within the financial aid system. Three Texas proprietary schools enrolled 2,600 students in security guard training that was about 300 hours in duration. The schools received $7.4 million in student-aid payments, even though the students could have been trained in a 30-hour course for about $260,000.[8] Another example is the Inspector General's finding that $725 million in student aid funds went to train 96,000 cosmetologists in 1990, even though the current supply of trained cosmetologist greatly exceeds the number of available jobs.[9]

The process by which institutions are approved to participate in federal student aid programs was dramatically altered in the 1992 reauthorization of the Higher Education Act (HEA) of 1965. Institutional approval was put on a four-year cycle, for example, and audited financial statements were required annually rather than biennially. The 1992 reauthorization of HEA also contained provisions for state review programs of postsecondary institutions. The state review program is an effort to establish a shared state and federal responsibility for oversight of postsecondary institutions that participate in student financial aid programs by providing federal funding to support their review programs. The 1994 Budget for the department contains a proposal for states to share in default costs through a default penalty fee, beginning in fiscal year 1995.[10] While these changes are expected to significantly improve the certification and eligibility process, the use of performance measures would ensure students have a reasonable chance of graduation and employment before the government provides federal resources to an institution.

The Job Training Partnership Act (JTPA) program shares some of the same goals as training provided by proprietary schools. While the department is working with the Department of Labor on the issue of school-to-work transition (which involves JTPA), there is not a link to occupational training funded through student aid at this time. JTPA allows for incentives to providers to encourage effective training programs and successful job placement. Up to 6 percent of a states's JTPA funds are set aside to reward agencies that perform well.[11] Introduction of performance measures into the student-aid program would encourage the same type of behavior by proprietary schools, et al.

The certification and eligibility function within the department involves the ongoing compliance activities to ensure that institutions that have been certified to participate in student-aid programs do not mismanage federal funds. In order to ensure the proper management of the programs by participating institutions, there are numerous rules, regulations, and reporting requirements that have to be complied with by all institutions participating, regardless of the risk involved. As a result, a school like the University of Virginia is subject to the same oversight and reporting requirements as a cosmetology school.

The department currently has a pilot quality assurance program with over 100 schools that focuses on prevention of errors rather than after-the-fact inspections. While the current method of program reviews and audits relies on penalties to deter mismanagement of the program, the quality assurance program provides institutions with management flexibilities and incentives based on performance and accountability.[12] This program has proven to be very successful thus far and has resulted in improvements in student-aid management by even well respected schools.

Recommendations

1. Congress should enact legislation allowing the department to implement changes in the measures of school quality as a pilot project. These changes should include the following:[13]

(A) Additional default indicators, including a default rate based on proportion of dollars in default and the percentage of students receiving loans.

(B) Develop profiles of high risk institutions that are potentially insolvent or likely to misuse student aid funds. These profiles would then be used to concentrate oversight resources on institutions that pose the greatest risk.

(C) Use outcome measures to determine performance of participating schools, regardless of course length. These measures would include program completion rates, employment and earnings following program completion, and occupational skills testing to determine if students had acquired the knowledge required for the occupation for which the training was undertaken. Unsatisfactory performance would be grounds for removing an institutions eligibility to participate in the program.

2. **Congress should pass legislation allowing the department to develop a pilot test of performance funding of schools.** Under this pilot, a certain percentage of funds would not be disbursed to the school until a student has successfully completed the program of instruction and been employed for 90 days. A variation on this theme would be to provide a bonus to the school for successful training, placement, and retention of students.

3. **Congress should pass legislation to remove eligibility for participation in all federal student aid programs once a school has been determined not eligible for participation in the student loan program.** Currently, a school remains eligible for Pell Grants and other student aid programs even though it cannot participate in the Guaranteed Student Loan program due to unsatisfactory default rates.

4. **The department should review the accuracy of, then expand the current institutional Quality Assurance Program to provide regulatory relief to more institutions with reliable performance.** Performance data should be published so that students and parents can make informed choices among institutions of postsecondary education.

Implications

The recommendations would further strengthen the certification and eligibility function and make performance a key ingredient into whether an institution is allowed to participate in the student financial aid program.

Fiscal Impact

There is a fiscal impact related to the recommendation to eliminate eligibility to participate in all student financial aid programs if an institution becomes ineligible to participate in the student loan program.

In Millions of Dollars

	1994	1995	1996	1997	1998	1999
Budget Authority	$74.0	$74.0	$74.0	$74.0	$74.0	$74.0
Outlays	$74.0	$74.0	$74.0	$74.0	$74.0	$74.0
Change in FTE	0	0	0	0	0	0

Endnotes

1. Thomas Toch, "Defaulting the future," *U.S. News and World Report*, vol. 114, no.24, (June 21, 1993) p. 57.

2. U.S. General Accounting Office, High Risk Series, *Guaranteed Student Loans*, GAO/HR-93-2,(Washington, D.C., December 1992), p. 6.

3. U.S. Department of Education, *Beyond Defaults: Indicators for Assessing Proprietary School Quality* (Washington, D.C., August 1991), p. ii.

4. U.S. Department of Education, *Research Findings From the 1987 National Postsecondary Student Aid Study* (Washington, D.C.) p. A-2.

5. U.S. Department of Education, *Fiscal Year 1991 Annual Evaluation Report* (Washington, D.C.), pp. 502-8.

6. U.S. General Accounting Office, *Student Financial Aid, Education Can Do More to Screen Schools Before Students Receive Aid*, Report to the Chairman, Subcommittee on Postsecondary Education, Committee on Education and Labor, House of Representatives, HRD-91-145 (Washington, D.C.), p. 2.

7. U. S. General Accounting Office, High Risk Series, *Guaranteed Student Loans*, pp. 21-22.

8. Toch, p. 60.

9. U.S. Department of Education, Office of Inspector General, *Semiannual Report to Congress* (Washington, D.C., April 30, 1993), p. vii.

10. U.S. Department of Education, *The Fiscal Year 1994 Budget: Summary and Background Information* (Washington, D.C., 1993), pp. 42-50.

11. U.S. Department of Education, *Beyond Defaults: Indicators for Assessing Proprietary School Quality*, pp. 36-37.

12. U.S. Department of Education, *Proposal for the Office of Postsecondary Education to Be A Reinventing Government Lab* (Washington, D.C., May 7, 1993), pages unnumbered.

13. These recommendations were among those contained in: U.S. Department of Education, *Beyond Defaults: Indicators for Assessing Proprietary School Quality*, (Washington, D.C., August 1991), pp. 18-59.

Draft August 10, 1993

The Department of Education Should Create a Single Point of Contact for Program and Grant Information

Background

Customers of the Department of Education (ED)--State Education Agencies (SEAs), Local Education Agencies (LEAs), community-based organizations (CBOs), Native American tribal governments, colleges and universities, individuals, and others--should have reasonably easy access to complete information on the department's programs, contracts, availability of funds, and other education resources. This information will allow customers to make the most effective use of their time and resources, to find the best match between their functional capabilities and ED programs, and to access ED's educational resources.

Currently, a potential applicant must contact multiple sources to access information on individual programs and obtain application information and forms. The Department of Education lists nearly 230 programs in its *Guide to U.S. Department of Education Programs*. The *Catalogue of Federal Domestic Assistance* (CFDA) also lists the department's programs, along with other federally funded domestic programs. In fact, ED's *Guide* directs potential applicants to the *CFDA* for "a more detailed description of each program." In addition, the Federal Register prints, at various points in the grants process, regulations, priority area announcements, and application deadline information related to these programs. For some programs, a potential applicant can get the appropriate application form in the Federal Register, while for other programs, a potential applicant must call the department. Under these circumstances, a potential applicant likely will not identify the programs which best match its capabilities and the populations it serves.

Within the department, program and staff office personnel spend time responding to inquiries from the public regarding each of these programs. Customer complaints of multiple telephone transfers also indicate that department personnel answering telephone inquiries frequently do not know who should handle calls pertaining to certain inquiries. From the customers point-of-view, this creates an image of a department that does not know who has information about its own programs. To make matters worse, a card distributed by the Office of Education Research and Information has five different telephone numbers at the Department of Education to call for information. The five different telephone numbers only pertain to five specific areas of interest within the department. If customers wanted to find out something other than the items listed on the card, they would have to either call one of the numbers listed and ask for help finding the appropriate office and contact or start from scratch. Also, the phone numbers do not simplify the search if the caller does not know in advance to which office they need to speak.

The department has a number of on-line services available, some open to limited audiences, others open to the public. These on-line services operate out of different offices within the department with no apparent strategy for determining what information needs to be available and how best to provide that information to the department's customers. The department recently instituted an on-line bulletin board (ED Board) with limited grant and contract information. The bulletin board has a limited data base of program information which a potential applicant can search by program office, Federal Register announcement publishing date, or current availability. However, a potential applicant cannot search the database by key words related to eligibility criteria. The department is also developing a system called Sources of Materials and Research about Teaching and Learning for Improving Nationwide Education (SMARTLINE) that is intended to disseminate educational information to teachers, administrators, parents, librarians, and community members. SMARTLINE will contain four prototype databases:

- Programs and Practices
- Funding Opportunities
- Sources of Help
- Research Results.[1]

A third system called ERIC, Educational Resources Information Center, provides access to the largest education database in the world.

The services mentioned above coupled with a growing number of services available through the private sector to help the public, businesses, and governments learn about and successfully compete for grants and contracts make it apparent that the department needs to implement a unified information retrieval system for its many customers. The Texas

Comptroller's Office has established a comprehensive computerized directory of state and federal grants that anyone in the nation with a computer and a telephone modem can use to search for possible sources of funds. This system was built in-house, using off-the-shelf software and allows users to look up information on 2,000 grants as well as send electronic mail messages.[2] Many other government agencies are moving to this technology to make their services more easily accessible.

Recommendations

1. The Department of Education should create an on-line database with multiple modem access capability which would allow potential applicants to obtain information on available grants, fellowships, and student aid through a single contact. This database could also be used to disseminate information about important topics in education, research findings, and best practices. If the database software is not capable of handling the volume of information anticipated to be put on-line, it could serve as a gateway to one or more other databases (such as ERIC), thereby simplifying access to information to the general public and other interested parties.

As part of the on-line database, the department also should maintain an up-to-date file with specific names, phone numbers, and addresses to contact for information on a specific topic, grant, or issue. Once all ED employees are connected by a local area network, this list of contacts could be contained in a database which anyone answering a call coming into ED could search to find the name and phone number of the appropriate person to whom the call should be referred. In case of a planned absence from work, the designated contact could identify an alternate contact directly into the database.

2. The department should establish a single phone number that anyone desiring information or forms could call to receive assistance. This would involve setting up an office that would handle the phone calls, take care of simple tasks such as mailing out grant applications, and be able to forward any calls that required more in-depth knowledge to the correct person within the department. This would be much in the manner of the services provided by such companies as General Electric, whereby you can call one toll-free number and get help with questions about any of their products.

Since the department does not know how many telephone calls are received, it is impossible determine the exact size of the staff needed to handle this centralized "help line." As a result, the size of the office would have to be adjusted based on the actual number of calls received.

Implications

Should the department or Congress institute such changes, a number of parties would benefit. A potential applicant for Department of Education funds would only have to make one contact with the department to receive information on programs for which it is eligible and for which it may wish to apply for funding. At this time, the department does not count the number of phone calls or written inquiries received each year, but since ED receives approximately 30,000 applications per year (1 million applications are mailed to potential applicants each year), the recommended changes, if instituted, could benefit these applicants plus others who possibly decide not to apply or could not apply because they did not get timely or proper information.

Implementation of the recommendations would put the department in the forefront of customer service within the federal government. The technology needed to implement the suggested improvements is readily available and widely used in private industry, as well as many state and local governments. The department could serve as a pilot project for the entire federal government in providing first-rate customer assistance. The system could be expanded at a later point to include such things as electronic transmission of grant applications and instructions for completion of applications.

Fiscal Impact:

The department would incur the cost of developing the database software, purchasing the necessary communications and computer equipment,providing training, maintaining the database and equipment, as well as personnel salaries for staffing the clearinghouse. Users would be required to pay their own long distance fees. Program offices would experience an increased availability of program staff time currently spent on answering public inquiries that the clearinghouse would now answer.

In Millions of Dollars

	1994	1995	1996	1997	1998	1999
Budget Authority	$-.3	$-.3	$-.3	$-.3	$-.3	$-.3
Outlays	$-.3	$-.3	$-.3	$-.3	$-.3	$-.3
Change in FTE	+6	+6	+6	+6	+6	+6

Endnotes

1. U. S. Department of Education, *Sources of Materials and Research about Teaching and Learning for Improving Nationwide Education*, undated. (information paper)

2. Press release from Texas State Comptroller's Office, *Comptroller's Free Computerized Bulletin Board Now Offers A Directory of Available Grants and Loans*, (Austin, Texas, May 5, 1993).

DRAFT August 10, 1993

Creating a Quality Management Culture

Improve Employee Development Opportunities in the Department of Education

Background

Employee development has been identified frequently as an area in need of improvement in the Department of Education (ED). The U.S. General Accounting Office (GAO), in its recently published general management review of ED, concluded:

> ED has been unsuccessful in developing and upgrading the skills of its current work force due to insufficient training resources. ED managers and several reports identified serious skill weaknesses in such areas as accounting, finance, analysis, writing, and management. But, throughout the 1980's, ED lagged far behind the growth in training investment in the federal government as a whole.[1]

The term "employee development," as it will be used in this discussion, includes the full spectrum of activities which can potentially contribute to the career development of the individual in the workplace. Such activities as training, rotational assignments, college courses, participation on task forces, cross-training and conference attendance are possible elements in a well-formulated employee development plan.

The "employee development plan" (or individual development plan) is a plan jointly developed by employee and supervisor which indicates the career development goals of the employee and the specific activities/experiences that will advance the individual toward those goals. It is a plan, not a contract. It provides a direction for the individual in the context of the organization's needs and resources to support the plan. As an illustration, a potential executive's development plan might include an assignment to a regional office (i.e., rotation) lasting several months, while an appropriate developmental activity for a mid-level employee might be a one-week training course in supervision. The gamut of possibilities for employee development ranges from on-the-job training to a year-long sabbatical. Both organizational needs and resources, as well as individual needs, must be taken into account when implementation decisions are being made regarding employee development plans.

Employee training and development in ED is provided in two ways: centrally through the department's Horace Mann Learning Center (HMLC), which offers department-wide training in generic areas including secretarial skills, supervisory and management skills, career development, communications, contracts and grants administration, and other areas. The HMLC budget for fiscal year 1993 is $960,000, which equates to approximately $192 per employee (based on a workforce of 5,000).

Training funds are also allocated in the department's salaries and expenses (S&E) budget to each of the Principal Operating Components (POCs). These funds are generally used for technical training and conferences related to particular program areas. However, POCs have the prerogative to move funds to other categories within the S&E budget, e.g., to travel, computer services, consultants, and so on. In recent years, though the department sought higher S&E appropriations, Congress significantly reduced their requests.

The overall employee development needs in ED are graphically described in the Strategic Training Plan for the department:

> In addition to having to be more and more productive, we are also experiencing increased pressure for programmatic and fiscal accountability.... The need for fiscal and program accountability takes on additional urgency when we note that the number of contracts awarded by the Department increased by the end of 1991 a total of 147 percent from fiscal year 1986 levels and the number of grants awarded increased by a total of 53 percent from FY 84 levels. The focus on fiscal and program accountability requires a significant increase in training in financial and program management skill areas often ignored by Department employees in current training.[2]

An example of the neglect of employee development is identified in the GAO High-Risk Series report on the department's Guaranteed Student Loan program, administered by the Office of Postsecondary Education (OPE). While the program has been generally successful in providing access to money for education, the department, in 1991, had to make good its guarantee on $3.6 billion in defaulted loans. Among other causes of this large default rate, the report identified OPE staff qualifications: "The Department has not had adequately trained staff, and some lacked appropriate skills.... Its staff have lacked experience, training, and proficient skills in finance, information systems, data analysis, planning, and policy making."[3]

According to a U. S. Office of Personnel Management report for fiscal year 1988, the Department of Education had one of the lowest expenditures for training per employee of all agencies of comparable size.[4] GAO indicated that, during the period from 1981 to 1989, the average expenditures for training in the federal government as a whole increased by 162 percent, while those in ED increased only 18 percent, as illustrated in the following table:[5]

Table 1: Training Expenditure Comparisons Between ED and Federal Government as a Whole

Training Expenditures

Reports from the ED regional offices and from the director of ED's Horace Mann Learning Center (HMLC) indicate that training and development opportunities are even fewer for regional than for headquarters staff. The regional offices are at a particular disadvantage because they generally have even fewer funds and because there are no staff with full-time training responsibilities.[6]

In their 1992 book *Putting People First: How We Can All Change America* President Clinton and Vice President Gore assert: "If America is to regain its competitiveness, we must revitalize the American workplace to increase productivity and expand opportunity." One of the many goals they set for the new administration is to provide lifetime training for all workers by requiring that every employer spend 1.5 percent of payroll for continuing education and training.[7] The Department of Education is, at present, far from attaining this benchmark figure. In 1992, the total ED payroll was $262.5 million which would translate into an expenditure of $3.9 million for training at the 1.5 percent goal. The department's total training expenditure for 1992 was $1.7 million, less than one-half of the target level.

The mission and role of the department is clearly shifting as the systemic reform movement in education gathers momentum. States and local districts are moving forward. The department still has the opportunity to play a crucial leadership role in this historic change if its staff are adequately prepared for the task. The General Accounting Office asserts that if the department is to truly lead the government's reform efforts in education then "[ED] ...will need a skilled work force. But the department does not adequately recruit, train, or manage its human resources to ensure that workers can accomplish its mission and implement Secretarial initiatives."[8]

Further, the staffing needs in the department are changing, but there is little turnover. This means that extensive technical training and retraining is essential for those who are there. As one Acting Assistant Secretary stated: "We should ensure that staff have the skills to carry out new roles caused by reform and provide the training necessary to keep those skills current."[9] A report to the department issued during the transition between administrations argued: "...significant resource commitments must be made to provide retraining opportunities for all staff... . "[10]

Recommendations

1. The Department of Education should set employee development as a priority and make necessary resources available. Employee development should be an element in the department's strategic plan and in strategic plans within each Principal Operating Component and Regional Office. Training identified in the department's strategic plan and the strategic plans in Principal Operating Components should be linked to budget requests during the annual budget preparation process.

2. The department should conduct an assessment of the training and

development needs for each Principal Operating Component and Regional Office, and for each individual employee, so that future planning and budgeting can be well-grounded in data. The department must first determine the qualifications required for each position and then determine if the individual in the position meets those qualifications. Skill gaps must be determined and individual development plans formulated. Agencywide training plans should address identified needs based on departmental priorities.

3. Managers throughout the department, including Regional Offices, should be held accountable for investing in and supporting employee development activities by including this as an element in each manager's performance plan. The Horace Mann Learning Center should prepare regular reports to senior management on the extent to which employees in their offices have been engaged in training. Without such data, it will be hard to hold managers accountable for appropriate planning for and support for training.

4. Funds should be allocated to the Horace Mann Learning Center (1) to develop generic curriculum useful to all employees to support new directions indicated by the National Education Goals, such as performance measurement; and (2) so that the HMLC can address the use of alternative means of delivering learning services to employees, e.g., the use of distance learning and desktop personal computers.

5. Principal Operating Components should be encouraged to make use of their own internal staff expertise to provide training events for others in the department. Some central support will be needed to stimulate and coordinate the use of ED staff in this way. The Horace Mann Learning Center should establish a formal ED Faculty program to coordinate, provide assistance, and disseminate information on the use of department staff to conduct training.

6. Employees should be encouraged to develop and implement individual development plans that indicate the skill and knowledge areas needing attention and the training and development activities that will address those areas.

7. The department should make full use of free training opportunities available through other government agencies and non-federal organizations.

Implications

As stated above, turnover rates in the department are very low and employees in the department need both training and retraining in order to perform their jobs adequately. Providing ED employees the knowledge and skills necessary to perform their jobs effectively will address a number of the "reinvention" principles. First, it will enhance customer service: state and local education agencies, other grantees, and the public, as well, will benefit from the expertise of well-trained, knowledgeable department staff. Second, knowledgeable employees will be empowered to work productively, make decisions and move forward programmatically.

Fiscal Impact

Since figures are unavailable from the department, the benchmark figure of 1.5 percent of payroll, suggested in *Putting People First,* is being used to arrive at an estimate of the fiscal impact. Current ED expenditures are considerably below that mark. To reach the 1.5 percent of payroll, the added budget authority for the next six years would total $19.2 million. However, it should be understood that the amounts below do not reflect actual costs to implement the recommendations. Before actual amounts can be determined, the department must produce training and development plans at the agency, Principal Operating Component, regional and individual levels.

Fiscal Impact Table

In Millions of Dollars

	1994	1995	1996	1997	1998	1999
Budget Authority	$ -2.8	$ -3.0	$ -3.1	$ -3.3	$ -3.4	$ -3.6
Outlays	$ -2.8	$ -3.0	$ -3.1	$ -3.3	$ -3.4	$ -3.6

Change in FTE	0	0	0	0	0	0

Endnotes

1. U.S. General Accounting Office. Department of Education: Long-Standing Management Problems Hamper Reforms (Washington, D.C., May, 1993), pp. 33-34.

2. U.S. Department of Education. "Strategic Training Plan for the Department of Education," FY 1993-1997, pp. 2-3.

3. U. S. General Accounting Office. High-Risk Series: Guaranteed Student Loans (Washington, D.C., December, 1992), pp. 28-29.

4. U.S. Office of Personnel Management. Training in the Federal Service, Fiscal Year 1988, pp. 20-21.

5. U.S. General Accounting Office. Department of Education: Long-Standing Management Problems Hamper Reforms (Washington, D.C., May, 1993). p. 40.

6. Interview with Dr. Terry Newell, Director, Horace Mann Learning Center, Department of Education, Washington, D.C. , May 19, 1993.

7. Bill Clinton and Al Gore, Putting People First: How We Can All Change America (New York: Times Books, 1992) pp. 126 and 128.

8. U.S. General Accounting Office. Department of Education: Long-Standing Management Problems Hamper Reforms (Washington, D.C., May, 1993), p. 3.

9. U. S. Department of Education, Office of Elementary and Secondary Education Memorandum (Washington, D.C., March 26, 1993), p. 1.

10. Education Cluster Briefing Report. (Washington, D.C., January, 1993), p .9.

DRAFT August 10, 1993

Now is the Time

Eliminate the Grantback Statutory Provision of the General Education Provisions Act

Background

The General Education Provisions Act (GEPA) gives the Secretary of Education authority, whenever funds are recovered from a grant or cooperative agreement recipient, to repay--or "grant back"--to the recipient up to 75 percent of the recovered funds provided the recipient agrees to meet certain conditions. Funds are recovered as a result of audit findings of non-compliance with the terms of the grant or cooperative agreement. This provision applies to all recipients of federal education funds except funds received under the Higher Education Act of 1965 and Impact Aid programs.[1] This repayment provision is unique to the Department of Education (ED).

Originally authorized under the Education Amendments of 1978, the grantback considers 75 percent of funds recovered as additional funds available for the program from which ED recouped them; in other words, a recipient found in violation of grant terms ultimately gets back from ED the money the recipient had to pay to the department for violating those terms.[2] Thus, funds appropriated for education purposes which were recovered from a recipient through audit proceedings would not revert to the Treasury but would instead still be spent for educational purposes. States supported this measure for this reason.[3] (The remaining 25 percent which the department cannot grant back reverts to the Treasury.)

The grant recipient can initially spend the funds in noncompliance with program requirements. After funds are repaid to ED and the department grants them back to the recipient, then the recipient spends the funds again. If the law did not provide this second chance, recipients would have a greater incentive to comply with grant requirements from the start of the award. With the grantback provision in place, grantees can take the chance of not complying with requirements in the hope that ED will not audit them and discover the noncompliance. The recipient only risks 25 percent of the final penalty negotiated with ED; that is, the 25 percent which cannot be granted back under the statutory provision.

For example, the department receives an audit report that finds that a state has been charging an excessively high rate for unemployment insurance to ED funded projects and recommends the state reduce the charges to the same rate charged to non-ED funded projects and repay all excess amounts collected, totalling $1 million. After receiving the report and supporting documentation, ED program officials decide to accept the audit recommendations and issue a program determination letter that notifies the state of the decision, instructs the state to take the recommended corrective actions, and to repay the excess $1 million collected. The state must return the $1 million to ED.

The date of the department's decision, in the form of the program determination letter, begins a three-year period in which the recovered funds remain available for use. (If the grantee appeals the decision to ED's Office of Administrative Law Judges (ALJ), the start date of the availability period is delayed until the appeal decision is issued.)

The state may then request repayment of 75 percent of the funds recovered, in this example a total of $750,000. ED program officials review the state's request to determine if:

(1) the state repaid the $1,000,000;

(2) sufficient documentation exists to determine if the state completed the required corrective actions;

(3) the state meets all other requirements of the program;

(4) a plan for the use of funds exists that achieves the purposes of the program and, to the extent possible, benefits the population affected by the failure to comply; and

(5) the state can use the repaid funds as proposed in the plan within the three-year availability period.

If all other aspects of the state's request meet the eligibility requirements, ED program officials may negotiate with the state to improve the project plan to better meet program objectives.

Based upon the final project plan and other pertinent considerations, the program officials decide whether to approve the repayment and the amount to repay, or grant back. Program officials then prepare a memorandum to the secretary that explains the circumstances that led to the recovery of funds and recommend repayment of the $750,000 as requested by the state. A proposed Federal Register notice announcing the department's intention to grant back the funds accompanies the memorandum. The decision memorandum and Federal Register notice then enter the department's internal clearance process for review and comment by other departmental components.

When the decision memorandum and notice are submitted for clearance, program officials notify the ED budget office to submit a request to the Office of Management and Budget (OMB) for an allotment of funds for the grantback. Following resolution of any issues raised during the clearance process, the decision memorandum and notice are submitted to the secretary for final decision.

After the secretary authorizes the repayment of funds, ED publishes the notice in the Federal Register for 30 days. Upon completion of the 30-day period, ED issues the $750,000 grantback award to the state.

Upon completion of the project for which the funds were awarded, the state submits a project report to the program office. After the program office accepts the final award, it provides a copy to the ED budget office for transmittal to OMB.[4]

The amount of time the grantback process takes varies by case, depending upon the extent of corrective actions needed, whether the recipient appeals the audit decision, and, if there is an appeal, the extent of changes, if any, that the ALJ makes to the plan as a result of the appeal. The department directs a recipient eligible for a grantback to apply no later than five months before the recipient plans to obligate the funds. This five-month period includes the thirty days necessary for the Federal Register notice.[5]

Legislation should not provide recipients of ED funds with a disincentive to comply with program and procedural requirements. Valid audit findings should result in appropriate recovery of misused funds to protect the federal government from future cases of waste, fraud, and abuse.

In addition, the grantback process places an administrative burden on ED which simple recovery of funds as a result of audit action would not.

Recommendations

1. Congress should repeal the grantback provision in the General Education Provisions Act, Part E, Section 459, to eliminate the disincentive for grantees to comply with the conditions of the grant or cooperative agreement.

In lieu of the grantback provision, the Department of Education should decide the amount of the disallowance to recover from the recipient according to current program law and regulations. The recipient would then have the right to appeal the disallowance. Once a final decision is reached, the recipient would have to return to ED the sum of the final agency action. All recovered funds would revert to the Treasury. The department would not have the discretion to grant back any portion of the disallowance to the penalized recipient. Sanctioned recipients should receive the necessary assistance from ED or other federal sources to correct the deficiencies cited so that they may remain eligible to receive federal funds in the future. In addition, in cases where grant recipients are found in violation of departmental regulations, but a good faith effort was made to comply with them, the department should negotiate final audit amounts which do not place an undue burden on the recipient.

2. The department shall notify all affected grant recipients by January 1, 1994, that this provision is being repealed effective October 1, 1994.

Implications

Elimination of the grantback provision would no longer allow a grantee cited for noncompliance with grant requirements a second opportunity to spend some of its funds. Congress and usual recipients of funds, especially the states, likely will oppose elimination of the grantback as some argue that the Federal government is then punishing those people, particularly school children, who should benefit from the grant funds. By the time the grantback is awarded, however, those who should have benefitted from the original grant may no longer be eligible. In fact, the grantback recipient's plan for the use of funds must benefit to the extent possible the population affected by the failure to comply, recognizing that it may not be possible to reach the originally intended beneficiaries. In addition, the grantee may still receive, if currently eligible and all corrective actions have been completed, funds for that fiscal year.

Elimination of the grantback also eliminates the department's administrative burden of going through the grantback application process and monitoring the use of funds granted back.

Fiscal Impact

In Millions of Dollars

	1994	1995	1996	1997	1998	1999
Budget Authority	$	$	$	$	$	$
Outlays	$0	$3.7	$3.7	$3.7	$3.7	$3.7
Change in FTE						

Endnotes

1. U.S. Department of Education, Chief Financial Officer/Office of Management and Budget, "Grantbacks", p. 1 (Facsimile, June 30, 1993).

2. U.S. Department of Education, Office of Inspector General, "The Department of Education Needs to Improve its Procedures for Awarding and Monitoring Grantbacks," Audit Control Number 11-80303, April 1989, p. 3.

3. Ed Cook, Department of Education, Chief Financial Officer/Office of Management and Budget, telephone interview, Washington, D.C., June 30, 1993.

4. U.S. Department of Education, Chief Financial Officer/Office of Management and Budget, "Grantbacks, Example of Process," pp. 1-2 (Facsimile, June 30, 1993).

5. Ed Cook, U.S. Department of Education, Chief Financial Officer/Office of Management and Budget, telephone interview, Washington, D.C., July 1, 1993.

Build a Professional, Mission-Driven Structure for Research in the Department of Education

Background

The Department of Education spends at least a quarter of a billion dollars on research. This includes: basic and applied research, program and product development, program evaluation research, and statistics. Most research is conducted in four offices: the Office of Educational Research and Improvement (OERI), the Office of Special Education and Rehabilitation Services (OSERS), the Office of Vocational and Adult Education (OVAE), and the Office of Policy and Planning (OPP). Other offices also do research, primarily for program evaluation; however, they often arrange for OPP to manage their research activities.

Three of the principal offices (OERI, OSERS, and OVAE) operate national research centers. The largest is OERI's National Center for Education Statistics (NCES--$125.0 million requested for fiscal 1994). Included in NCES is the National Assessment of Educational Progress (NAEP--$65 million). The second largest center is the National Institute for Disability and Rehabilitation Research (NIDRR--$67 million) operated within OSERS. Two smaller centers are funded by OVAE: the National Center for Research in Vocational Education (NCRVE-- $6 million) and the National Institute for Literacy (NIFL--$5 million).[1]

In addition to the NCES and NAEP, OERI also supports 18 national research centers ($29 million), 10 regional laboratories ($38 million) and 16 Education Resource Information Centers (ERIC--$7 million). Although conceived after the model of the Atomic Energy Commission laboratories, Education's national research and development centers are fairly small, narrowly focused and unstable. There have been as many as 25 centers, dedicated to topics from "Families, Communities, Schools, and Children's Learning" and "Education in the Inner Cities" to "Effective Schooling for Disadvantaged Students" and "Gifted and Talented." In fiscal 1991, average funding for a center was only $861,000 and in most cases was divided among two or three separate institutions of higher education. The principal investigators at the centers, excluding the directors, spend an average of only one quarter of their time on center studies. Of the 12 centers operating in the early 1980s, six have been terminated and three awarded to new bidders. Like the regional laboratories and ERIC clearinghouses (which are focused more on dissemination), the national research and development centers are supported only by 5-year grants or cooperative agreements.[2]

Much of Education's scattered research structure was created long before 1979; it was inherited from the department's predecessor agencies. It has never been subjected to comprehensive, independent analysis. However, in 1992 the National Academy of Sciences (NAS) did conduct a thorough review of OERI, the department's principal research arm. The review reached several alarming conclusions about OERI and its predecessor, the National Institute of Education (NIE).

The NAS study concluded that OERI has no coherent mission or strategic plan, no effective structure for long-term research and development. It found:

> Long-term agenda setting undertaken in the early years of NIE became difficult and then futile; quick fixes replaced thoughtful investments; resources were spread so thinly that mediocrity was almost assured. Only a few lines of research have been sustained for the time needed to bring them to fruition. There has rarely been support for the successive iterations of research, development, and testing that are needed in any field to develop marketable innovations.[3]

OERI has almost entirely neglected the most efficient and productive type of research, that conducted by independent individual investigators. The Academy observed that it is this type of research which "harvests the insight, creativity, and initiative of researchers widely dispersed across the country." Only 2 percent of OERI's research and development (R&D) budget supports individual investigators doing field-initiated (extramural) research. The comparable percentages at the National Institutes of Health (NIH) and National Science Foundation (NSF) are 56 and 94 percent, respectively.[4] Furthermore, basic research, investigation aimed at fundamental new discoveries, receives only 5.5 percent of OERI's R&D budget. By contrast, basic research receives 60 and 94 percent, respectively, of the R&D budgets of NIH and NSF.[5]

OERI has not been able to summarize and synthesize the results of its research efforts, and, while it works hard to link research and practice, these efforts have not met with great success. Many of the innovations presented to teachers and administrators have been "fuzzy," lacking in a clear rationale and specific procedures as well as convincing evidence as to their effectiveness. Others have been so specific--in an attempt to be "teacher proof"--that they have demeaned the teachers and undermined their talents and skills.[6] Research offices within OERI, within the department, or across departments operate with little coordination or cooperation. There are, in addition, major administrative flaws and weaknesses.[7]

A broad consensus holds that the fundamental difficulty with the Department of Education's research efforts lies in how they are organized. One state department of education official observed:

> To us, the fundamental problem has been political. The Congress and sundry administrators have routinely been at odds over what should be researched. Hence, there has been minimal funding for research except the rather diffuse, short-term agendas. . . Unless there is a fundamental structural change to obviate this nonproductive arrangement, progress is unlikely.[8]

Congress charges that ideological and political agendas have skewed the appointment of top OERI administrators, the selection of topics to be studied and how they are studied, the awarding of contracts, and the editing of reports and timing of their release. On the other hand, members of the executive branch have charged that Congress has politicized the research by favoring constituency desires rather than substantive merit, by mandates and large set-asides for specific laboratories, centers, and studies, and by pushing other pet projects with threats against OERI's appropriations.[9]

Major Owens, Chairman of the House Subcommittee on Select Education, concludes that:

> Despite the education research and development system's obvious need for more federal dollars, greater resources are unlikely to be forthcoming unless action is first taken to address more fundamental weaknesses in the way OERI funds and carries out research and development activities. Policy makers in Washington and educators throughout the nation now have little confidence that funds provided to OERI will be invested

wisely or productively.[10]

One result of this failure of confidence in OERI is a decline in funding for education research and development, just as the nation is beginning to spend additional billions on education reform. The decline at OERI has not been offset by investment by other parts of the Federal government. Between 1973 and 1989, the R&D budget of OERI and its predecessor agency, NIE, declined by 82 percent (in constant dollars). In 1973 the entire federal government spent $1.1 billion (in 1990 constant dollars) on education research and development; in 1991 it spent between $310 and $364 million.[11] In response to these findings, the NAS study recommended major changes in how OERI is structured, funded, and staffed. The central thrust of these recommendations has wide support.

Recommendations

1. **In the up-coming reauthorization of OERI, Congress should adopt several of the central recommendations of the National Academy of Sciences:**[12]

- A stable and broad-based board--including outstanding researchers, teachers, principals, parents, and state and local officials--should be established and charged with guiding the agenda-setting process of OERI.

- The board should establish procedures for contracts and grant peer-review panels that assure that research merit and programmatic merit of proposals are judged only by those with the appropriate professional expertise.

- The currently fragmented education research structure (centers, labs, clearinghouses, etc.) and the functional division of research funding (institution-based, individual, etc.) should be replaced by a very few education R&D institutes established after the model of the National Institutes of Health. Each should target a specific problem area with a sustained program of research and development that includes field-initiated efforts, institutionally based R&D, and special projects. These institutes should be charged with conducting high quality research and development in support of the national education goals.[13]

- A Reform Assistance Institute should be established to coordinate the integration and translation of research into reform assistance efforts.

- For the new National Institutes of Education, OERI should be given independent authority for reporting research findings in order to streamline its work and minimize opportunities for political pressure.

2. **The Secretary of Education should request that the National Academy of Sciences extend its review to the rest of the Department, looking at the other arrangements for research, especially NIDRR, the research aspects of OPP, and the small centers within OVAE.** The review should consider mission, governance, funding, coordination, sustained results, accumulation of results, and links to practice. It should recommend which other aspects of the Department's research activities should be incorporated into the new National Institutes of Education.

Implications

Rebuilding OERI as a professional, mission-driven research organization is likely to receive considerable support. In the last Congress both the House and the Senate made considerable progress on bills to reauthorize OERI that incorporated many of the recommended features. The administration has yet to introduce its reauthorization bill. These recommendations may help all parties move away from political controversies and toward prudent, effective public investment in education research and development.

Fiscal Impact

Consolidating education research into a few institutes focused on key topics in keeping with the department's mission and the National Education Goals would mean the current level of funding would be better used.

Endnotes

1 Department of Education, *The Fiscal Year 1994 Budget: Summary and Background Information*, pp. 65-66, 36, 38, 39-40.

2 Richard C. Atkinson and Gregg B. Jackson (eds.), *Research and Education Reform: Roles for the Office of Educational Research and Improvement* (Washington, D.C.: National

Academy Press, 1992), pp. 64-68.

3 Ibid., p. 3.

4 Ibid., p. 118.

5 Ibid., p. 119.

6 Ibid., p. 130.

7 Ibid., pp. 121, 120, 87-95.

8 Ibid., pp. 110-111.

9 Richard C. Atkinson and Andrew C. Porter, "The Department of Education's Support of Education Research" in John F. Jennings (ed.), *National Issues in Education: The Past is Prologue* (Bloomington, Indiana: Phi Delta Kappa International and Washington, D.C.: Institute for Educational Leadership, 1993), pp. 198-199.

10 Major R. Owens, "The Educational Research, Development and Dissemination Excellence Act: Imperative for OERI Reform" in *National Issues*, p. 166.

11 *Research and Education Reform*, p. 3.

12 Ibid., pp. 3-8, 135-172.

13 Five specific problem areas were defined in HR 4014 considered by the 102nd Congress: the education of at-risk students; education governance, finance and management; early childhood development and education; student achievement; and postsecondary education, libraries and life-long learning. See *Research and Education Reform*, pp. 146-148; National

Academy of Education, *Research and the Renewal of Education* (Stanford, California, 1991), pp. 45-60; the National Study Panel on Education Indicators, *Education Counts: An Indicator System to Monitor the Nation's Educational Health* (Washington, D.C.: National Center for Education Statistics, September, 1991), pp. 25-39.

DRAFT July 26, 1993

Develop a Strategy for Technical Assistance and Information Dissemination Support to States and Localities

Background

The Department of Education (ED) supports an array of technical assistance activities, created through legislative mandates and divided along program lines, totalling \$290.5 million.[1] The 43 programs and 736 technical assistance centers or clearinghouses, where the projects are carried out, are broadly defined as providers of both on and off-site consultation, information dissemination, access to computerized education data systems, networking, conferences and workshops. Program funded projects can include one or several of the following activities: research and development, funding and dissemination of demonstrated effective models, technical assistance to states, districts and schools regarding the implementation of federal categorical programs, information dissemination, and direct services to specific populations. Offices within ED fund these projects through grants, contracts and cooperative agreements or operate the activities internally.[2]

These centers support programs administered in six different offices in the Department. (Chapter 1 technical assistance centers (TACs) and Rural TACs are administered in the Office of Policy and Planning (OPP).) The numbers of centers reported by the Office of Inspector General (OIG) in 1991, are reflected in the chart below. The OIG and the Department's program offices are not in full agreement on the definition for what should be counted as technical assistance. In its report, the OIG included projects that provided technical assistance, research, and information dissemination in its definition of technical assistance centers; whereas ED's program offices generally included only technical assistance centers and labs in their definition. As a result, the number of centers reported by the Inspector General differed from what program offices reported.

REGIONAL AND STATE LEVEL TECHNICAL ASSISTANCE CENTERS AND CLEARINGHOUSES IN ED, FISCAL YEAR 1991[3]				
OFFICE	NUMBER PROGRAMS	NUMBER CENTERS	Funding (\$ in millions)	
			FY90	FY91
OBEMLA	4	71	\$18.4	\$18.4

OESE	6	39	37.1	37.1
OERI	8	163	86.3	111.8
OPE	4	189	30.9	32.8
OSERS:				
SPECIAL EDUCATION	10	116	28.4	28.1
REHABILITATIVE SERVICE	1	59	7.9	8.2
NIDRR	4	68	43.7	50.4
OVAE	6	29	7.0	11.9
TOTAL	43	736	$259.7	$290.5

* OBEMLA - Office of Bilingual and Minority Language Affairs
OESE - Office of Elementary and Secondary Education
OERI - Office of Educational Research and Improvement
OPE - Office of Postsecondary Education
OSERS - Office of Special Education and Rehabilitative Services
OVAE - Office of Vocational and Adult Education

This analysis focuses on the technical assistance centers in the Office of Elementary and Secondary Education and the Office of Educational Research and Improvement as these centers are presently up for reauthorization.

The Office of Educational Research and Improvement (OERI) provides technical assistance through the following:

○ The Educational Resources Information Center (ERIC) is an information network, with centers responsible for developing, maintaining, and providing access to the world's largest education database. While ERIC is above average in ease of use, scope of coverage, and ability to find desired or useful citations, teachers and administrators say that the information caters more to the needs of researchers rather than to the needs of teachers.[4] It does not provide electronic mail or bulletin board capabilities which would link teachers to researchers and other teachers. ERIC does not provide electronic access and retrieval of curriculum modules or teaching aids for classroom use.

In response to these criticisms, OERI, in 1992, funded a development and research project in three states called AskERIC to test the feasibility of providing answers electronically, in 48 hours or less, to any question posed by K-12 educators.

○ The National Center for Education Statistics (NCES) collects data on educational institutions at all levels and longitudinal data on student progress.

○ The National Diffusion Network (NDN) is a system that promotes the awareness and implementation of exemplary education programs, products and practices developed by public and private schools, colleges, and other institutions by providing funds to "diffuse" information about exemplary programs. Recent studies have shown, however, that adoption of individual innovative programs generally do "not have a large and enduring impact on the quality of schooling."[5] OERI has initiated a revision of NDN validation procedures to promote system-wide rather than project oriented change.

○ The National Research and Development Centers conduct research on defined topics of national significance to educational policy and practice. OERI has provided very little funding for the research and development necessary for major advances in educational reform.[6] It spends only 5.5 percent of its research and development (R&D) budget on basic research. In contrast, the National Science Foundation invests 94 percent of its total R&D budget on basic research.[7]

○ Ten regional educational laboratories carry out applied research, development and technical assistance for educators, parents, and decision makers. Researchers often criticize the laboratories for not doing enough basic research. Evidence suggests the need for larger efforts to do development and demonstration work, but that the laboratories do not have the staff expertise for such efforts. However, a recent national survey of school districts found that the resources of the laboratories were used by them more than any other source.[8]

○ The Star Schools Demonstration Projects deliver education to traditionally underserved populations through the use of microcomputers, video programming and telecommunications. Downlink sites are established to provide high school students with classroom instruction in areas such as advanced placement mathematics, physics, and foreign language instruction.

A study conducted by the Laboratory Review Panel noted the lack of communication and coordination among the laboratories, centers, ERIC, and the National Diffusion Network and problems with the communication of research results of the regional laboratories to practitioners in state and local agencies.[9]

The Office of Elementary and Secondary Education (OESE) funds the following centers: six Drug-Free Schools Regional Centers ($18,100,000); six Chapter 1 Technical Assistance Centers ($5,000,000) and ten Rural Chapter 1 Technical Assistance Centers ($5,000,000) serving OESE but administered by OPP; three Migrant Program Coordination Centers ($3,000,000); and six Indian Education Technical Assistance Centers ($2,300,000).[10]

The Office of Elementary and Secondary Education is concerned that there is no system or strategy for coordination of technical assistance centers to promote the systemic reforms encouraged by the proposed GOALS 2000 legislation and the reauthorization of the Elementary and Secondary Education Act (ESEA) or to provide one-stop shopping for technical assistance for federal programs. The typical technical assistance center focuses on a particular categorical program or mission (e.g., Chapter 1, federal support for substance abuse prevention), and recipients of assistance are generally limited to those who are funded or served by the program. The extensive opportunities for information sharing and training that are available through technology have not been fully realized or implemented by the Department or technical assistance providers. Currently, few state and local administrators or educators are aware of ED-supported technical assistance, which is available to their state, district or schools.[11]

A 1991 report by ED's Office of the Inspector General (OIG) was critical of the department's approach to providing technical assistance. The OIG listed several problems afflicting the system:

(1) Similar services are provided by centers supported by different programs, both within and across offices. This is true for both technical assistance and information dissemination. The problem afflicts Chapter 1 programs, Office of Vocational and Adult Education (OVAE) and Office of Educational Research and Improvement (OERI).

(2) There is no departmental plan "to ensure adequate coordination and avoid, or at least minimize, duplication and overlap."

(3) Centers may not be located where needed. The rationale for the location of centers is unclear.[12]

The President's fiscal year 1994 budget for ED acknowledges some overlap in functions in Chapter 1's technical assistance centers. Funding is reduced for the Rural Technical Assistance Centers to $2.9 million to eliminate activities already supported under regular Chapter 1 Technical Assistance Centers.[13] In previous years, the Department zero-funded the R-TACs, but Congress put back the funding.

Presently, the Department is taking steps to analyze existing technical service activities and identify some needed legislative changes.

Recommendations

1. The Department of Education should develop a strategy for technical assistance and information dissemination to promote the Goals 2000 themes of equity, access and achievement. The Department must decide who its customers are, the purpose of the technical assistance centers, how prescriptive it wants to be and the best vehicles to provide that assistance to effect educational change. A strategy is presently being developed for legislative purposes in the Office of Elementary and Secondary Education and the Office of Educational Research and Improvement.

2. The Department of Education should create multi-purpose technical assistance centers that serve several programs and focus on a variety of issues, in contrast to those related to specific programs. By aligning the functions of the various categorical centers, assistance providers would address, in a unified way, the needs of all children in a school, district or state, rather than just helping to fix one program at a time. Coordinated support, or one-stop shopping, would be available to states and local districts in applying federal resources to systemic reform. Efficiencies will result from reducing the number of centers, which will decrease overhead.

Ten regional centers should be created while eliminating 59 categorical centers and the 50 state contacts in the National Diffusion Network. The 59 categorical technical assistance centers include: 6 Drug-Free Schools Regional Centers ($18,100,000), 16 Title VII Multifunctional Resource Centers ($11,000,000), 2 Title VII Evaluation Assistance Centers ($1,700,000), 6 Chapter 1 Technical Assistance Centers ($5,000,000), 10 Rural Chapter 1 Technical Assistance Centers ($5,000,000), 3 Migrant Program Coordination

Centers ($3,000,000), 10 Desegregation Assistance Centers ($7,400,000), and 6 Indian Technical Assistance Centers ($2,300,000).

Centers should be required to maintain staff expertise in each of the federal program areas, be accessible to its customers and meet their needs in a timely manner.

State and local education agencies and schools should be provided with prompt access to federal priorities, policies and guidelines through an electronic network. Federally funded toll-free hotlines would supplement the computer network information exchanges.

3. The Department of Education should foster development of a national electronic network that allows states, local agencies, teachers and administrators to access research and exemplary practice information easily and share ideas and feedback among themselves through "electronic bulletin boards". This recommendation could be implemented as part of the issue entitled "The Department of Education Should Create a Single Point of Contact for Program and Grant Information" or an expanded AskERIC.

4. The Department of Education should establish the laboratories as national institutions, each with its own focus, but all directed toward state and local education agencies as they plan and implement systemic reform. ED should then enhance the close contact with school districts and state agencies across the country by assisting local agencies with improvements and reform and engaging customers as more active partners.

Implications

Elimination of the 59 categorical Technical Assistance Centers may be opposed by specific interest groups and members of Congress who have affected centers.

Fiscal Impact

Some savings may be achieved through consolidation of functions and elimination of redundancies. These savings, however, would then be applied to extend technical assistance to better serve its customers.

In Millions of Dollars

	1994	1995	1996	1997	1998	1999
Budget Authority	$0	$0	$0	$0	$0	$0
Outlays	$0	$0	$0	$0	$0	$0
Change in FTE	0	0	0	0	0	0

Endnotes

1. U.S. Department of Education, Office of the Inspector General, Management Improvement Report No. 91-11, *The Education Department's Use of Technical Assistance Centers and Clearinghouses for Providing Technical Assistance and Disseminating Information* (Atlanta, Georgia, 1991), p. 3.

2. U.S. Department of Education, *Assistance to the States: A Directory and Summary of Projects and Programs Funded by the Office of Special Education Programs* (Washington, D.C. 1990), p. 2.

3. U.S. Department of Education, Office of Inspector General, Management Improvement Report No. 91-10, *The Education Department's Use of Technical Assistance Centers and Clearinghouses for Providing Technical Assistance and Disseminating Information* (Atlanta, Georgia, 1991), p. 3.

4.Richard C. Atkinson and Gregg B. Jackson, ed., *Research and Education Reform, Roles for the Office of Educational Research and Improvement*, (Washington, D.C.National Academy Press, 1992), p. 71.

5. Ibid., p. 83.

6. Ibid., p. 139.

7. Ibid., p. 3.

8. Ibid., p. 78.

9. Ibid., p. 77.

10. U.S. Department of Education, Office of Policy and Planning, Washington, D.C., interviews with selected employees, July 1993.

11. U.S. Department of Education, Office of Policy and Planning, Washington, D.C., interviews with selected employees, July 1993.

12. U.S. Department of Education, Office of the Inspector General, Management Improvement Report No. 91-11, *The Education Department's Use of Technical Assistance Centers and Clearinghouses for Providing Technical Assistance and Disseminating Information* (Atlanta, Georgia, 1991), p. 5.

13. U.S. Department of Education, *Justification of Appropriation Estimates to the Congress*, Fiscal Year 1994, Volume I (Washington, D.C., 1993), p. B-10.

Section III

Agency Reinvention Activities

Department of Education Reinvention Activities

Summary of Agency Reinvention Effort

Improving the management of the Department of Education (ED) and achieving the National Education Goals are top priorities for Secretary Richard Riley and Deputy Secretary Madeleine Kunin. They believe that reforming the educational system should start "at home," by turning the department into a model government agency that continuously improves management practices and provides national leadership and assistance to states and communities as they seek to improve the educational system for all Americans.

This Administration, however, has inherited significant management problems that ultimately affect program outcomes, e.g., the shortfall in the Pell grant program, the mismanagement of student loan repayment, the lack of appropriate oversight of programs, the outmoded technology for basic staff functions, and the overall low morale of staff in the department. The U.S. Office of Management and Budget, the U.S. General Accounting Office, the ED Office of the Inspector General, and department employees have identified myriad problems that "reinvention" can address.

To systematically reform the department, Secretary Riley and Deputy Secretary Kunin have developed an action plan--to set goals, strategically plan to meet those goals, put comprehensive initiatives into place, and test regularly to assure that progress is being made. Goals are being addressed through policy and management actions.

Policy Actions

The Secretary's priority policy actions include:

- Defining key educational goals for the nation through the *Goals 2000:Educate America Act*. This legislation outlines a vision for American education and provides a clear direction for the department: to assist every state, community, and school to set its sights on high standards.

- Reshaping the Elementary and Secondary Education Act, through reauthorization, so that states, communities, and schools can provide access to a comprehensive system of related programs that will move all students toward high standards.

- Focusing legislation on the critical, but long neglected, transition from school to work--a vital part of the development of a world-class workforce. The Department of Education and the Department of Labor have been working collaboratively for several months to set the groundwork for the development of a comprehensive system for the transition from school to work. Funding from the two departments will be used by states and localities to initiate planning and implementation efforts. Activities at the federal level will include research, evaluation and technical assistance.

- Reducing and eliminating programs that contribute least toward achieving the National Goals and high educational standards for all Americans. The President's budget asks Congress to cut back spending in low priority programs and to eliminate 24 programs that have already achieved their purposes, duplicate other programs, or fall outside the scope of the Federal role in education.

- Reducing, through the Direct Loan Program, the percentage of student loan dollars used by lenders for administrative purposes, so that more funds can go directly to students.

- Moving away from audit-type compliance monitoring toward performance measurement that emphasizes program improvement. By providing grantees with performance as well as compliance information early, and providing technical assistance during implementation, the department aims to reduce the need for audits and legalistic reviews.

- Ensuring adherence to the laws that guarantee equal access to education. The department must make full use of limited enforcement resources, and also develop innovative remedies and preventive approaches to ensure equal access.

Management Actions

The Secretary and the Deputy Secretary have taken steps to improve management systems within the department. Their focus is on information resources management, financial management and human resource management. Through a variety of improvement teams and reinvention activities, with representation from support and program offices, they are working to create an organizational culture that values continuous improvement.

The strategic planning initiative is a top priority within the department and two new structures have been created to support and institutionalize it.

The Executive Management Committee advises the Deputy Secretary on general management and strategic planning issues and ensures coordination of department-wide policy and management activities. The Committee, chaired by the Deputy Secretary, consists of the department's senior political leadership.

The Reinvention Coordinating Council initiates and oversees the department's "reinventing government" and quality improvement efforts. Its membership includes an equal number of Senate-confirmed political appointees and senior career employees with cross-cutting representation to build partnerships among support and program offices. The Council meets at least weekly. Some of its activities, to date, have included designing a framework for effective implementation of the Goals 2000 legislation, coordinating and overseeing the work of all cross-cutting department committees and work groups, and working with the National Performance Review team.

A department-wide strategic planning effort has been initiated with completion scheduled for November, 1993. Each Principal Office has been asked to define its mission, goals and objectives and to link those with the overall mission, goals and priorities of the department. Further, each office will establish performance indicators so that progress toward its goals can be measured. A critical part of the strategic planning process is to engage all ED staff in defining and implementing a meaningful plan for action.

Secretary Riley and Deputy Secretary Kunin have communicated to both the incoming political leadership and senior career officials that improving internal management is a high priority. A management retreat for senior officers was conducted to clarify the organizational mission and priorities and to begin to build working relationships among senior team members.

Improving Department Management Operations

To build cooperation and collaboration on issues that cut across offices, the Reinvention Coordinating Council is chartering quality improvement teams with representation from support and program offices. Teams have been chartered to improve (1) personnel classification procedures in Personnel Management Service; (2) processes for receiving and responding to employee complaints for Building Services, (3) the non-competing grant continuation application process and the funded programs, as well; and (4) the development and issuance of regulations for discretionary grant programs. Surveys are being conducted by the teams to identify the expectations and needs of ED staff. Preliminary results and recommendations are expected in September, 1993. Another team--focusing on the Secretarial initiative to further the implementation of Goals 2000--has been chartered to develop strategies for meeting the National Education Goals at the federal, state and local levels.

To enhance communication among department offices, the local area network (ED-LAN) will be provided to 2,300 ED staff by the end of September, 1993, and to remaining headquarters staff by the end of FY 1994. Half of the regional staff will be connected to the LAN in 1994 and the remainder in 1995. By FY 1994, INTERNET will be installed on the LAN, providing the department with the capacity to communicate with approximately 5 million users inside and outside of government.

Financial Management Improvements

Five high-risk management areas have been identified by the department for improvement. The Management Audit Committee, chaired by the Deputy Secretary, meets regularly to resolve the most troublesome audit areas, and to facilitate the department's handling of audit resolution and follow-up. Progress is reported through the Federal Managers' Financial Integrity Act (FMFIA) requirements. The Department is also working to reduce the paperwork burden on states and localities.

The department is redesigning its core financial management systems to ensure that data from accounting, grants, contracts, payments, and other systems are integrated into a single system. The agency has also taken steps to improve its performance in cash management, including instituting improved quality controls.

Specific Reinvention Projects

Two Reinventing Government Laboratories have been formed to target key department concerns: (1) developing and using performance measures in management and program improvement, and (2) the collection of outstanding debts in student financial aid.

The Performance Measurement Laboratory is intended to create a Total Organization Performance System (TOPS) that will enable the department to answer key questions about the performance of programs and its own operation--such as whether vocational education programs improve the skills and jobs of participants, whether regulations are readable, and whether demonstration and capacity building programs produce results beyond grantees simply receiving funds.

TOPS will involve all 17 ED offices in a systematic effort to obtain performance indicators for the major programs and support functions in the department. The project will work with top management to link performance measurement directly to the department's strategic planning, budget, financial management, legislative, and evaluation activities, and to coordinate information across programs.

Two groups--one internal, the other external--will review the department's work in this area. The Monitoring and Performance Measurement Team--a departmental team of Assistant Secretaries and their representatives charged with developing strategies for improving monitoring and performance measurement--will review the Principal Operating Components' (POCs') performance measures and serve as a forum to develop staff capability. The Evaluation Review Panel, an independent, external evaluation board (with members nominated by the National Academy of Sciences and other educational research and evaluation organizations) will provide a second-level review of the measures.

While indicators were previously available for some of the larger programs, data collected on these measures often remained unused and unanalyzed. Now, the development of performance measures has begun in the majority of POCs--both support and program offices--and early reports are promising. Action plans for using performance data have been developed for some programs. Support offices in the department that had not previously examined their own performance are reporting success in defining missions, goals, and objectives, as first steps.

The Department of Education is responsible for managing several student loan programs. Most of these programs have been plagued by high default rates and a poor record of collecting debts in a timely and efficient manner. Creation of the Debt Collection Service Laboratory is intended to transform the practices of the Debt Collection Service (DCS), a unit of the Office of Postsecondary Education. The goals for a reinvented DCS are as follows:

- o <u>Performance Measurement and Accountability</u>. DCS will be accountable in terms of net revenues produced, dollar recovery rates, and customer satisfaction.

- o <u>Self-Supporting</u>. DCS will finance itself entirely out of the revenue it generates.

- o <u>Over $700 million Dollar Reduction in the Federal Deficit</u>. DCS will yield over $700 million over baseline estimates for the FY 1994-1999 period after accounting for all additional costs.

- o <u>Incentives.</u> DCS will introduce gain sharing and other productivity-increasing and worker-empowering incentives.

- o <u>New Collections Strategies.</u> DCS will develop new collections strategies and will use existing strategies more vigorously.

- o <u>Workforce Excellence.</u> DCS will be a test site for creative approaches to hiring, classification, and compensation.

<u>Lessons Learned</u>

Some early lessons learned through ED's reinvention activities include (1) the need for sustained top management support and visibility; (2) the value of taking a comprehensive approach to internal management by integrating strategic planning and performance measurement with other key administrative activities, such as budgeting, legislation, and evaluation, has strengthened the efforts; and (3) the necessity to identify short term goals as well as long term goals to improve management. Programs are reporting the benefits of thinking through their missions, goals, and objectives--a first-time activity for many. Further lessons will be learned as performance data become available, lessons that can be applied in the budget and reauthorization cycles.

Section IV

Fiscal Impact Summary

DEPARTMENT OF EDUCATION
FISCAL IMPLICATIONS SUMMARY

CHANGE IN BUDGET AUTHORITY
Numbers in Millions

Ch. Ref.		Recommendation	Fiscal Year 1994	1995	1996	1997	1998	5-YRS	Change in FTEs
E	1	Reinvent Chapter 1 of the Elementary and Secondary Education Act	500.0	500.0	500.0	500.0	500.0	2,500.0	0.0
E	2	Reduce the Number of Programs the Department of Education Administers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E	3	Consolidate Eisenhower State Grant Program with Chapter 2 of the Elementary and Secondary Education Act	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E	4	Consolidate the National Security Education Program with the Center for International Education	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E	5	Streamline and Improve Grants Management in the Department of Education	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E	6	Provide Incentives to the Department of Education's Debt Collection Service to Increase Default Recoveries	37.9	89.9	140.8	144.3	152.0	564.9	52.0
E	7	Simplify and Strengthen the Institutional Eligibility and Certification Process for Participation in Federal Student Aid Programs	74.0	74.0	74.0	74.0	74.0	370.0	0.0
E	8	The Department of Education Should Create A Single Point of Contact for Program and Grant Information	-0.3	-0.3	-0.3	-0.3	-0.3	-1.5	6.0
E	9	Improve Employee Development Opportunities in the Department of Education	-2.8	-3.0	-3.1	-3.3	-3.4	-15.6	0.0
E	10	Eliminate the Grantback Statutory Provision of the General Education Provisions Act	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E	11	Build a Professional, Mission-Driven Structure for Research in the Department of Education	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E	12	Develop a Strategy for Technical Assistance and Information Dissemination Support to States and Localities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		Total, Department of Education	608.8	660.6	711.4	714.7	722.3	3,417.8	58.0

CHANGE IN OUTLAYS
Numbers in Millions

Ch. Ref.		Recommendation	Fiscal Year 1994	1995	1996	1997	1998	5-YRS	Change in FTEs
E	1	Reinvent Chapter 1 of the Elementary and Secondary Education Act	500.0	500.0	500.0	500.0	500.0	#######	0.0
E	2	Reduce the Number of Programs the Department of Education Administers	0.0	0.0	0.0	0.0	0.0	$0.0	0.0
E	3	Consolidate Eisenhower State Grant Program with Chapter 2 of the Elementary and Secondary Education Act	0.0	0.0	0.0	0.0	0.0	$0.0	0.0
E	4	Consolidate the National Security Education Program with the Center for International Education	0.0	0.0	0.0	0.0	0.0	$0.0	0.0
E	5	Streamline and Improve Grants Management in the Department of Education	0.0	0.0	0.0	0.0	0.0	$0.0	0.0
E	6	Provide Incentives to the Department of Education's Debt Collection Service to Increase Default Recoveries	37.9	89.9	140.8	144.3	152.0	$564.9	0.0
E	7	Simplify and Strengthen the Institutional Eligibility and Certification Process for Participation in Federal Student Aid Programs	74.0	74.0	74.0	74.0	74.0	$370.0	52.0

E	8	The Department of Education Should Create A Single Point of Contact for Program and Grant Information	-0.3	-0.3	-0.3	-0.3	-0.3	($1.5)	6.0
E	9	Improve Employee Development Opportunities in the Department of Education	-2.8	-3.0	-3.1	-3.3	-3.4	($15.6)	0.0
E	10	Eliminate the Grantback Statutory Provision of the General Education Provisions Act	0.0	3.7	3.7	3.7	3.7	$14.8	0.0
E	11	Build a Professional, Mission-Driven Structure for Research in the Department of Education	0.0	0.0	0.0	0.0	0.0	$0.0	0.0
E	12	Develop a Strategy for Technical Assistance and Information Dissemination Support to States and Localities	0.0	0.0	0.0	0.0	0.0	$0.0	0.0
		Total, Department of Education	$608.8	$660.6	$711.4	$714.7	$722.3	#######	58.0

Appendix A

Justifications for the Elimination of Programs

APPENDIX A: JUSTIFICATIONS FOR THE ELIMINATION OF PROGRAMS

The following programs were proposed for elimination by the Department of Education (ED) in the fiscal 1994 budget submitted to Congress:

Impact Aid 3(e) Payments: This program authorizes 4 years of payments to school districts after they have lost federally connected students. That prolonged payment period is unnecessary. The one year of payment provided under the department's prior year data authority is sufficient to allow districts to adjust to decreased enrollments. Scarce Impact Aid dollars should be provided to Local Education Associations (LEAs) that enroll federally-connected students rather than those that do not.

Ellender Fellowships (Close Up Foundation): An audit of the program, requested by the Congress, indicated that despite significant increases in Federal support, the Close Up Foundation, which administers the program, has not expanded the fellowship program. In fact, the number of fellowships decreased and the Federal share per fellowship increased, indicating a substitution of Federal for non-Federal support. Other organizations offer similar government education programs in Washington, providing financial assistance to economically disadvantaged secondary students, without Federal support.

Education for Native Hawaiians: Native hawaiians, to the extent that they meet eligibility criteria that are applied to all citizens, are already eligible for ED services, including student financial aid programs, that duplicate many of the activities in these programs.

Foreign Languages Assistance: This program is poorly structured to be an appropriate vehicle for the advancement of foreign language education in the schools. The size of the fiscal 1993 appropriation is insufficient to support a formula grant program, particularly one with the ambitious goals and broad scope of this program.

Consumer and Homemaking Education: The purpose of this program is to assist the states in conducting consumer and homemaking education programs that prepare youth and adults for the occupation of homemaking. This program can be supported with non-Federal resources. All states currently have active, well-established consumer and homemaking programs that will continue without direct Federal support.

Bilingual Vocational Training: The purpose of this program is to provide bilingual vocational education and training and English-language instruction to persons with limited English proficiency and to prepare these persons for jobs in recognized occupations. A small discretionary program such as this cannot begin to meet the needs of the Nation's 4.3 million limited English proficient adults. These needs are more appropriately addressed through Vocational Education Basic Grants and Adult Education Basic Grants.

State Student Incentive Grants: This program was intended to provide an incentive for state need-based postsecondary student grant assistance through dollar-for-dollar federal matching funds. Federal funds are no longer necessary as an incentive to states to provide need-based aid, inasmuch as state expenditures for need-based grant aid have continued to expand in recent years, even as Federal funding has dropped or remained level. This suggests a considerable level of State commitment regardless of Federal expenditures.

Dwight D. Eisenhower Leadership Program: This program awards grants to institutions of higher education or nonprofit organizations to support the development of student leadership skills. Allowable activities under this program are already included in the regular curriculum at many institutions of higher education.

Cooperative Education: Cooperative Education programs are those having alternating or parallel periods of academic study and employment related to the student's academic programs or professional goals. Federal encouragement and motivation in the area of cooperative education is no longer necessary. The concept of cooperative education has been demonstrated successfully and accepted by the higher education community, as evidenced by the number of institutions of higher education operating such programs without Federal funding.

Assistance to Guam: This program assists the University of Guam and Guam Community College in providing education programs for nonresident Micronesian students. Direct Federal subsidy of postsecondary schools is not an appropriate Federal role. In no other case does the Federal government make direct payments to postsecondary institutions to help meet the costs related to the education of non-state or non-territorial residents. Moreover, the cost of educating nonresident students is for the most part, reimbursed to the postsecondary institutions through the fees charged to these students. These students also may qualify for Federal student aid to help pay tuition.

Robert A. Taft Institute of Government: For 20 years, the Institute has sponsored a variety of teacher training programs. Given the fact that the Institute operated for many years without Federal support, it should be able to continue this work without direct Federal support. In addition, funds are awarded on a non-competitive basis, which is not an appropriate method of allocating Federal resources. Financing for this purpose is available under a number of competitive Federal programs.

National Academy of Science, Space, and Technology (NASST): The Administration strongly supports efforts to improve the mathematic and scientific capabilities of American students and is requesting increases in many of its mathematics and science programs. However, this program is duplicative of the National Science Scholars program. All funds under that program are awarded to students, whereas program funds under NASST must also be used for administration, thereby reducing the amount available for scholarships. NASST also has a service repayment requirement that would be very difficult to monitor.

Howard University--Emergency Construction: The Administration does not believe it is appropriate for the Federal government to assume responsibility for financing the capital outlay needed to maintain or expand the physical plant of institutions of higher education, especially in a period of fiscal constraint. The fiscal 1993 appropriation was intended to meet a one-time emergency need.

College Housing and Academic Facilities Loan Program--New Loan Subsidies: The academic facilities programs were created to provide financial assistance to institutions of higher education for the construction, reconstruction, or renovation of academic facilities and the acquisition and maintenance of special research and instructional instruments and equipment. The federal government should not support new loan commitments because these programs are excessively subsidized and supplant rather than supplement traditional state, local, institutional, and private sector support. The Federal Government does not bear responsibility for financing the capital outlay needed to maintain the physical plant of institutions of higher education.

Territorial Teacher Training: An evaluation of the program concluded that while it has had a positive impact on the professional standards and teacher performance in the Territories, the impact has been relatively modest in relation to the amount of time and resources expended. To help meet teacher training needs determined locally, the Territories can use resources under the authority to consolidate their allocations from the department's formula grant programs..

Public Library Construction: This program provides states formula grants for the construction of new public library buildings; the acquisition, expansion, remodeling, and alteration of existing buildings; and the purchase of equipment. In 1991, the last year for which data are available, only 13 percent of the funds were used for new construction projects. The majority of funds were used for remodeling projects. Purchases of equipment, added to the authorized activities are already permitted under other library programs. Early indications are that the number of funded projects that do not involve construction will increase.

Foreign Language Materials: The use of Federal funds for the purchase of library books and materials for public libraries is not necessary when larger and more appropriate sources--the general operating budgets of local jurisdictions, gifts, and State aid available to local public libraries--are available. The impact of the program is slight since it awards only a few small grants. Furthermore, foreign language material may be purchased under the Public Library Services program for which an increase in funding was requested.

Library Literacy Programs: This program supports $35,000 grants primarily to local public libraries to assist in promoting volunteerism, acquiring materials, and using library facilities for literacy projects. Since the program was first funded in 1986, nearly 2,000 small grants have been made to state and local public libraries. In 1990, only 22 percent of libraries applying had never previously received a grant. Furthermore, programs under the much larger Public Library Services can support literacy activities.

College Library Technology: This program supports grants primarily to institutions of higher education for the acquisition of up-to-date equipment used to expand library resource sharing among the Nation's colleges and universities. Academic libraries are arguably among the most sophisticated users of technology and lead the library community in applying technology to the development and enhancement of library services. The most urgent needs for up-to-date technological equipment for use in college libraries have been met through funds provided by the program over the past six years. Colleges and universities generally overmatch the Federal contribution.

Library Education and Training: This program supports grants to assist in educating and training individuals in library and information science. While spot shortages of librarians occur, no studies have predicted a widespread lack of adequately trained librarians at any level.

Library Research and Demonstrations: This program supports small grants for the improvement of library services. Other than a one-time increase in 1993, this program has been essentially funded at the same very low level since 1980. There is no justification for continuing a small categorical program to support research and demonstrations. Meritorious proposals could be supported through a variety of other sources.

Research Libraries: This program supports grants to major research libraries to help them strengthen their collections through the acquisition or preservation of materials and to help make these collections available to other libraries and users. Only a few research libraries have received a single award over the life of the program, and several have enjoyed virtually uninterrupted funding. Many of these awards go to institutions that are among the wealthiest in the nation and could support such projects themselves. Institutions would still be eligible for funds from other Federal sources and, of course, them may also seek private support.

The Foreign Periodicals Program: This program provides grants to libraries and institutions of higher education to provide assistance for the acquisition of and access to periodicals published outside the U.S. This is a low priority for federal funds and should be primarily an institutional responsibility.

NPR proposes the following programs be eliminated in addition to those listed above:

Impact Aid 3(b) payments: The department requested a 50 percent reduction for these payments in the fiscal 1994 budget request as the first step of a three year phase-out called for by President Clinton in his February 1993 message to Congress. These payments, which are made on behalf of children who live or have a parent working on Federal property, provide very small amounts of $25 to $125 per section "b" child. The presence of these children, most of whose parents pay local taxes to their communities, imposes little if any financial burden on LEAs.

Fund for the Improvement and Reform of Schools and Teaching (FIRST): The purpose of the program is to improve the educational opportunities for and the performance of elementary and secondary school students and teachers, and to encourage local education agencies to increase the involvement of families in the improvement of the educational achievement of their children. These purposes should be part of a comprehensive school restructuring proposal, not separate categorical programs. Authority for this program expires September 30, 1993.

Educational Partnerships Program: The purpose of this program is to encourage the creation of alliances between public elementary and secondary schools or institutions of higher education and representatives of the private sector to work together on school improvement projects. Educational partnerships have been amply demonstrated as a school improvement strategy and are now widespread and generally supported without Federal assistance. The department's fiscal year 1994 request reflects a phase-out of the program.

General Assistance to the Virgin Islands: This program provides general assistance to improve public education in the Virgin Islands; it does not address any specific educational goal but can be applied to all goals. This assistance duplicates support under Chapter 1 and other ED programs. The department proposed a 50 percent reduction for fiscal year 1994 to begin phase out of the funding. The program was established in 1978 as a response to the increasing public school enrollment in the Virgin Islands. By the early 1980s, however, enrollment had stabilized, and by 1991-92 its enrollment had declined. These statistics suggest that the original purpose for providing the funds no longer exists.

Immigrant Education: This program is designed to assist State Education Agencies (SEAs) and LEAs in providing supplementary educational services and offsetting costs for immigrant children enrolled in elementary and secondary public and nonpublic schools. The eligible recipients are the States, which then distribute the funds to LEAs within the State according to the number of immigrant children. Immigrants are served in bilingual and compensatory education programs, therefore, this program is duplicative of the more general programs.

Law School Clinical Experience: This program is a demonstration that has achieved its original purpose. This program provides funds to accredited law schools to establish or expand programs that provide clinical experience in the practice of law, with preference given to programs providing legal experience in the preparation and trial of actual cases, and to programs providing service to persons who have difficulty in gaining access to legal representation.

Educational Improvement Partnerships: Law-Related Education: The purpose of this program was to enable children, youth, and adults to become more informed citizens by providing them with knowledge and skills pertaining to the law, the legal process, the legal system, and the fundamental principles and value on which these are based. The projects predominantly serve students in public and private schools in grades K-12. This is an example of a capacity building program that has met its goal; these goals can be met through a comprehensive school reform designed around the National Education Goals.

Dropout Prevention Demonstrations: The department is conducting an assessment of the projects under this program. The first interim report is scheduled for January 1994 with a final report in August 1996. The statute limited funding to applicants (1) proposing to replicate successful programs conducted in other LEAs or to expand successful programs within an LEA; and (2) having a very high number or high percentage of school dropouts. The demonstrations supplement other Federal programs that help children complete school, such as Chapter 1, Special Education, and Vocational Education. Demonstrations will be complete with fiscal 1994 funds.

Follow Through: This is a 25-year-old demonstration that has met its original objectives. The program was intended to sustain the gains made by preschool children through Head Start and similar programs. Also, these populations can be served with funds under other Elementary and Secondary Education Act programs such as Chapter 1, Even Start, and through collaborative efforts between Head Start programs and schools.

Impact Aid-Section 2 payments: These payments go to school districts with federally-owned property, based on ED's estimate of local revenue that the local education agency would have received from the eligible Federal property if that property were taxable. Most school districts that receive payments under section 2 also receive substantial payments in lieu of taxes from other Federal agencies, such as the Interior Department. The department requested a 50 percent decrease for fiscal 1994.

Educational Improvement: Inexpensive Book Distribution: This program is administered through a sole source, non-competitive contract to Reading is Fundamental, Inc. (RIF), a non-profit organization associated with the Smithsonian Institution. RIF allocates funds to local community associations that select and distribute inexpensive books to children. An evaluation of the program published by the department in 1992 found that RIF continued to fund proposals of existing federally-funded projects, without regard to the financial status of the applicant; the renewal rate of these projects was 99 percent. In addition, funds are awarded on a non-competitive basis, which is not an appropriate method of allocating federal resources.

Educational Improvement: Arts in Education: This program supports activities which include the Very Special Arts, which develops programs that integrate the arts into general education of children with disabilities and the lives of adults with disabilities and the John F. Kennedy Center for the Arts. The National Endowment for the Arts funds these types of programs at much greater levels of support. In addition, funds are awarded on a non-competitive basis, which is not an appropriate method of allocating federal resources.

Vocational Education: Community-Based Organizations (CBOs): A useful, but not high priority program. The purpose of this program is to provide special vocational education services to disadvantaged youth through community-based organizations. Where CBOs can reach disadvantaged groups that regular vocational schools cannot, States can use their multi-billion dollar programs supported by Federal and State grants. There is no information available at the national level on how critical CBOs are to the success of this population in this area.

Civic Education: This program provides a non-competitive grant to the Center for Civic Education to support instruction in history and civics. History and civics are important parts of school curriculum, but this grant is non-competitive, too small to have national impact, and does not meet any defined Federal role.

APPENDIX A: JUSTIFICATIONS FOR THE ELIMINATION OF PROGRAMS

The following programs were proposed for elimination by the Department of Education (ED) in the fiscal 1994 budget submitted to Congress:

Impact Aid 3(e) Payments: This program authorizes 4 years of payments to school districts after they have lost federally connected students. That prolonged payment period is unnecessary. The one year of payment provided under the department's prior year data authority is sufficient to allow districts to adjust to decreased enrollments. Scarce Impact Aid dollars should be provided to Local Education Associations (LEAs) that enroll federally-connected students rather than those that do not.

Ellender Fellowships (Close Up Foundation): An audit of the program, requested by the Congress, indicated that despite significant increases in Federal support, the Close Up Foundation, which administers the program, has not expanded the fellowship program. In fact, the number of fellowships decreased and the Federal share per fellowship increased, indicating a substitution of Federal for non-Federal support. Other organizations offer similar government education programs in Washington, providing financial assistance to economically disadvantaged secondary students, without Federal support.

Education for Native Hawaiians: Native hawaiians, to the extent that they meet eligibility criteria that are applied to all citizens, are already eligible for ED services, including student financial aid programs, that duplicate many of the activities in these programs.

Foreign Languages Assistance: This program is poorly structured to be an appropriate vehicle for the advancement of foreign language education in the schools. The size of the fiscal 1993 appropriation is insufficient to support a formula grant program, particularly one with the ambitious goals and broad scope of this program.

Consumer and Homemaking Education: The purpose of this program is to assist the states in conducting consumer and homemaking education programs that prepare youth and adults for the occupation of homemaking. This program can be supported with non-Federal resources. All states currently have active, well-established consumer and homemaking programs that will continue without direct Federal support.

Bilingual Vocational Training: The purpose of this program is to provide bilingual vocational education and training and English-language instruction to persons with limited English proficiency and to prepare these persons for jobs in recognized occupations. A small discretionary program such as this cannot begin to meet the needs of the Nation's 4.3 million limited English proficient adults. These needs are more appropriately addressed through Vocational Education Basic Grants and Adult Education Basic Grants.

State Student Incentive Grants: This program was intended to provide an incentive for state need-based postsecondary student grant assistance through dollar-for-dollar federal matching funds. Federal funds are no longer necessary as an incentive to states to provide need-based aid, inasmuch as state expenditures for need-based grant aid have continued to expand in recent years, even as Federal funding has dropped or remained level. This suggests a considerable level of State commitment regardless of Federal expenditures.

Dwight D. Eisenhower Leadership Program: This program awards grants to institutions of higher education or nonprofit organizations to support the development of student leadership skills. Allowable activities under this program are already included in the regular curriculum at many institutions of higher education.

Cooperative Education: Cooperative Education programs are those having alternating or parallel periods of academic study and employment related to the student's academic programs or professional goals. Federal encouragement and motivation in the area of cooperative education is no longer necessary. The concept of cooperative education has been demonstrated successfully and accepted by the higher education community, as evidenced by the number of institutions of higher education operating such programs without Federal funding.

Assistance to Guam: This program assists the University of Guam and Guam Community College in providing education programs for nonresident Micronesian students. Direct Federal subsidy of postsecondary schools is not an appropriate Federal role. In no other case does the Federal government make direct payments to postsecondary institutions to help meet the costs related to the education of non-state or non-territorial residents. Moreover, the cost of educating nonresident students is for the most part, reimbursed to the postsecondary institutions through the fees charged to these students. These students also may qualify for Federal student aid to help pay tuition.

Robert A. Taft Institute of Government: For 20 years, the Institute has sponsored a variety of teacher training programs. Given the fact that the Institute operated for many years without Federal support, it should be able to continue this work without direct Federal support. In addition, funds are awarded on a non-competitive basis, which is not an appropriate method of allocating Federal resources. Financing for this purpose is available under a number of competitive Federal programs.

National Academy of Science, Space, and Technology (NASST): The Administration strongly supports efforts to improve the mathematic and scientific capabilities of American students and is requesting increases in many of its mathematics and science programs. However, this program is duplicative of the National Science Scholars program. All funds under that program are awarded to students, whereas program funds under NASST must also be used for administration, thereby reducing the amount available for scholarships. NASST also has a service repayment requirement that would be very difficult to monitor.

Howard University--Emergency Construction: The Administration does not believe it is appropriate for the Federal government to assume responsibility for financing the capital outlay needed to maintain or expand the physical plant of institutions of higher education, especially in a period of fiscal constraint. The fiscal 1993 appropriation was intended to meet a one-time emergency need.

College Housing and Academic Facilities Loan Program--New Loan Subsidies: The academic facilities programs were created to provide financial assistance to institutions of higher education for the construction, reconstruction, or renovation of academic facilities and the acquisition and maintenance of special research and instructional instruments and equipment. The federal government should not support new loan commitments because these programs are excessively subsidized and supplant rather than supplement traditional state, local, institutional, and private sector support. The Federal Government does not bear responsibility for financing the capital outlay needed to maintain the physical plant of institutions of higher education.

Territorial Teacher Training: An evaluation of the program concluded that while it has had a positive impact on the professional standards and teacher performance in the Territories, the impact has been relatively modest in relation to the amount of time and resources expended. To help meet teacher training needs determined locally, the Territories can use resources under the authority to consolidate their allocations from the department's formula grant programs..

Public Library Construction: This program provides states formula grants for the construction of new public library buildings; the acquisition, expansion, remodeling, and alteration of existing buildings; and the purchase of equipment. In 1991, the last year for which data are available, only 13 percent of the funds were used for new construction projects. The majority of funds were used for remodeling projects. Purchases of equipment, added to the authorized activities are already permitted under other library programs. Early indications are that the number of funded projects that do not involve construction will increase.

Foreign Language Materials: The use of Federal funds for the purchase of library books and materials for public libraries is not necessary when larger and more appropriate sources--the general operating budgets of local jurisdictions, gifts, and State aid available to local public libraries--are available. The impact of the program is slight since it awards only a few small grants. Furthermore, foreign language material may be purchased under the Public Library Services program for which an increase in funding was requested.

Library Literacy Programs: This program supports $35,000 grants primarily to local public libraries to assist in promoting volunteerism, acquiring materials, and using library facilities for literacy projects. Since the program was first funded in 1986, nearly 2,000 small grants have been made to state and local public libraries. In 1990, only 22 percent of libraries applying had never previously received a grant. Furthermore, programs under the much larger Public Library Services can support literacy activities.

College Library Technology: This program supports grants primarily to institutions of higher education for the acquisition of up-to-date equipment used to expand library resource sharing among the Nation's colleges and universities. Academic libraries are arguably among the most sophisticated users of technology and lead the library community in applying technology to the development and enhancement of library services. The most urgent needs for up-to-date technological equipment for use in college libraries have been met through funds provided by the program over the past six years. Colleges and universities generally overmatch the Federal contribution.

Library Education and Training: This program supports grants to assist in educating and training individuals in library and information science. While spot shortages of librarians occur, no studies have predicted a widespread lack of adequately trained librarians at any level.

Library Research and Demonstrations: This program supports small grants for the improvement of library services. Other than a one-time increase in 1993, this program has been essentially funded at the same very low level since 1980. There is no justification for continuing a small categorical program to support research and demonstrations. Meritorious proposals could be supported through a variety of other sources.

Research Libraries: This program supports grants to major research libraries to help them strengthen their collections through the acquisition or preservation of materials and to help make these collections available to other libraries and users. Only a few research libraries have received a single award over the life of the program, and several have enjoyed virtually uninterrupted funding. Many of these awards go to institutions that are among the wealthiest in the nation and could support such projects themselves. Institutions would still be eligible for funds from other Federal sources and, of course, them may also seek private support.

The Foreign Periodicals Program: This program provides grants to libraries and institutions of higher education to provide assistance for the acquisition of and access to periodicals published outside the U.S. This is a low priority for federal funds and should be primarily an institutional responsibility.

NPR proposes the following programs be eliminated in addition to those listed above:

Impact Aid 3(b) payments: The department requested a 50 percent reduction for these payments in the fiscal 1994 budget request as the first step of a three year phase-out called for by President Clinton in his February 1993 message to Congress. These payments, which are made on behalf of children who live or have a parent working on Federal property, provide very small amounts of $25 to $125 per section "b" child. The presence of these children, most of whose parents pay local taxes to their communities, imposes little if any financial burden on LEAs.

Fund for the Improvement and Reform of Schools and Teaching (FIRST): The purpose of the program is to improve the educational opportunities for and the performance of elementary and secondary school students and teachers, and to encourage local education agencies to increase the involvement of families in the improvement of the educational achievement of their children. These purposes should be part of a comprehensive school restructuring proposal, not separate categorical programs. Authority for this program expires September 30, 1993.

Educational Partnerships Program: The purpose of this program is to encourage the creation of alliances between public elementary and secondary schools or institutions of higher education and representatives of the private sector to work together on school improvement projects. Educational partnerships have been amply demonstrated as a school improvement strategy and are now widespread and generally supported without Federal assistance. The department's fiscal year 1994 request reflects a phase-out of the program.

General Assistance to the Virgin Islands: This program provides general assistance to improve public education in the Virgin Islands; it does not address any specific educational goal but can be applied to all goals. This assistance duplicates support under Chapter 1 and other ED programs. The department proposed a 50 percent reduction for fiscal year 1994 to begin phase out of the funding. The program was established in 1978 as a response to the increasing public school enrollment in the Virgin Islands. By the early 1980s, however, enrollment had stabilized, and by 1991-92 its enrollment had declined. These statistics suggest that the original purpose for providing the funds no longer exists.

Immigrant Education: This program is designed to assist State Education Agencies (SEAs) and LEAs in providing supplementary educational services and offsetting costs for immigrant children enrolled in elementary and secondary public and nonpublic schools. The eligible recipients are the States, which then distribute the funds to LEAs within the State according to the number of immigrant children. Immigrants are served in bilingual and compensatory education programs, therefore, this program is duplicative of the more general programs.

Law School Clinical Experience: This program is a demonstration that has achieved its original purpose. This program provides funds to accredited law schools to establish or expand programs that provide clinical experience in the practice of law, with preference given to programs providing legal experience in the preparation and trial of actual cases, and to programs providing service to persons who have difficulty in gaining access to legal representation.

Educational Improvement Partnerships: Law-Related Education: The purpose of this program was to enable children, youth, and adults to become more informed citizens by providing them with knowledge and skills pertaining to the law, the legal process, the legal system, and the fundamental principles and value on which these are based. The projects predominantly serve students in public and private schools in grades K-12. This is an example of a capacity building program that has met its goal; these goals can be met through a comprehensive school reform designed around the National Education Goals.

Dropout Prevention Demonstrations: The department is conducting an assessment of the projects under this program. The first interim report is scheduled for January 1994 with a final report in August 1996. The statute limited funding to applicants (1) proposing to replicate successful programs conducted in other LEAs or to expand successful programs within an LEA; and (2) having a very high number or high percentage of school dropouts. The demonstrations supplement other Federal programs that help children complete school, such as Chapter 1, Special Education, and Vocational Education. Demonstrations will be complete with fiscal 1994 funds.

Follow Through: This is a 25-year-old demonstration that has met its original objectives. The program was intended to sustain the gains made by preschool children through Head Start and similar programs. Also, these populations can be served with funds under other Elementary and Secondary Education Act programs such as Chapter 1, Even Start, and through collaborative efforts between Head Start programs and schools.

Impact Aid-Section 2 payments: These payments go to school districts with federally-owned property, based on ED's estimate of local revenue that the local education agency would have received from the eligible Federal property if that property were taxable. Most school districts that receive payments under section 2 also receive substantial payments in lieu of taxes from other Federal agencies, such as the Interior Department. The department requested a 50 percent decrease for fiscal 1994.

Educational Improvement: Inexpensive Book Distribution: This program is administered through a sole source, non-competitive contract to Reading is Fundamental, Inc. (RIF), a non-profit organization associated with the Smithsonian Institution. RIF allocates funds to local community associations that select and distribute inexpensive books to children. An evaluation of the program published by the department in 1992 found that RIF continued to fund proposals of existing federally-funded projects, without regard to the financial status of the applicant; the renewal rate of these projects was 99 percent. In addition, funds are awarded on a non-competitive basis, which is not an appropriate method of allocating federal resources.

Educational Improvement: Arts in Education: This program supports activities which include the Very Special Arts, which develops programs that integrate the arts into general education of children with disabilities and the lives of adults with disabilities and the John F. Kennedy Center for the Arts. The National Endowment for the Arts funds these types of programs at much greater levels of support. In addition, funds are awarded on a non-competitive basis, which is not an appropriate method of allocating federal resources.

Vocational Education: Community-Based Organizations (CBOs): A useful, but not high priority program. The purpose of this program is to provide special vocational education services to disadvantaged youth through community-based organizations. Where CBOs can reach disadvantaged groups that regular vocational schools cannot, States can use their multi-billion dollar programs supported by Federal and State grants. There is no information available at the national level on how critical CBOs are to the success of this population in this area.

DRAFT For Internal NPR Use ONLY **August 6, 1993**

Civic Education: This program provides a non-competitive grant to the Center for Civic Education to support instruction in history and civics. History and civics are important parts of school curriculum, but this grant is non-competitive, too small to have national impact, and does not meet any defined Federal role.

Appendix B

Acknowledgements

ACKNOWLEDGEMENTS

Bailey, Adrienne Y.: Deputy Superintendent, Chicago Public Schools
Bither, Eve M.: Director, Programs for the Improvement of Practice, Office of Educational Research and Improvement, U.S. Department of Education
Blackhurst, A. Edward: Professor, Department of Special Education, University of Kentucky
Bogart, JoAnn: Office of Policy and Planning, U.S. Department of Education
Brown, Cynthia: Education Branch, U.S. Office of Management and Budget
Chenok, Dan: Office of Information and Regulatory Affairs, U.S. Office of Management and Budget
Christensen, Sally: Director and Deputy Assistant Secretary, Budget Services, Office of Management and Budget/Chief Financial Officer, U.S.Department of Education
Conaty, Joseph: Special Studies Staff Director, Office of Educational Research and Improvement, U.S. Department of Education
Cook, Ed: Chief Financial Officer/Office of Management and Budget, U.S. Department of Education
Davidson, Robert: Postsecondary Analysis Division Director, Office of Management and Budget/Chief Financial Officer, U.S. Department of Education
Davis, Deborah K.: Assistant Director, Office of Sponsored Projects Administration, University of Kentucky
Domeck, Ann: Assistant to the Dean in External Relations in the School of Education, University of Louisville
Edward, Michael: National Education Association
Elliott, Emerson: Commissioner, National Center for Education Statistics
Fairhall, Lisa: Education Branch, U.S. Office of Management and Budget
Fetterman, David: President, American Evaluation Association
Ganson, Brian: Chief of Staff, Office of Civil Rights, U.S. Department of Education
Guard, Patricia: Director, Office of Special Education Programs, U.S. Department of Education
Ginsburg, Alan: Director Planning and Evaluation Service, Office of Policy and Planning, U.S. Department of Education
Grew, Judy: Education Branch, U.S. Office of Management and Budget
Haines, John: Director, Debt Collection Service, Office of Postsecondary Education, U.S. Department of Education
Haycock, Kati: American Association for Higher Education
Heumann, Judy: Assistant Secretary for Special Education and Rehabilitative Services, U.S. Department of Education
Hindman, Nancy Stewart: Student Support Services Director, Eastern Kentucky University
Hoffman, Susan: Office of Policy and Planning, U.S. Department of Education
Hughes, Mary: Grants and Contracts Service, U.S. Department of Education
Humphrey, Greg: American Federation of Teachers
Johnson, Jennifer: Senior Vice President and Chief Development Officer, Georgetown College
Joyce, Bernita A.: Assistant Director, Office of Policy Analysis, U.S. Department of the Interior

Kappner, Augusta: Assistant Secretary for Vocational and Adult Education, U.S. Department of Education
Katzenmeyer, Conrad: National Science Foundation
Kunin, Madeleine: Deputy Secretary, U.S. Department of Education
Laine, Mitchell L.: Director and Deputy Chief Financial Officer, Accounting and Financial Management Service, Office of Management and Budget/Chief Financial Officer, U.S. Department of Education
Liggett, Mary P.: Deputy Director, Grants and Contracts Service, U.S. Department of Education
Link, Phillip S.: Deputy Director, Executive Secretariat, U.S. Department of Education
Longanecker, David: Assistant Secretary for Postsecondary Education, U.S. Department of Education
MacDonald, Jack: Coordinator of State Leadership Project, Council of Chief State School Officers
Martin, Therese: Office of Management and Budget/Chief Financial Officer, U.S. Department of Education
Masters, Donna M.: Director of Grants and Contracts, Eastern Kentucky University
Miller, Kenneth R., Director for Institutional Advancement, Kentucky State University
McCowan, Rod: Chief of Staff to the Deputy Secretary, U.S. Department of Education
McLaurin, Phillip: National Education Association
Morris, Caroline: Office of the Deputy Secretary, U.S. Department of Education
Newell, Terry: Director, Horace Mann Learning Center, Office of Human Resources and Administration, Department of Education
Payzant, Tom: Assistant Secretary for Elementary and Secondary Education, U.S. Department of Education
Pestka, Tom: Deputy Director, Debt Collection Service, Office of Postsecondary Education, U.S. Department of Education
Plisko, Val: Elementary and Secondary Education Division Director, Office of Policy and Planning, U.S. Department of Education
Robinson, Sharon: Assistant Secretary for Educational Research and Improvement
Rosenberg, Bella: Assistant to the President, American Federation of Teachers
Rosenfelt, Philip H.: Assistant General Counsel, Elementary, Secondary, Adult, and Vocational Education Division, U.S. Department of Education
Schatkin, Steven: Regulations Management Division Assistant General Counsel, U.S. Department of Education
Schweri, Bill: University of Kentucky
Shanker, Albert: President, American Federation of Teachers
Simmons, Ella Smith: Assistant Professor, University of Louisville
Smith, Marshall "Mike": Under Secretary, U.S. Department of Education
Smith, Pat: Education Branch, U.S. Office of Management and Budget
Sullivan, Neil: Executive Director, Private Industry Council, Boston, Massachusetts
Takai, Ricky: U.S. Department of Education
Taylor, Sherlyn: Grants Division Director, Grants and Contracts Service, U.S. Department of Education
Thomas, Jim: Inspector General, U.S. Department of Education
Travis, Leona: Kentucky State University

Trietsch, Veronica: Director, Personnel Management Service, U.S. Department of Education
Turner, Susan: Kentucky State University
Queen, Ann: Associate Commissioner Developmental Programs, Rehabilitation Services Administration, U.S. Department of Education
White, Barry: Chief, Education Branch, U.S. Office of Management and Budget
White, Bayla: Education Branch, U.S. Office of Management and Budget
Will, Madeleine: President, ChildLink, International
Winnick, Steven Y.: Office of the General Counsel, U.S. Department of Education
Zenker, Wendy: Acting Branch Chief, Management Integrity Branch, U.S. Office of Management and Budget