

Archived Information

Objective 3.3: Postsecondary student aid delivery and program management is efficient, financially sound, and customer-responsive.

National Need

National Concerns. The Department of Education works with approximately 6,000 postsecondary institutions, 4,100 lenders, and 36 guaranty agencies to deliver more than \$50 billion in grant, loan, and workstudy assistance to about 8.5 million students who rely on Federal student aid to pay for higher education. The Department has identified the improvement of financial aid delivery services to students, the postsecondary institutions they attend, and financial institutions as one of its highest priority management objectives.

Our Role. The Student Financial Assistance (SFA) Performance-based Organization (PBO), created to improve the management of the student financial aid delivery system, became operational in December 1998. A PBO is a results-driven organization created to deliver the best possible services; it is a new way of working in the public sector. It establishes incentives for high performance and accountability for results, while allowing more flexibility to promote innovation and increased efficiency.

Shortly after coming on board, the PBO's chief operating officer developed an interim plan for the first year that focused on projects that moved SFA closer to improving customer satisfaction, cutting costs, and transforming the organization into a PBO. By the end of FY 1999, nearly every component of the plan had been completed, and the organization had delivered much-needed innovative products and services, as well as laid the groundwork for future initiatives. These initiatives have been incorporated into its 5-Year Performance Plan. (SFA's FY 1999 Final Report and the 5-Year Performance Plan are available on <http://www.ed.gov/offices/OSFAP/>.)

Our Performance

How We Measure. The Performance Plan for SFA for FY 2000-04 is focused on results. With the successes from the transition year behind us, the PBO provided its long-term working plan for achieving best-in-business service for its customers. The 5-Year Performance Plan focuses on three outcomes: improving customer satisfaction, lowering unit cost, and—because it is essential to improving both—employee satisfaction. The plan sets specific, measurable targets and provides strategies for achieving the intended result. It is based on a simple, balanced scorecard like the best private companies, such as FedEx and American Express, and successful public organizations like the U.S. Postal Service. The new indicators that SFA uses to track its progress are reported below.

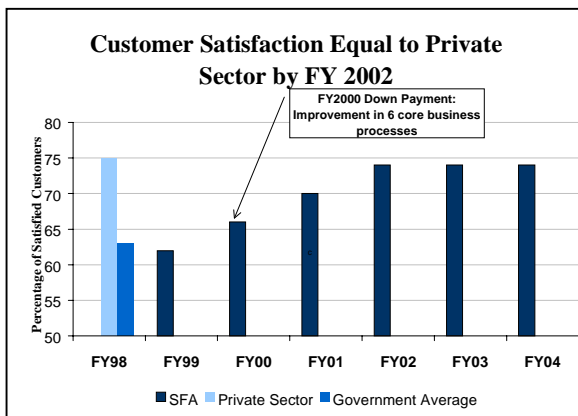
Indicator 3.3.a. Increase customer satisfaction to a comparable private sector industry average as measured by the American Customer Satisfaction Index (ACSI) by fiscal year 2002.¹

¹ The ACSI uses a widely accepted methodology to obtain standardized customer satisfaction information for all of its participants. More than 170 private sector corporations, and for the first time, numerous government agencies, participated in the recent ACSI. Because it is widely used across all business sectors, it allows SFA to benchmark and compare its performance to the best in business. (See page 127)

Assessment of Progress. Unable to judge the progress toward this goal, as it is a new measure for FY 2000. The ACSI benchmark for the finance and insurance industry is 74 out of a possible score of 100. While surveys are under way, SFA will not know its baseline performance until sometime in the spring or summer of 2000.² At that time, SFA will be in a better position to determine an FY 2001 target.

As a down payment on SFA’s commitment to bring customer satisfaction ratings up to the best in business, SFA will commit to improve satisfaction—as measured by the “Have we gotten better this year?” ACSI survey question—for 6 out of 10 of SFA’s core business processes with a substantial number of customers (70 percent or more) reporting improvements in at least one process for each channel.

Figure 3.3.a.1



Source: American Customer Satisfaction Index. *Frequency:* Annual. *Next Update:* Spring/summer 2000. **Validation procedure:** Data verified by ED data quality attestation process and *ED Standards for Evaluating Program Performance Indicators*. **Limitations of data and planned improvements:** None noted.

Indicator 3.3.b. By FY 2004, reduce actual unit costs from projected unit costs by 19 percent.

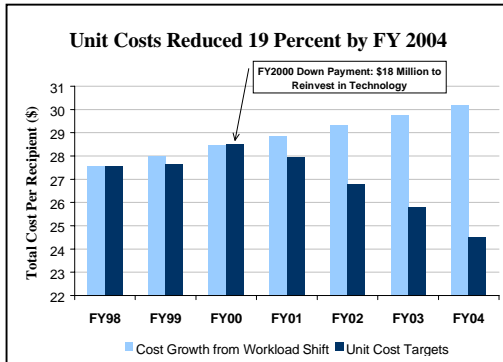
Assessment of Progress. Progress cannot be judged progress toward this goal, as it is a new measure for FY 2000. SFA’s 5-year commitment is to cut unit costs enough to overcome both the projected increase in workload and the unavoidable shift to a more expensive phase in servicing operations while staying within the president’s budget. The shift to a more expensive phase of servicing by itself would drive overall unit costs up by 10 percent over the next 5 years. The following graph shows SFA’s current unit cost targets by year until 2004. Simply put, to stay within the total budget, SFA must in effect cut unit cost by 19 percent by 2004.

The graph of unit cost targets actually shows a slight increase in FY 2000. That is because, besides servicing costs going up, major investments in electronic solutions are needed to reach SFA unit cost cutting targets in years two and three of the plan. Approximately \$18 million of the investment made in FY 2000 will actually come from cost-cutting actions this year. The balance of the investment comes from increases included in appropriations.

² A preliminary survey of 1 of our 10 core business processes, electronic application processing, scored 63 out of 100 (December 1999).

To show SFA is making cost cutting progress immediately, SFA's annual report for FY 2000 will specify exactly what unit cost reductions have been made in which business processes to total the \$18 million reduction in operating expenses. Note that SFA has a double incentive to create these savings: first, to live up to this down payment pledge and second, to fund the Systems Modernization Blueprint on which future success is dependent. For FY 2001, SFA is expected to reduce costs by 3 percent.

Figure 3.3.b.1



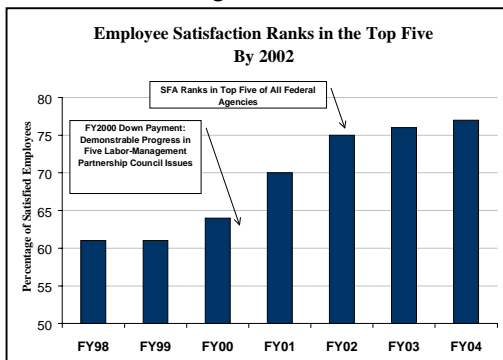
Source: PBO 5-Year Performance Plan, *Frequency:* N/A. *Next Update:* Reviews of unit costs at business process level will be performed continuously after the interim cost system is put in place in the spring of 2000. **Validation procedure:** New Measure for FY 2000. No formal verification procedure applied. **Limitations of data and planned improvements:** Actual expenditures differ from appropriated funds because some appropriated funds span multiple fiscal years.

Indicator 3.3.c. Improve SFA's ranking of employee satisfaction in the Office of Personnel Management's (OPM) and National Performance Review's (NPR) Employee Opinion Survey from 33rd to one of the top five by FY 2002.

Assessment of Progress. Unable to judge progress toward this goal, as it is a new measure for FY 2000. Employee satisfaction is a high priority because top businesses have found that good service and cost control happen only when everyone—not just the boss—applies energy and creativity to those same goals.

To hasten improvement in this indicator for FY 2000, SFA will make a down payment by picking five big issues that our Labor-Management Partnership Council identifies and make demonstrable progress on those five issues this year. For FY 2001, SFA is anticipating improvement from the 1999 baseline and 2000 result (not yet conducted).

Figure 3.3.c.1



Source: National Partnership for Reinventing Government Survey. *Frequency:* Annual. *Next Update:* January 2001. **Validation procedure:** New Measure for FY 2000. No formal verification procedure applied. **Limitations of data and planned improvements:** None noted.

How We Plan to Achieve Our Objective

How ED's Activities Support the Achievement of This Objective.

- **Increase customer satisfaction.** A few major initiatives for each of SFA's customer segments are provided below. A more complete list can be found in Appendix A of the 5-Year Performance Plan.

Students—

- Establish one toll-free number for "one call" student customer service (by September 2000).
- Enable students to correct additional Free Application for Federal Student Aid (FAFSA) errors through the Internet (by September 2000).
- Work with the IRS to participate in a pilot test of electronic matching of income data with the ultimate goal of simplifying processes (by September 2000).
- Create a new high-quality SFA Web site linked to the Access America Web site and the Department's "Think College Early" Web site. Pending OMB guidance, link to appropriate Web sites in the education community (by September 2000).

Schools—

- Assign each school a contact point who will be a part of a Customer Service Team with the know-how and authority to solve problems with one call (by July 2000). The contact point for institutions will respond to an institution's inquiry within 48 hours.
- Allow schools to download all SFA software and materials through the SFA Web site (by April 2000).
- Electronically process official cohort default rate appeals based on new data (by September 2000).

Financial Partners—

- Assign each financial partner a contact point within a customer service team with the know-how and the authority to get questions answered and problems solved (by January 2000).
- Continue to work with guaranty agencies and lenders to improve the quality of data in NSLDS.
- Join current guarantor and lender groups or establish Partnership Council Teams with guaranty agencies and lenders and to develop guiding principles of quality service, training and technical assistance materials, performance data for benchmarking purposes, and common standards and operating rules to simplify transactions and to address issues to improve service to students (by June 2000).

Key Internal Performance Measures—

- Ensure call center (1-(800)4FEDAID) answers 95 percent of all phone calls.
- Process loan consolidations in 60 days or less.
- Process FAFSA within an average turnaround time of 8 days or less.
- Resolve 90 percent of school audits within 6 months of receipt (current baseline is 82 percent).
- Process Pell origination and disbursement records within 24 to 36 hours (current baseline is 3 days).
- Process 95 percent of school recertifications within 120 days of receipt (current baseline is 42 percent).

- **Decrease unit costs.** Major initiatives that will help reduce unit costs are listed below. Cost reductions will focus on improving processes to make them more efficient, but also on reducing one of the major costs of the financial aid programs—loan defaults.

- Increase the number of FAFSA's filed electronically from 3 million to 4 million in FY 2000.
- Work with financial partners to create programs to continue to reduce the lifetime default rate of Federal Family Education Loan Program (FFELP) loans (by September 2000).
- Increase the default recovery rate for loans in default held by guaranty agencies (by September 2000).

- Reduce overall volume-adjusted operating costs for systems migrated to the consolidated data center by 10 percent (by September 2000).
- Achieve 90 percent of the annual major modernization milestones that have been approved by the Information Technology Investment Review Board (by September 2000).

Key Internal Performance Measures—

- Keep Cohort Default Rate under 10 percent (current baseline is 8.8 percent).
 - Keep the Default Recovery Rate at 10 percent or higher. (current baseline is 10.5 percent).
- **Increase employee satisfaction.** Initiatives to increase employee satisfaction are:
- Survey all SFA employees to determine their top five issues for implementing.
 - Determine how these top five issues will be implemented by December 2000.
 - Determine how these top five issues will be tracked.
- **Implementation of the modernization Strategy**
To achieve better service at lower costs, as well as the statutory requirements detailed in the PBO legislation, SFA must integrate and modernize its existing stovepiped, mission-critical databases. The System Modernization Blueprint provides a mechanism for accomplishing this task. Borrowing from the best practices in the financial sector, SFA will use middle ware to create applications that are focused on each customer channel and draw from common data that are stored only once. The Blueprint spells out projects to put in place in a modular fashion and the appropriate timing or sequencing for accomplishing activities.

How We Coordinate with Other Federal Agencies

1999-00 Data Matches

- selective service match—Records that meet the criteria for required Selective Service registration are sent to Selective Service to determine whether the applicant has registered as required.
- selective service registration—Applicants who request registration via their financial aid application or Student Aid Report (SAR)/Institutional Student Aid Report (ISIR) are sent to Selective Service for registration.
- immigration and naturalization service (INS)—Applicants who have indicated that they are eligible noncitizens are sent to the INS contractor for matching against the INS database, using the alien registration number.
- social security number match—All applicant records received are matched against the Social Security Administration database for two purposes. First, to verify the Social Security Number reported by the applicant and second, to verify citizenship.
- national student loan data system—All applicant records are matched against the National Student Loan Data System to determine if the student is currently in default on a Federal loan.
- veterans affairs match—Applicants who have indicated they are veterans are sent to the VA for matching against the VA database to confirm their veteran status.
- treasury offset program—A list of defaulted accounts are sent to the Department of Treasury, where they are matched against potential refund payments.

Additional Matches for 2000-01:

- prisoner match—All applicant records received will be matched against the Social Security Administration database to determine if the applicant is a prisoner at a state, local, or Federal facility.

- date of death—All applicant records received will be matched against the Social Security Administration database to determine if the applicant is using the social security number of a deceased person.

The internal matches performed currently include the following:

- verification hold file—Contains Pell Grant recipients referred to ED for possible overpayment or data verification fraud investigation.
- drug abuse hold file—Contains records supplied by the Department of Justice of persons who have been denied Federal benefits as a result of drug abuse convictions.

Challenges to Achieving Our Objective

Because this objective involves primarily internal ED initiatives, there are no external factors that should affect achievement of the objective.