

Our Accomplishments for FY 2008 and Ongoing Initiatives

Protecting Student Access and Affordability in Higher Education

As part of its continued commitment to ensure that all qualified students have access to federal student loans, the Department has developed a four-part Plan designed to improve the functioning of the student loan marketplace. The four components of the Plan are an offer to purchase Federal Family Education Loan program (FFEL) loans from lenders and to offer lenders access to short-term liquidity; a pledge to work with the student lending community on solutions to ensure the FFEL program and other student lending programs that serve the best interest of students and taxpayers; an enhanced Lender of Last Resort program to provide access to FFEL program loans for students who face difficulty obtaining conventional loans; and a Federal Direct Loan Program with increased capacity.

The Plan includes a loan purchase commitment under which the Department agrees to purchase new FFEL loans for the 2008-09 academic year and to offer FFEL lenders access to short-term liquidity. The Plan also includes strengthening the FFEL Lender of Last Resort program to help ensure that students are able to obtain FFEL loans and increasing the Department's capacity to make loans under the Federal Direct Student Loan program.

The Department has joined with the Department of the Treasury to analyze market conditions in light of the decision by some lenders to suspend participation in the FFEL. The Department is also committed to supporting the current FFEL program as a successful public/private partnership, while protecting taxpayer interests.

New Loan Purchase Programs Address Student Aid Needs

During FY 2008, the Department of Education implemented a new statutory loan purchase authority to ensure that credit market disruptions did not cause eligible students and their parents to lose access to FFEL loans for the 2008-2009 academic year. The Department also revised agreements with FFEL guaranty agencies under the existing Lender of Last Resort (LLR) authority to provide further assurance that loans would be available for all eligible borrowers.

Emergency Loan Purchase Authority. In FY 2008, Congress enacted the *Ensuring Continued Access to Student Loans Act of 2008* (ECASLA) which authorizes the Department to buy loans from FFEL lenders when the Department determines that there is not sufficient loan capital to meet the demand for loans. This authority was recently extended to authorize loan purchases through July 1, 2010.

Lenders may access capital under this authority in two ways: by selling eligible FFEL loans directly to the Department or by selling the Department participation interests in eligible FFEL loans. In FY 2008, the Department directly purchased over 20,000 loans valued at approximately \$59 million. In FY 2008, the Department purchased more than \$5 billion in participation interests in FFEL loans.

Participating lenders represent to the Department that they will continue to participate in the FFEL program and that when funds become reasonably available from private sources on affordable terms, they will originate new loans or acquire existing loans made by other lenders. For additional information, please see <http://federalstudentaid.ed.gov/ffelp/>.

Lender of Last Resort. The *Higher Education Act of 1965*, as amended, requires guaranty agencies (GAs) to make loans as a lender of last resort to those students who are unable to obtain FFEL loans from conventional FFEL lending sources. GAs may arrange for a conventional FFEL lender to make Lender of Last Resort loans or may make loans directly with their own resources. The Department may advance funds to a GA to make lender of last resort loans if that GA cannot arrange for such lending by another party and lacks other resources sufficient to make the needed loans. The Department will require that any federal advances be deposited in the GA's Federal Fund and that loans made from those funds be assigned to the Department promptly after they are disbursed. The Department did not make federal advances for Lender of Last Resort loans in FY 2008 and none are currently anticipated for FY 2009.

TEACH Grant Program. Authorized by the *College Cost Reduction and Access Act of 2007*, this program offers grants of up to \$4,000 to students agreeing to teach math, science or other specialized subjects in a high-poverty school for at least 4 years within 8 years of their graduation. If students fail to fulfill the service requirements, grants turn into Unsubsidized Stafford Loans, with interest accrued from the time of the grant award.

Because the grants turn into loans when the service obligations are not satisfied, budget and accounting treatment of the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program is consistent with the *Federal Credit Reform Act of 1990*. Subsidy costs reflecting the net present value of grant costs less expected future loan payments are recorded in the TEACH Grant Program Account. In FY 2008, the Department disbursed approximately 800 grants exceeding \$1.4 million under TEACH.

Information Resources for Students and Parents. The Department and the Federal Trade Commission have jointly released a consumer guide to help students and their families navigate the maze of offers they may face when seeking new student loans or consolidating existing student loans to pay for higher education. *Student Loans: Avoiding Deceptive Offers* provides advice to help consumers detect deceptive marketing offers from private companies seeking their student loan business. See more details at <http://ombudsman.ed.gov/CRE43-studentloans3.pdf>.

Improving college access, affordability and accountability are key to giving more Americans a chance at higher education and keeping America economically competitive. Families need more information about students' federal aid eligibility so that they can plan ahead for college. The Department's *FAFSA4caster* gives families an important tool they can use to make decisions about the future. The *FAFSA4caster* calculates a student's eligibility for federal student aid, reduces the time it will take to complete the Free Application for Federal Student Aid (FAFSA) and simplifies the financial aid process for students and families. For more details see <http://www.federalstudentaid.ed.gov>.

The Reauthorization of the Higher Education Act

A college education continues to be the best path to the strengthening the future of our nation. The *Higher Education Opportunity Act*, the latest renewal of the *Higher Education Act of 1965*, continues the effort to make college more affordable and expands college access. The legislation encourages colleges to rein in price increases, improves integrity and accountability in student loan programs, simplifies the federal student aid application process, expands college access and support for low-income and minority students and

increases college aid for veterans and military families. The Act establishes measures to ensure equal college opportunities for students with disabilities, encourages colleges to adopt energy-efficient practices and strengthens our workforce and competitiveness.

Indicators To Track the Nation's Educational Progress

No Child Left Behind is providing parents, educators and the public with historic levels of data about how schools in the United States are performing. The five leading education indicators—achievement in reading and mathematics, the achievement gap, high school graduation, college readiness and college completion—complement *No Child Left Behind* by providing a snapshot of national trends. These five were selected because they are national, reliable, results-based, and, in most cases, annual. Further, it is believed that they best capture the Department's overarching goals in that they encompass metrics of the performance of the United States education system from elementary through postsecondary. The five indicators were averaged, with equal weighting, to produce a single summary (composite) indicator. For more information and technical notes on how the indicators are calculated, go to

<http://www.ed.gov/nclb/accountability/results/trends/index.html>.

Education Indicator	2000	2007
Achievement: What percentage of 4th- and 8th-graders are proficient or above in reading and mathematics?	25%	33%
Achievement Gap: What percentage of black and Hispanic 4th-and 8th-graders are proficient or above in reading and mathematics as compared to the same cohort of white students?	23%	35%
High School Graduation: What is the percentage of public high school students who earn a regular diploma in four years?	72%	74%
College Readiness: Of the high school students who take a college entrance exam, what percentage are ready for a college course?	42%	42%
College Completion: What percentage of our young labor force (25-34 years old) have at least a bachelor's degree?	29%	31%
Composite	38%	43%

Strengthening *No Child Left Behind*

This year, Secretary Spellings developed new regulations to strengthen and clarify *No Child Left Behind*. The regulations focus on improved accountability and transparency, uniform and disaggregated graduation rates and improved parental notification for supplemental educational services and public school choice. These new regulations outline the criteria that states must meet to incorporate individual student progress into their definitions of adequate yearly progress. Additionally, the regulations strengthen the provisions of the law on school restructuring by clarifying that restructuring interventions must generally be more rigorous than a school's prior corrective actions and that interventions must address the reasons that the school is in restructuring.

The Secretary has also created a National Technical Advisory Council, made up of experts in the fields of education standards, accountability systems, statistics and psychometrics, that is tasked with advising the Department on the implementation of standards, assessments and accountability systems.

A Uniform Definition of Graduation Rate. The Department has established a uniform method for calculating high school graduation rates that identifies how many incoming freshmen in a high school graduate within four years with a regular high school diploma. All states must now use the same formula that follows a cohort of first-time ninth grade students and calculates how many of those students graduate with a regular high school diploma within four years. The formula adjusts the initial cohort to account for students who transfer into or out of the cohort. Each state is responsible for setting a graduation rate goal and annual key targets, and for disaggregating data by race, ethnicity, disability, limited English proficiency and income level to report graduation rates and to determine adequate yearly progress.

Strengthening Public School Choice and Supplemental Educational Services. An interim report on state and local implementation of *No Child Left Behind's* public school choice and supplemental educational services options found that the number of students participating in both options has increased substantially. However, in school year 2004-05 only a small proportion of eligible students took advantage of the options available to them. See more details at

<http://www.ed.gov/rschstat/eval/choice/implementation/achievementanalysis.pdf>. A parent survey found that only a small percentage of eligible parents knew they had been notified about the school choice option and only a slightly larger percentage knew that their child was eligible for supplemental services. The Department has proposed regulations to provide timely and clear notification to parents whose children attend Title I schools identified as in need of improvement and who are eligible for supplemental educational services.

New Regulations for Title I Build On Accountability. The Department's new regulations for Title I of the *Elementary and Secondary Education Act of 1965* (ESEA), as amended by *No Child Left Behind*, build on the advancements of state assessments and accountability systems, as well as strengthening the public school choice and supplemental educational services provisions of *No Child Left Behind*. The new regulations require states to explain the states' minimum group size to provide statistically reliable information, and report state National Assessment of Educational Progress (NAEP) reading and mathematics results on their state report cards. These regulations were published on October 28 and will become effective on November 28, 2008. See more details at <http://www.ed.gov/policy/elsec/reg/title1/index.html>.

New Flexibilities Under *No Child Left Behind*

Growth Model Pilot. The Department continues to provide expanded flexibilities to states under *No Child Left Behind*, including the Growth Model Pilot, which allows states that adhere to the core principles of *No Child Left Behind* to include measures of individual students' annual progress in the calculation of adequate yearly progress. This year, the Department opened the growth model pilot to all eligible states.

Differentiated Accountability. In FY 2007, Secretary Spellings announced another important flexibility under *No Child Left Behind*. The new initiative, differentiated

accountability, allows eligible states to distinguish between those schools in improvement that are just missing the mark and those that need significant reform. Differentiated accountability allows states to vary the intensity and type of interventions to match the reasons that lead to a school's identification for restructuring.

In return for this flexibility, states participating in the program must commit to building their capacity for school reform, taking the most significant actions for the lowest-performing schools, addressing teacher effectiveness and using data to determine the types and categories of intervention. As part of a pilot program, states meeting four core principles (accountability, differentiation, interventions and restructuring) may propose a differentiated accountability model. In order to participate in the pilot, a state's standards and assessment system must be fully approved, the state must have no significant monitoring findings, the state must have an approved highly qualified teacher plan and the state must provide timely adequate yearly progress information to the public.

Additionally, the Secretary has created a pilot program for states participating in Supplemental Educational Services (SES) for students attending Title I schools in year one of school improvement status. This pilot allows school districts to offer tutoring ahead of schedule under *No Child Left Behind*. States approved for the SES pilot must meet the following criteria: timely notification of adequate yearly progress; a state SES evaluation in progress; and a state assessment system for which the Department has granted Full Approval with Recommendations.

Progress in Reading, Mathematics and Science Achievement

Every day, schools in the U.S. work to make progress toward the goal of having all students perform on grade level or better in reading and mathematics by 2014. Achievement of this goal depends on a continued commitment to high standards, annual assessments, accountability for results, a highly qualified teacher in every classroom and information and options for parents. The Department has been tracking progress and collecting data about the academic performance of students in order to chart current achievement and plan a course of action for future progress. See more details at <http://www.ed.gov/nclb/accountability/results/progress/nation.html>

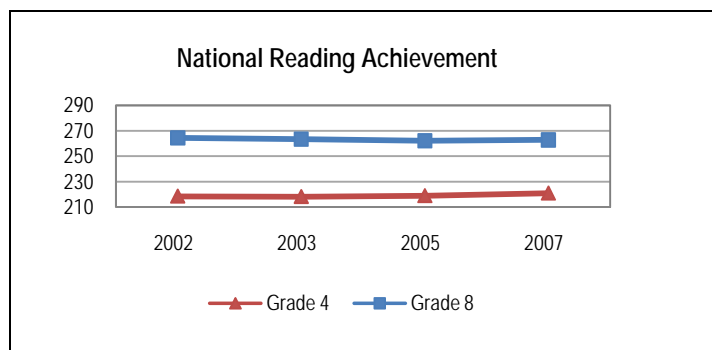


Exhibit represents NAEP reading achievement trend data from 2002 to 2007.

Source: National Assessment of Educational Progress (NAEP)

States Report Gains in Reading Achievement. The Reading First Program is an academic cornerstone of *No Child Left Behind*. Reading First builds on a solid foundation of scientifically based research and provides struggling students in the highest-need schools with the necessary resources to make progress in reading achievement. Reading First is designed to help at-risk students in grades K-3, while Early Reading First helps preschool age children.

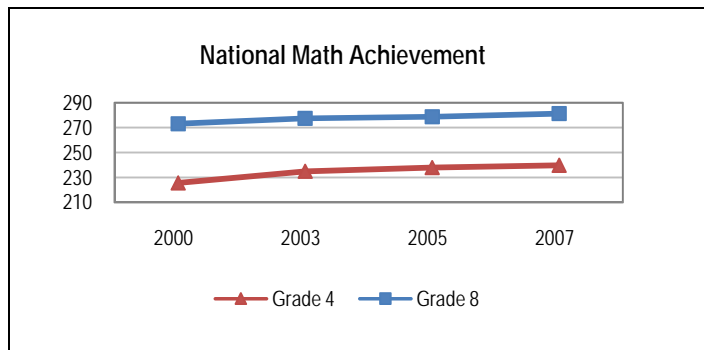
Actual student achievement data reported by states on their annual performance reports show that Reading First students from nearly every grade and subgroup have made impressive gains in reading proficiency. In Grade 1, 44 of 50 state educational agencies (SEAs) reported increases in the percentage of students proficient in reading comprehension.

In Grade 2, 39 of 52 SEAs reported improvement and in Grade 3, 27 of 35 SEAs reported improvement.³ For detailed Reading First state-by-state data, please visit www.ed.gov/programs/readingfirst/performance.html and <http://www.ed.gov/programs/readingfirst/state-data/achievement-data.pdf>

A recent report on Reading First, released by the Department's Institute of Education Sciences, provided additional information about the Department's efforts to improve reading achievement. This report found that Reading First had a positive, statistically significant impact on the total class time spent on the five essential components of reading instruction promoted by the program. However, while students at Reading First schools made notable gains and received significantly more reading instruction than those in non-Reading First schools, their improvements were not significantly different from those of students at non-Reading First schools in the same district. It is important to note that the study measured Reading First schools against other schools in Reading First districts that may have implemented the same reforms. For the full report, see <http://ies.ed.gov/ncee/pdf/20084016.pdf>.

Improved Proficiency in Mathematics and Science. Student achievement in mathematics and science continues to show gains since the implementation of *No Child Left Behind*. The latest results from the National Science Foundation's Math and Science Partnership Program show improved proficiency among all elementary and middle school students who participated in the program. The results also show a narrowing of the achievement gaps between both African-American and Hispanic students and white students in elementary school math and between African-American and white students in elementary and middle school science. See more detail at http://www.nsf.gov/news/news_sum_m.jsp?cntn_id=111514.

The 2007 National Assessment of Educational Progress scores for mathematics showed that the overall score for students in Grade 4 in mathematics was higher than in any previous assessment. There was improvement across the board in mathematics performance for white, African-American, Hispanic



Source: National Assessment of Educational Progress (NAEP)

³ The SEAs implementing Reading First programs and providing data are the 50 states, the District of Columbia, the U.S. Virgin Islands, American Samoa, and the Bureau of Indian Affairs. SEA data are included in the calculations only if the state provided complete and reliable data for the first year of implementation through the 2006-07 school year on the same measure with the same proficiency benchmark. The number of SEAs reporting data varies because SEAs did not all provide complete and reliable data for every grade every year. Grade 3 data include only SEAs reporting on the same assessment used in Grades 1, 2 and 3.

and Asian and Pacific Islander students. The average score for fourth-graders has increased 27 points over the past 17 years and the score for eighth-graders has increased 19 points during the same period. The chart above represents trend data from 2000 to 2007. See more detail at <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2007494>.

Global Competitiveness Is a Vital National Interest

Foreign Languages Critical for National Security. With our expanding global economy and national security needs, it is crucial that large numbers of Americans be able to communicate in languages such as Arabic, Chinese, Russian, Korean, Hindi and Farsi. To help increase the number of Americans learning foreign languages critical to national security and commerce, the President's National Security Language Initiative is intended to address the shortage of critical foreign language speakers by supporting new and expanded programs in grades K-12. The Initiative also helps educate teachers in those languages. Speaking another's language promotes understanding, conveys respect, strengthens our ability to engage people from other nations and governments and provides others with an opportunity to learn more about America and its people. See more details at <http://www.ed.gov/about/inits/ed/competitiveness/nsli/index.html>

The Department and the European Union Partner to Address Global Issues. The Department of Education and the European Union are jointly funding projects to advance international curriculum development and student exchanges. The projects fund collaborative efforts between colleges and universities in the United States and Europe to develop programs of study in a wide range of academic and professional disciplines. The projects will foster student exchanges and address crucial global issues. Each project consists of a consortium of U.S. and European institutions with funding provided by both the Department and the European Union.

Ongoing Improvement Initiatives

The Organizational Assessment. The Department's Organizational Assessment (OA) is the Departmentwide performance management system, developed in response to the requirements of Executive Order 13450, *Improving Government Program Performance*, as well as the Office of Personnel Management's requirement that each federal agency evaluate its principal offices on an annual basis. The OA operates at the principal office level and is designed to integrate and align all of the Department's performance management elements, including the *Strategic Plan*, the Secretary's annual priorities, the priorities of the principal offices and other requirements of law and of the President. The OA provides a framework for communicating goals and priorities to employees and for aligning employee performance plans with the objectives of Department and principal offices. The OA measures are incorporated into employee performance plans where appropriate. The OA focuses on activities that support the primary objectives of the principal office and of the Department as a whole.

The Department's G5 Initiative. The Department is currently replacing its legacy Grant Administration and Payment System with a new state-of-the-industry system called G5. This new system is being implemented by means of a three-phased approach, and will incorporate numerous enhancements for both grantees and Department staff. Phase 1 of the G5 implementation addressed the payments functionality of the grants process, while Phases 2 and 3 address the pre- and post-Award functionality, respectively.

The G5 system is being implemented in consideration of the Department's role as a Grants Management Line of Business lead in the consortium of federal agencies participating in this effort. The Department has established partnerships with two agencies, the Department of the Interior and the Department of Labor, and one agency office, the Department of Justice Office of Community Oriented Policing Services, to further this goal.

The Department Creates the Risk Management Service. As part of implementing risk management, the Department has created the Risk Management Service. It is responsible for mitigating risks that may adversely affect the advancement of the Department's mission, in coordination with the Risk Management Coordinating Council and the Department's principal offices. The Risk Management Service is developing and coordinating a Departmentwide risk management strategy that supports consistent, quality management of formula and discretionary grants, and related program-funded activities across the Department.

Renewed Focus on Program Monitoring. In addition to the activities underway in the Risk Management Service, program offices across the Department are enhancing their program monitoring activities. The Department encouraged offices to place a renewed focus on program monitoring by utilizing a risk-based approach to identify grantees in need of heightened monitoring. Corrective actions for audits of guaranty agencies, lenders and servicers, and schools were implemented and on-going efforts were focused on the monitoring of the Title I, Reading First and Migrant Education programs.