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***FY 2002
Performance and
Accountability
Report***

U. S. Department of Education

January 31, 2003

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January 31, 2003

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FROM THE SECRETARY

On January 8, 2002, President George W. Bush signed the No Child Left Behind Act of 2001. This law is the vision of the President and the product of a bipartisan Congressional effort. It shifts the federal role from spending to investing and measures success by whether every child is learning, not solely by the amount of dollars spent.

Notwithstanding the current challenges to our educational systems, educational excellence is within our reach. It is clear that public education must change. The No Child Left Behind Act gives us the framework to reform American education. This framework is built on the principles of accountability and results, local control and flexibility, increased choices for parents, quality teachers in every classroom, and decision-making based on solid research.

We have come a long way here at the Department of Education since the President brought forth his vision of education for America. We cannot expect more of others than we expect of ourselves. The Department must be held accountable for results. That is why I am pleased to present our *FY 2002 Performance and Accountability Report*. This report, mandated by the Government Performance and Results Act (GPRA) and the Government Management Reform Act, is a review of our performance and financial accountability for the fiscal year 2002. Only a few months ago, we published our five-year Strategic Plan and our Annual Plan for 2002 – 2003. We have worked hard to achieve many of the goals and objectives we set for ourselves in our Strategic and Annual Plans. In the *FY 2002 Performance and Accountability Report*, we report on what has been accomplished and describe further actions we will take to ensure a culture of accountability is realized.

The information contained in the report is as complete and reliable as we have available. We have made every effort to be forthcoming and to tell Congress and the American public what we have done in these few months and how we intend to strive in the coming year to achieve any objectives that we have not yet met.

For the programs, organizations, and functions covered by the Federal Managers' Financial Integrity Act (FMFIA), I am pleased to report that, except for the weaknesses identified in the FMFIA portion of this report, the Department of Education systems of management controls, taken as a whole, provide reasonable assurance that the objectives of the FMFIA have been achieved.

I am also pleased to report that our fiscal year 2002 financial statements have received an unqualified "clean" opinion from the independent auditors. This means that our financial statements present fairly the financial results of the Department and demonstrate our commitment to sound financial management.

Our work is that of continuous improvement, and we cannot rest until all of America's children reach their full potential.



Rod Paige

January 31, 2003

OVERVIEW OF THE REPORT

The Department of Education's Fiscal Year 2002 Performance and Accountability Report integrates the separate Performance Reports and Financial Statements that were produced in previous years. Our intention is to more clearly communicate federal expenditures on national education priorities and the results of those investments as measured against our 2002-2007 Strategic Plan objectives. We regard this as a significant step in our continuous efforts to improve accountability, transparency, and effective management of the Department of Education.

Significant accomplishments in FY 2002 included that we:

- Received a clean audit opinion.
- Expedited implementation of the No Child Left Behind Act.
- Designed a What Works Clearinghouse based on sound educational research.
- Reduced grantees' reporting burden.
- Improved Federal Student Assistance financial management and loan repayment.
- Initiated work process reengineering to assure effective use of personnel and contractor resources.
- 86 percent of the 383 strategic action steps for 2002-2003 were completed or are on track for timely completion at the end of FY 2002.

We still face significant challenges to meeting our national education goals. Primary among these challenges is access to timely, reliable data on our performance in meeting our goals and implementing our programs. Our efforts to identify effective and ineffective programs in the Department are severely limited by the frequent absence of useful data about them. In FY 2002 we designed a performance-based data management initiative which will provide much more robust information about our programs and strategic objectives, as well as provide a strong foundation for educational research and evaluation.

Information about what works in education is severely lacking. In FY 2002 we began focusing our research and evaluation resources on rigorous experimental studies of effective practices. We expect this effort to significantly improve our ability to target resources, manage programs, and advise decision makers.

We also anticipate a number of changes in our programs. In addition to the new directions for elementary and secondary education represented by No Child Left Behind, we anticipate significant changes in special education, secondary, postsecondary, and adult education programs. We expect to aggressively implement these changes as Congress adopts them.

Given the limited federal role in education, we are committed to improving our partnerships with state and local education agencies. Our strategic goals and objectives are national rather than federal. We cannot accomplish them within our federal offices alone.

Finally, the Department is committed to fully implementing the President's Management Agenda and thereby earning the President's Quality Award.

ORGANIZATION OF THE REPORT

The Department of Education's FY 2002 Performance and Accountability Report is organized into five major sections: Management's Discussion and Analysis, Performance Details, Financial Details, Other Statutorily Required Reports, and Appendices.

Management's Discussion and Analysis includes introductory material, a Performance Overview, a Financial Overview, and a section on Management Controls. The introductory material states our mission, supplies an organizational chart, discusses educational problems faced by our nation and the efforts of the Department to identify solutions to these problems, provides an overview and history of the federal role in education, and explains how the Department is creating a culture of organizational excellence.

The Performance Overview presents the Department's strategic objectives for 2002–2007 and a brief discussion of the six performance goals. Each goal discussion examines four areas: Inputs (an estimate of the amount of funding that supports the goal); Implementation (what we accomplished in FY 2002); Impact (our results on meeting our FY 2002 targets); and Improvements (what changes will be made on the basis of results). A summary page that contains highlights with graphics precedes each goal discussion. An explanation of How to Read the Summary Sections (p. 16) gives a key to our use of charts and graphics throughout the document.

The Financial Overview and the Management Controls sections include financial highlights, financial strategies to optimize utilization of available resources, data quality, information technology security programs, and the Office of Management and Budget's (OMB) scorecard on how well the Department is implementing the President's Management Agenda (PMA).

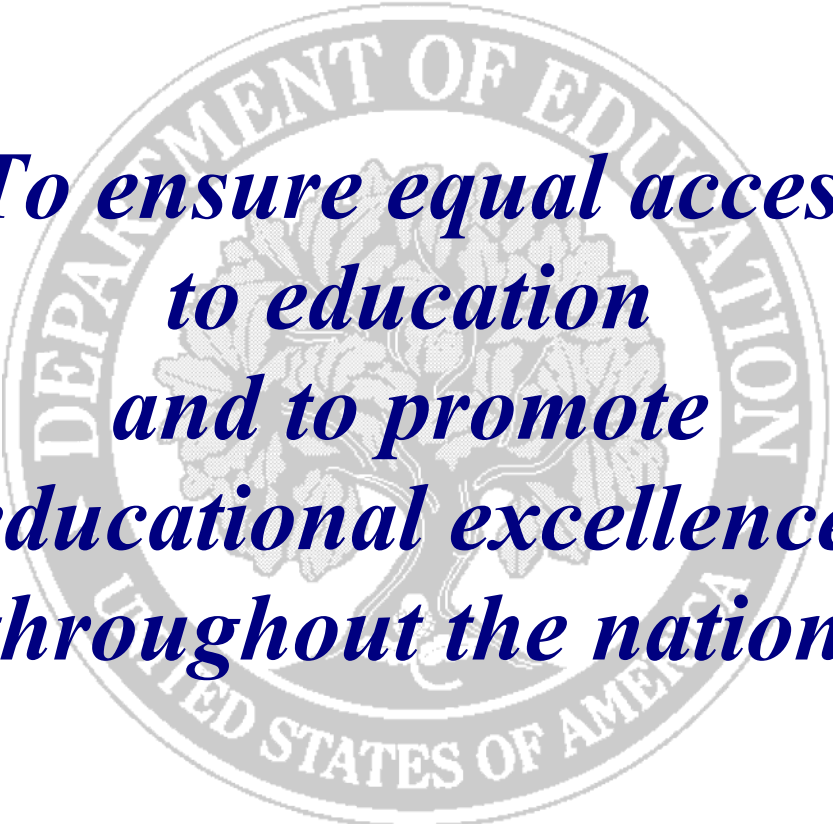
The Performance Details section takes a close look at each objective within each of the six goals. Like the goal discussions, each objective discussion contains an easy to understand one-page summary of highlights and a narrative discussion focused on the four areas: Inputs, Implementation, Impacts, and Improvements. Additionally, each objective discussion is followed by a detailed analysis of the indicators that measure our success in meeting our targets, including source information and data quality issues. The last few pages of the Performance Details section list program clusters for which program-specific indicators results are published in a full report on our Web site (www.ed.gov/pubs/planrpts.html).

The Financial Details section describes the limitations of financial statements and includes Department Financial Statements, Notes to Principal Financial Statements, and Supplementary Information. Other Statutorily Required Reports follow the Financial Details section.

The final section contains eight appendices: a crosswalk showing how our program funding supports our goals and objectives; a report on the President's Management Agenda; findings from the program evaluations completed in FY 2002; a description of OMB's Program Assessment Rating Tool (PART) process; the Department's Guidelines on Information and Data Quality; Audit Reports; the Inspector General's Summary of Serious Management Challenges; and a Glossary of Acronyms.

Management's Discussion and Analysis

Mission

The seal of the U.S. Department of Education is a circular emblem. It features a central figure of a woman holding a book, surrounded by a laurel wreath. The outer ring of the seal contains the text "DEPARTMENT OF EDUCATION" at the top and "UNITED STATES OF AMERICA" at the bottom.

***To ensure equal access
to education
and to promote
educational excellence
throughout the nation***

INTRODUCTION

Better Education for All Americans: Our Reason for Existence

It is a new day in education for America. Our nation has been called to commit itself to the goal of creating an educational system that insists on accountability. The No Child Left Behind Act of 2001 is the President's landmark legislation to raise academic achievement for all students and change the culture of America's schools.

This groundbreaking new law embodies four key principles—stronger accountability for student achievement results; greater flexibility for states, school districts, and schools in the use of federal funds; more choices for parents of children from disadvantaged backgrounds; and a focus on what works. The new law also focuses on improving reading, especially for young children; enhancing the quality of our nation's teachers; and ensuring that all children in America's schools learn English.

Between 1996 and 2002, federal discretionary appropriation for the Department of Education (Department) increased 117 percent, from \$23 billion to \$49.9 billion.¹ In the past three and one-half decades, the federal government has spent more than \$321 billion on the Elementary and Secondary Education Act (ESEA) alone,² while student achievement has remained relatively flat.³

These reforms express my deep belief in our public schools and their mission to build the mind and character of every child, from every background, in every part of America.

—President George W. Bush
January 2001

This act is the most sweeping change in education policy in three decades. It gives new information to parents, new resources to educators, new tools to teachers, and new hope to every child.

—Secretary Rod Paige
January 2002

Although many schools in America are doing a good job, national reports cards showed a continuing achievement gap between important segments of American society.

- Two out of three fourth graders could not read proficiently.⁴
- Seven out of ten inner-city and rural fourth graders could not read at the most basic level.⁵
- America's 12th graders ranked among the lowest in mathematics and science achievement among their counterparts around the world.⁶

¹U.S. Department of Education, Office of the Under Secretary, Budget History Tables.
<http://www.ed.gov/offices/OUS/BudgetHistory/Edhistory.pdf>.

²Resources+Reforms=Results, U.S. Department of Education, Office of the Deputy Secretary, October 2002.
http://www.ed.gov/offices/ODS/budget_resources_reform/.

³National Assessment of Educational Progress (NAEP), Trends in Academic Progress, Three Decades of Student Performance, 1999.

⁴National Assessment of Educational Progress (NAEP), The Nation's Report Card, Fourth-Grade Reading, 2000.

⁵Ibid.

⁶Third International Mathematics and Science Study (TIMSS), International Study Center, Boston College, 1995.

We cannot recover the years that were wasted on an educational system that failed so many children. But No Child Left Behind can recast the future of education in America. Through this law, we will create schools that are worthy of the next generation of Americans.

Reauthorization of the Individuals with Disabilities Act (IDEA), the Higher Education Act (HEA), and the Carl D. Perkins Vocational and Technical Education Act will provide opportunities to further align national education policy and leadership with the four pillars of No Child Left Behind and the first four objectives of our Strategic Plan:

- Link federal education funding to accountability for results.
- Increase flexibility and local control.
- Increase information and options for parents.
- Encourage the use of scientifically based methods within federal education programs.

The Federal Role in Education

Education in America has always been, and remains, primarily a state and local responsibility. States and communities and public and private organizations establish schools, develop curricula, and determine requirements for enrollment and graduation. About 90 percent of all funding for education comes from state, local and private sources. Overall, the federal financial contribution to education is about 10 percent, with only about 7 percent coming directly from the Department of Education.⁷

Seven percent may not sound like much, but the Department makes these dollars work hard by targeting funds where they can do the most good in enhancing student performance. This targeting reflects the historical development of the federal role in education as a means of meeting the needs of students from disadvantaged and minority backgrounds and filling gaps in state and local support for education when critical national needs arise. Because federal funding is flexible in its application, its importance to states, districts, and schools far exceeds its percentage of the total.

The original Department of Education was created in 1867 to collect information on schools and teaching that would help states establish effective school systems. Although the agency's name and location within the Executive Branch have changed over the past 135 years, this early emphasis on getting information on what works in education to teachers and education policymakers continues to the present day. The emphasis on research in the Department's Strategic Plan, in No Child Left Behind, and in the new Institute for Education Sciences will significantly enhance the Department's role in these areas. The What Works Clearinghouse is already under way to disseminate sound educational information to teachers and administrators across the country.

In 1980, Congress established the Department of Education as a Cabinet-level agency. Today, the Department administers a budget of about \$54 billion a year and operates programs that touch every area and level of education. The Department's elementary and secondary programs annually serve about 15,000 school districts and more than 50 million students attending roughly 92,000 public

⁷U.S. Department of Education, Office of the Under Secretary, Budget Service Website.
<http://www.ed.gov/offices/OUS/fedrole.html>.

schools and 27,000 private schools. Department programs provide grant, loan, and work-study assistance to more than 8 million postsecondary students.⁸

Despite the growth of the federal role in education, the Department has never strayed far from what would become our official mission: to ensure equal access to education and to promote educational excellence throughout the nation. The Department carries out our mission in two major ways.

- First, the Secretary and the Department play a leadership role in raising national and community awareness of the education challenges confronting America, disseminating the latest discoveries on what works in teaching and learning, and helping communities work out solutions to difficult educational issues.
- Second, the Department pursues its goals of access and excellence by administering grant programs that cover every area of education ranging from preschool education through postdoctoral research and by implementing federal education legislation.

Although the Department's programs and responsibilities have grown substantially over the years, the Department itself has not. In fact, with approximately 4,700 employees in FY 2002, our staff is nearly 40 percent below the 7,528 employees who administered federal education programs in 1980.⁹ These staff reductions, along with a wide range of management improvements, have helped limit the administrative costs to less than 3 percent of the Department's budget, allowing us to use more than 97 percent of our funding for education assistance to states, school districts, postsecondary institutions, and students.¹⁰

Creating a Culture of Organizational Excellence

The Department cannot demand excellence and accountability for results without holding itself to the same high standards it expects from America's schools. When Secretary Paige arrived at the Department, he found financial and management problems that had damaged the Department's credibility with Congress and with the American public. He immediately worked to set the agency back on a course toward management excellence.

Secretary Paige formed a Management Improvement Team (MIT) and tasked it with the job of identifying and correcting the Department's fiscal and management problems. The MIT developed a Blueprint for Management Excellence (Blueprint) to address long-standing management concerns. The Blueprint identified persistent management challenges; communicated Secretary Paige's vision of accountable, performance-based management; and established a road map for management improvements to make the Department a model of management excellence among federal agencies. Our work to implement the Blueprint has established the solid management foundation essential to achieving the President's education goals.

The Blueprint embraces key features of government-wide initiatives set forth in the President's Management Agenda (PMA). The PMA is the President's bold strategy for improving management within the federal government through performance-based management and strong accountability for results. The PMA identifies five government-wide goals: the strategic management of human capital; competitive sourcing; improved financial management; expanded e-government; and budget

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

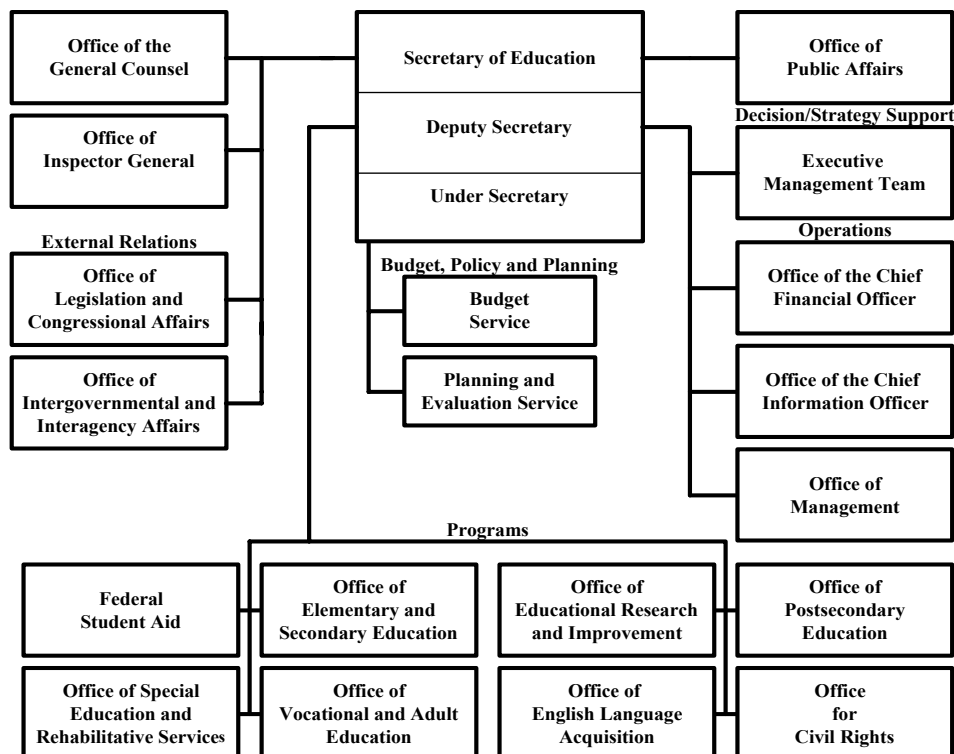
and performance integration. These goals and the Blueprint have been integrated into the Department's Strategic Goal 6, Establish Management Excellence, and into the One-ED management improvement efforts of the agency.

Through these efforts, Department leadership intends to develop an organization of excellence—improving communications throughout the Department; aligning work processes, resources, and technology to achieve outcomes; getting the right people with the right skills in the right jobs; evaluating performance; taking responsibility; and being held accountable. This integrated change process within the Department of Education underlies our commitment to create a culture of achievement in education in which no child is left behind.

ORGANIZATION

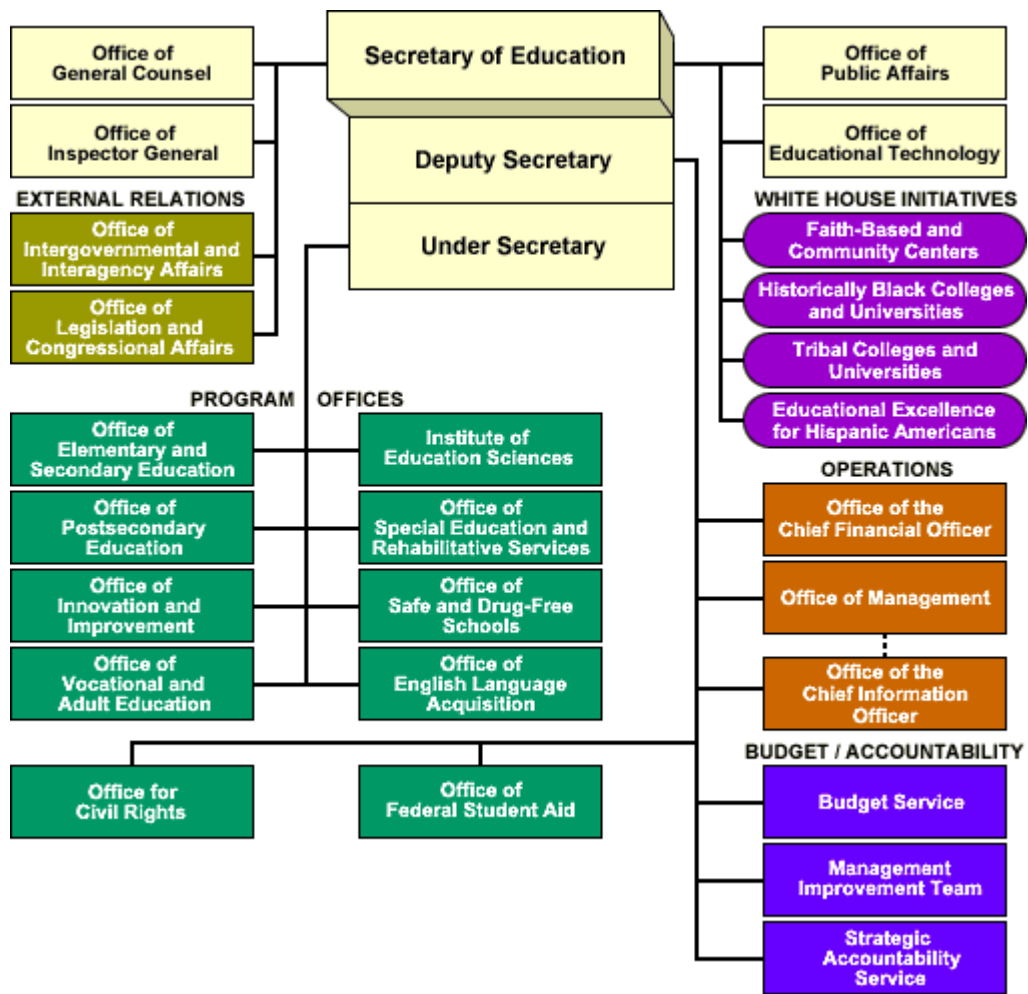
The Department is headquartered, with most of its operations, in Washington, D.C. Additionally, about one-third of the Department's employees are stationed in 10 regional offices and 11 field offices, which makes it easy to serve state and local educational systems. Regional staff are primarily involved in representing the Department's goals and views within the region, particularly in the areas of student financial assistance, civil rights enforcement, vocational rehabilitation services for the disabled, and Inspector General audits and investigations. The organization chart that follows shows the structure that supported the day-to-day work in FY 2002.

U.S. Department of Education, FY 2002



To more closely align the Department structure with our strategic goals, Secretary Paige implemented a reorganization of the Department that was finalized in December 2002.¹¹ The new structure replaced the Office of Educational Research and Improvement (OERI) with a new Institute of Education Sciences (IES) and created two new program offices: the Office of Innovation and Improvement and the Office of Safe and Drug-Free Schools. The organization chart below shows the structure that will support our work in the coming years.

U.S. Department of Education, FY 2003



¹¹ The new structure replaces the Office of Educational Research and Improvement (OERI) with a new Institute of Education Sciences and creates a new Office of Innovation and Improvement. However, this report will refer to the Office of Educational Research and Improvement, which was the existing nomenclature throughout FY 2002.

Performance Overview

PERFORMANCE OVERVIEW

In early March 2002, Secretary Rod Paige released the Department of Education's *Strategic Plan for 2002 – 2007*. This plan established six ambitious, outcome-based goals for the agency and for the nation and determined objectives and strategies for accomplishing the goals. These goals are:

- Create a culture of achievement.
- Improve student achievement.
- Develop safe schools and strong character.
- Transform education into an evidence-based field.
- Enhance the quality and access of postsecondary and adult education.
- Establish management excellence.

These goals focus on the heart of what we are about—educational equity and excellence. But since they are not self-measuring, we established explicit indicators that can be measured. Over the five-year period of the Strategic Plan, we will assess our progress on 210 distinct indicators. The vast majority of these indicators are outcome based. We ask ourselves not how much assistance did we provide to schools, but how well did their students actually achieve. We do not ask how many violence prevention programs did we institute, but how safe were our children; not how much money did we loan college students, but how many students actually attended college. And we hold ourselves to the hard issues, setting targets not just for the aggregate of all students but also for the groups that have traditionally experienced underachievement—low-income students, African American students, Hispanic students, students with disabilities, and English-language learners.

Complementing our focus on student success is our attention to management excellence. We can hardly hope to improve American education if our own house is not in order. Here again, we have set our sights high, and we target outcome-based measures. We challenge ourselves to obtain a clean audit and to remove the Student Financial Assistance programs from the General Accounting Office's (GAO) high-risk list. We will assess our financial integrity by measuring such things as erroneous payments and cost per grant transaction. We will analyze the effectiveness of our use of human capital and information technology. We test the satisfaction levels of our customers and our employees.

Our first Annual Plan under our current Strategic Plan, our *FY 2002–2003 Annual Plan*, was released shortly after the Strategic Plan; because it was released mid-year, it covers an 18-month period, from March 2002 through September 2003. It is organized around the six strategic goals and the 24 objectives within them. In addition to including all the strategies in the Strategic Plan, it identified 383 specific action steps that will help us actualize the strategies and achieve intermediate targets.

Our *FY 2002–2003 Annual Plan* also includes all indicators from the Strategic Plan except those that represent legislative provisions that are not yet in effect or those for which the periodic data collections do not occur in that year. This Annual Plan sets distinct targets for FY 2002 and FY 2003. For FY 2002, 120 of the 210 Strategic Plan indicators were identified for measurement.

Our *FY 2002 Performance and Accountability Report* (this document) presents both the results of our Annual Plan and our agency's financial statements in a unified document that demonstrates the

Department's financial integrity and helps chart a course to improve the performance of the Department's programs and operations.

The performance sections of this report compare our actual performance results with previously established targets for FY 2002—the Performance Overview focuses on the goal level and the Performance Details section examines each objective. We describe programs that support our goals and objectives, report on our progress on the action steps specified in the *FY 2002 – 2003 Annual Plan*, make comparisons of results and targets, and identify enhancements under way to improve both performance and our information about it. The Performance Details section also includes specific outcome performance data and trend data where they are available for each of our FY 2002 indicators, and it documents sources and data quality. FY 2002 data are now available for 40 performance measures out of the 120 indicators specified for FY 2002. Pending or incomplete data are explained in the Performance Detail section.

Our current Strategic Plan was put in place only last March, and our centerpiece legislation, the No Child Left Behind Act, was enacted barely a year ago. Indeed, most of the provisions of No Child Left Behind went into effect only in July 2002. Schools will first implement related changes in school year 2002–2003; and, as we began FY 2003, regulations for some provisions were still being put in place.

Thus our FY 2002 performance results represent only the first small fraction of what we expect to accomplish under our *FY 2002–2007 Strategic Plan*. We have only just begun!

Good beginnings are not the measures of success. What matters in the end is completion. Performance. Results. Not just making promises, but making good on promises.
—President George W. Bush

Together these three documents—the Strategic Plan, the Annual Plan, and the Performance and Accountability Report—document a recurring cycle of planning, implementation, and reporting and forge a strong link between resources and performance. (These documents are all available on the Department's Web site at www.ed.gov/pubs/planrpts.html. Information for ordering hard copies is available on the inside front cover of this document.)

Five-year strategic plans, annual plans, and annual performance reports are requirements of the Government Performance and Results Act of 1993 (GPRA). The purpose of GPRA is to hold federal agencies accountable for program performance by requiring that they think strategically and set measures and report targets annually. As a result of the Reports Consolidation Act of 2000, the Office of Management and Budget (OMB) now requires that a number of federal agencies, including the Department of Education, combine their annual performance report (required under GPRA) with their agency's accountability report required under the Government Management Reform Act of 1994, which contains financial statements and related information. This combined document is the Performance and Accountability Report (PAR).

Tracking Performance and Funding

Integrating Performance and Budget

Connecting funding to performance is fundamental to good business practices. This concept is reflected in the President's Management Agenda, which requires the integration of performance and budgeting as well as the effective management of resources. Effective uses of funding—those that result in performance—should be sustained, whereas ineffective processes, programs or initiatives should be revised or not funded.

Under newly implemented procedures, past performance is tied to past funding in an agency's performance and accountability report, and those results are expected to inform funding requests for the following year's President's budget request. The Department of Education has embraced linking funding to performance as our first objective.

Although the concept is straightforward, implementation is not. In the Department of Education, less than half of a given fiscal year's appropriations are actually expended during that fiscal year; the remaining appropriations reach schools and students in subsequent years. Complex funding time lines complicate linking appropriated funds for a particular fiscal year to program results for that year.

Our largest programs, which operate under formula distributions, such as Title I and IDEA State Grants, are "forward funded." FY 2002 funds, though appropriated shortly after the beginning of the fiscal year, were not available for award until July 2002. They were awarded at that time for use primarily during the 2002–2003 school year; and these funds can be carried over for use through the end of September 2004.

Many discretionary grant programs award funds near the end of the fiscal year and allow grantees 24 months to complete their funded projects, so FY 2002 funds support programs that start up during the 2002–2003 school year and might be expected to yield most of their results during the 2003–2004 school year.

In student aid programs, the issue is more complex still because most of the contracts and some of the subsidies producing annual plan year performance are the result of prior-year obligations, while others are annual plan year obligations.

Activities of our central administration, including grant monitoring, as well as activities of our Office for Civil Rights and our Office of the General Counsel, are supported by annual plan year funding, but these expenses represent only about 3 percent of the Department's total budget.

Thus the results we see during FY 2002—and can measure for this report—are not primarily the results of FY 2002 funds. They are the results of some FY 2000 funds, some FY 2001 funds, and some FY 2002 funds.

Although we cannot isolate program results and link them directly to that fiscal year's appropriations, we can let performance during a single program year serve as a proxy because most of our programs are ongoing. Therefore, in the spirit of budget and performance integration, this report shows the approximate proportion of FY 2002 funds that support each of the Department's strategic goals and objectives.

The Congress appropriates funds to the Department by program, not by our strategic objectives. For the purpose of this report, we estimated the amount of funds supporting each goal and further estimated these amounts by each objective. Individual programs, however, support a variety of objectives, so these estimates provide only general information. (See Appendix A.)

We have based these estimates on the final FY 2002 appropriations, rather than on expenditures. Using appropriations totals is consistent with setting a context for future budget planning. We believe that FY 2002 expenditures closely reflect appropriations; however, our Statement of Net Costs (see the Financial Detail section of this report) is not subdivided precisely according to the six strategic goals. The subdivisions in our Statement of Net Costs are related to the six goals as follows:

Crosswalk of Statement of Net Cost to Strategic Plan Goals	
Designation on Statement of Net Cost	Corresponding Goal from Strategic Plan
Enhancement of Postsecondary and Adult Education	Goal 5: Enhance the Quality of and Access to Postsecondary and Adult Education
Creation of Student Achievement, Culture of Achievement and Safe Schools	Goal 1: Create a Culture of Achievement Goal 2: Improve Student Achievement Goal 3: Develop Safe Schools and Strong Character
Transformation of Education	Goal 4: Transform Education into an Evidence-Based Field
Special Education and Program Execution	Goal 2: Improve Student Achievement
<i>These costs are distributed across the four categories above.</i>	Goal 6: Establish Management Excellence

Timely Data Collection

The fact that 97 percent of our funding is awarded to state and local agencies, institutions of higher education, and other non-profit organizations for implementing programs and to students for furthering their postsecondary education also has an impact on our measurement of results, especially on the timing of data collection. For example, some of our key indicators are those that measure student achievement. We have set indicators based on state assessments and indicators based on the National Assessment of Educational Progress (NAEP). Statewide assessments are generally administered in late spring of the school year. Typically, scores are not available to schools and districts until late fall. After scores are available, they must be rolled up from school level to district level to state level and ultimately submitted to the Department. Each level requires careful review to ensure data quality. Typically such data do not begin to reach the Department until well into January, four months after the close of the fiscal year and too late to be included in this report.

NAEP data, though not subject to the effect of multiple levels of roll up, experience a full year of review from testing to data release, during which time the Department's National Center for Education Statistics (NCES) applies its rigorous analysis to ensure high-quality data. For example, scores on the 2002 NAEP assessments will not be released until May 2003, after publication of this report.

Therefore, results for slightly over half of our FY 2002 indicators are “pending” as of the filing of this report. For these indicators, comparisons to targets will be made in the subsequent performance and accountability report.

To help overcome the time lag in collecting local and state data, the Department is undertaking a Performance-Based Data Management Initiative. Working in partnership with state leaders and the software industry, we are developing an electronic data system that will allow us ready access to high-quality achievement and other performance data in a timely and seamless manner, while reducing the burden on our partners. Although this project will take several years to implement, it holds great potential for the future.

In addition to the time lag for some data, we were unable to collect data for approximately 13 percent of the indicators we had set. In many cases, surveys or procedures are under development, but were not completed in time to measure FY 2002 results. We expect to have these in place in time to measure FY 2003 results. In a few cases, we were depending on external collections that did not occur or were delayed. For these we will develop other data sources or we will revise our indicators to measure the objective differently.

STRATEGIC OBJECTIVES FOR 2002 – 2007

Goal One: Create a Culture of Achievement

- 1.1 Link federal education funding to accountability for results.
- 1.2 Increase flexibility and local control.
- 1.3 Increase information and options for parents.
- 1.4 Encourage the use of scientifically based methods within federal education programs.

Goal Two: Improve Student Achievement

- 2.1 Ensure that all students read on grade level by the third grade.
- 2.2 Improve math and science achievement for all students.
- 2.3 Improve the performance of all high school students.
- 2.4 Improve teacher and principal quality.

Goal Three: Develop Safe Schools and Strong Character

- 3.1 Ensure that our nation's schools are safe and drug-free and that students are free of alcohol, tobacco, and other drugs.
- 3.2 Promote strong character and citizenship among our nation's youth.

Goal Four: Transform Education into an Evidence-Based Field

- 4.1 Raise the quality of research funded or conducted by the Department.
- 4.2 Increase the relevance of our research in order to meet the needs of our customers.

Goal Five: Enhance the Quality of and Access to Postsecondary and Adult Education

- 5.1 Reduce the gaps in college access and completion among student populations differing by race/ethnicity, socioeconomic status, and disability while increasing the educational attainment of all.
- 5.2 Strengthen accountability of postsecondary institutions.
- 5.3 Establish effective funding mechanisms for postsecondary education.
- 5.4 Strengthen Historically Black Colleges and Universities, Hispanic Serving Institutions, and Tribal Colleges and Universities.
- 5.5 Enhance the literacy and employment skills of American adults.

Goal Six: Establish Management Excellence

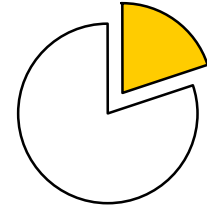
- 6.1 Develop and maintain financial integrity and management and internal controls.
- 6.2 Improve the strategic management of the Department's human capital.
- 6.3 Manage information technology resources, using e-gov, to improve service for our customers and partners.
- 6.4 Modernize the Student Financial Assistance programs and reduce their high-risk status.
- 6.5 Achieve budget and performance integration to link funding decisions to results.
- 6.6 Leverage the contributions of community- and faith-based organizations to increase the effectiveness of Department programs.
- 6.7 By becoming a high-performance, customer-focused organization, earn the President's Quality Award.

HOW TO READ THE SUMMARY SECTIONS

This report tells the story of the Department over the last year. As such, much of the report is organized sequentially from the beginning (inputs), through the middle (implementation), to the present (impact), and to the future (improvement). Below are descriptions of the content in each of these areas, and, where summary data are presented, a description of how those numbers were determined.

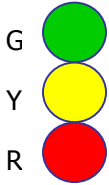
Inputs: Allocating Funds

In the funding section, we use pie graphs to show the amount of our appropriation that supports the relevant goal or objective. The text lists programs that support the goal or objective. Data were estimated on the basis of the proportion of program appropriations that support each objective. (See Appendix A.)



Implementation: Checking Progress

Action Step Progress



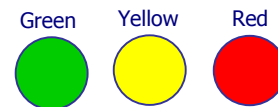
In the implementation section, we explore the objectives, strategies, and action steps that offices adopted to achieve the goals. Strategies are relatively broad areas of focus, set for the 5-year period of the Strategic Plan. Action steps refer to the management improvement steps identified by senior Department officials as key to transforming the agency over the 18 months from March 2002 to September 2003. The list of strategies and action steps for FY 2002 is in our 2002-2003 Annual Plan, which is available at www.ed.gov/pubs/planrpts.html. To report, we use a scorecard system similar to the reports of the President's Management Agenda. In the figure to the left, the number of action steps that are on track for timely completion appears at the top in green. The number of steps that are progressing but merit monitoring appears in the middle in yellow, and the number of steps that need intervention appears at the bottom in red. Data were taken from the Department's online Planning and Performance Management Database (PPMD).

Impact: Measuring Status

In the impact section, the Department discusses the extent to which the targets were met, the results of program evaluations, and data quality issues. Target results are shown in the same green-yellow-red style. Data sources are provided in the Performance Detail section of this report.

- Green = Met or exceeded the target
- Yellow = Almost met the target and the shortfall was not deemed significant or material
- Red = Did not meet the target
- P = Pending: Data for FY 2002 are not yet available
- I = Incomplete: Data for FY 2002 are not expected¹
- B = Set baseline

Indicator Status



Improvements: Making Changes

In this section, the Department reports the changes that are planned to enhance future performance.

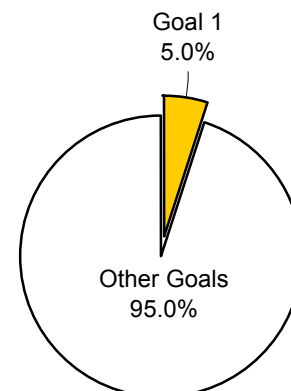
¹ For these indicators, we will locate or create data sources or replace the indicators in future years.

Goal 1: Create a Culture of Achievement

The culture of the American education system has a pervasive effect on the individuals who work in the nation's schools to educate America's children. The Department facilitates this process by providing funding to states and other grantees and by providing guidance about federal programs, laws, and regulations to parents and education officials.

Inputs: Allocating Funds

- Of ED's total FY 2002 appropriation, \$2.8 billion supported Goal 1 activities. This is about 5% of ED's appropriation.
- Programs that support Goal 1 activities include:
 - Title I.
 - IDEA.
 - Charter Schools.
- \$58 million of ED salaries and expenses funds contributed to the \$2.8 billion supporting Goal 1.



Implementation: Checking Progress

To address Goal 1, the Department developed 4 objectives:

Action Step Progress



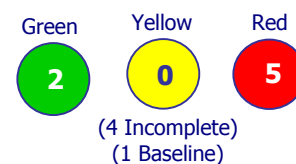
- Link federal education funding to accountability for results.
- Increase flexibility and local control.
- Increase information and options for parents.
- Encourage the use of scientifically based methods within federal education programs.

The Department established 16 strategies to achieve this goal. Within those strategies, we developed 71 action steps to be completed across FY 2002 and FY 2003, which made up about 19 percent of Department action steps. At the end of FY 2002, 58 steps were on track for timely completion (green); 5 more were progressing but merited monitoring (yellow); and 8 needed intervention by senior management to ensure completion (red). We anticipate that we will fully implement all action steps by the end of FY 2003.

Impact: Measuring Status

The Department identified 12 indicators to measure FY 2002 success in meeting Goal 1. We met or exceeded the target for 2 indicators (green), and we did not meet the target for 5 indicators (red). Four indicators are incomplete (data are not expected), and we set a baseline for 1 indicator.

Indicator Status



Improvements: Making Changes

To enhance future performance, the Department plans these actions:

- Issue rules for complete accountability systems.
- Implement an electronic performance-data management system to improve the quality and timeliness of student data.
- Develop common outcome measures for similar programs.
- Produce "what works" guides.
- Redesign discretionary grant applications to focus on applicants' potential to produce results.

Goal 1: Create a Culture of Achievement

To establish a culture of achievement in our nation's education system, the Department of Education began implementing the core tenets of No Child Left Behind. This landmark legislation lays the foundation for improving achievement by expanding flexibility, local control, parental options, and accountability and by promoting scientifically based instructional practices.

To facilitate these changes, the Department began to change the way it works with the states by revising guidance documents and providing technical assistance to our partners. We provided guidance to inform states of new provisions, rules, and regulations related to key No Child Left Behind flexibility and local control provisions and to inform parents of new school choice options and requirements.

In FY 2002 the Department continued to focus on the reduction of reporting burden, and we successfully reduced data collection burdens on our partners, making it easier for states and grantees to work with the Department. At the same time we began focusing on performance information and results.

Inputs: Allocating Funds

Approximately \$2.8 billion of Department funding supported the implementation of Goal 1 in FY 2002. Programs that support creating a culture of achievement include Title I and Public Charter Schools, both authorized by the Elementary and Secondary Education Act as amended by the No Child Left Behind Act of 2001, and the Individuals with Disabilities Education Act (IDEA).

All four objectives of Goal 1 represent key provisions of No Child Left Behind. In order to receive federal education funding, states must develop accountability systems that set targets for student achievement; and a variety of consequences result if schools and local educational agencies do not meet their targets. Title I establishes eligibility for parental school choice options. Parents of students attending schools that do not meet annual targets set by the state accountability system have the option to transfer to another public school in the local district. Schools that meet targets can use flexibility provisions to waive certain federal education funding requirements, allowing school administrators to focus federal education funding where it is needed most. Transferability and State and Local Flexibility Demonstration programs are other examples of flexibility provisions. And a focus throughout No Child Left Behind is to base programs on evidence of what works in education, especially as shown by scientifically based research.

IDEA Grants to States assist states in providing a free appropriate public education for children with disabilities. These funds help defray the extra costs of educating children with disabilities and allow us to insist on accountability for the academic success of children with disabilities so that "no child left behind" really means no child.

The Public Charter Schools program provides financial assistance for the planning, design, or initial implementation of charter schools and for national activities to promote effective implementation of those schools. The availability of these funds helps expand the number of high-quality charter schools across the nation. Most grants are given to implement or plan new

charter schools, but 10 percent of an award to a state may be used to make subgrants to successful charter schools so that they can help other schools adopt their best practices.

Implementation: Checking Progress

In FY 2002 the Department worked to prepare states for new No Child Left Behind requirements, informing parents of new flexibility, choice and accountability options available to them under this legislation and providing technical assistance to state and school officials regarding the new regulations and requirements. We provided assistance through nonregulatory guidance documents, other publications, Internet resources, presentations, conferences, and public meetings across the country. We issued regulations on several provisions of No Child Left Behind and prepared draft regulations for the accountability provisions.

To assess the effectiveness of technical assistance, customer service, and guidance provided by the Department to states, we administered a Web-accessed Customer Satisfaction Survey to 52 Chief State School Officers (CSSO). The intent of the survey was to hold the Department publicly accountable for its success in providing satisfactory products and services to its customers and to support the goal of establishing a culture of achievement. The CSSOs voiced their degree of satisfaction with Department products and services by responding to questions on a variety of services: technical assistance, specific products and services, our Web site, and our printed documentation. The survey was administered for the first time in FY 2002; the Department expects to use information to promote successful practices to improve customer service strategies.

To reduce the amount of time and cost that school administrators must devote to reporting data to the Department, we looked for ways to promote efficiency by streamlining data collection. In FY 2002 the Department reduced its data collection burden hour total by 3 million hours, and the FED-UP project proposed rule changes to give higher education officials some flexibility under the Higher Education Act.

Because of our commitment to support research-based instruction methods, we developed guidelines for the creation of “what works” publications that will provide educators with information on effective practices.

To further improve the effectiveness of the processes used to collect data from grantees and to share information within the Department, we began the development of the Performance Based Data Management Initiative (PBDMI). PBDMI sponsored a two-day conference in July 2002 to discuss the data issues of the No Child Left Behind education legislation with representatives of 18 states. PBDMI staff then met with representatives of Department Principal Offices to identify common data elements and information needed by each office. These information requirements were compared with statutory, regulatory, apportionment, performance measurement, and risk avoidance criteria to ensure that only critical information was identified. A preliminary draft of these findings will be available by mid-October 2003.

Impact: Measuring Status

For Goal 1, the Department developed 12 indicators. These indicators were designed to measure aspects of school and Department program accountability, flexibility and local control, parental information and choice, and the use of scientifically based evidence in Department publications.

We made notable progress in the reduction of burden hours on states' and partners' reporting requirements. This reduction is key to giving states and other grantees more flexibility by reducing the hours needed to fulfill Department reporting requirements.

As a prelude to developing "what works" guides, which will provide scientifically based evidence, we established the criteria for research-based publications and awarded a contract for the What Works Clearinghouse, an \$18.5 million investment to coordinate the publication and distribution of these "what works" guides.

Forty-nine of 52 Chief State School Officers responded to the FY2002 Customer Satisfaction Survey administered by the Department. In response to a single summary question, 63 percent of the 49 respondents were satisfied overall with the quality of the Department's products and services; this provided a baseline for our customer satisfaction indicator.

Although we did not meet our targets for state participation in Ed-Flex or for student enrollment in charter schools, numbers for both increased from the prior year. During FY 2002 states were preparing for the full implementation of No Child Left Behind, and most did not yet have approved accountability systems in place, which is a requirement for Ed-Flex. We expect increased participation in Ed-Flex once more states have approved accountability systems. Data were not available for several indicators, but we expect to be able to measure and report on them in FY 2003.

Improvements: Making Changes

Many Department actions in the coming months focus on the implementation of No Child Left Behind—school year 2002–2003 (comparable to FY 2003) is the first year that most provisions are in effect. One such area of work is to complete the regulation process for programs, especially for Title I, and to put in place a procedure for approving state accountability systems. This will enable us to collect data on the number of states with approved systems.

Another area of work is the continued development of the PBDMI. This work will improve the current data-gathering processes to reduce duplicate collections and centralize data into one Department-wide repository. This repository will allow the Department to provide benchmarking information to the states, districts, and schools. PBDMI is positioned for full partnership with state systems beginning in the spring of 2003 and for full implementation in 2004–2005. Growing out of the work of PBDMI in considering overlaps of data needs, we will focus on the development of common outcome measures for similar programs.

The Department will use the information collected in the Customer Satisfaction Survey to guide plans for expanding our assessment of a broader range of customers. In addition, we will expand our use of areas of service, such as the Web, where levels of satisfaction were high, and

we will revise strategies and develop new actions to address issues where our customers were less satisfied.

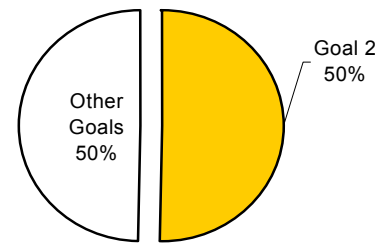
The Department will take actions to promote provisions such as charter schools, supplemental services, public school choice, and other flexibility programs. And, after all the groundwork done in FY 2002, we will produce what works guides for a number of our programs in FY 2003.

Goal 2: Improve Student Achievement

As a result of the hard work of students, educators, parents, and leaders at the state and local levels, the nation’s students will dramatically improve their achievement in reading, mathematics, and science, while receiving a rich, well-rounded education.

Inputs: Allocating Funds

- Of ED’s total FY 2002 appropriation, \$28 billion supported Goal 2 activities.¹ This is about 50% of ED’s appropriation.
- Programs that support Goal 2 activities include:
 - Title I.
 - IDEA.
 - Teacher Quality.
 - Reading First.
- \$71 million of ED salaries and expenses funds contributed to the \$28 billion supporting Goal 2.



Implementation: Checking Progress

To address Goal 2, the Department developed 4 objectives:

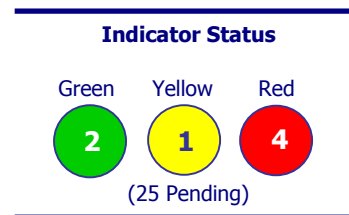
- | | |
|-----------------------------|---|
| Action Step Progress | <ul style="list-style-type: none"> • Ensure that all students read on grade level by the third grade. • Improve mathematics and science achievement for all students. • Improve the performance of all high school students. • Improve teacher and principal quality. |
|-----------------------------|---|



The Department identified 21 strategies to achieve this goal. Within those strategies, we developed 71 action steps to be completed across FY 2002 and FY 2003, which made up about 19 percent of Department action steps. At the end of FY 2002, 59 steps were on track for timely completion (green); and 12 needed intervention by senior management to ensure completion (red). We anticipate that we will fully implement all action steps by the end of FY 2003.

Impact: Measuring Status

The Department identified 32 indicators to measure FY 2002 success in meeting Goal 2. We met or exceeded the target for 2 indicators (green), we almost met the target for 1 indicator (yellow), and we did not meet the target for 4 indicators (red). Twenty-five indicators are pending (data are not yet available).



Improvements: Making Changes

To enhance future performance, the Department plans these actions:

- Evaluate the impact of programs by using performance measures that meaningfully reflect the mission of the program.
- Establish a new measure for teacher quality.

¹ \$26.5 billion targeted specific objectives under Goal 2, and \$1.6 billion supported Goal 2 in general, without focusing on a particular objective.

Goal 2: Improve Student Achievement

The Department of Education has committed to leading a national campaign to “ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education and reach, at a minimum, proficiency on challenging state academic achievement standards and state academic assessments.” (No Child Left Behind Act, Statement of Purpose)

All children includes traditionally underserved subgroups of students, such as students with disabilities and students with limited English proficiency. And *all children* includes students in high-poverty and high-need schools whose education should not be cramped because of their socioeconomic status.

*In this great land called
America, no child will be left
behind.*
—President George W. Bush

To improve student achievement for all children, No Child Left Behind puts reading first. Under the new Reading First program, federal dollars are supporting scientifically based reading instruction in the early grades. The new Early Reading First program helps preschool children develop the early reading skills necessary for reading success.

Because effective reading instruction is crucial in ensuring that all children learn to read, federal funds are available to support research-based reading instruction. Professional development helps teachers strengthen old skills and gain new ones in effective reading instructional techniques.

To improve student achievement in mathematics and science, No Child Left Behind provides both targeted and flexible funding for strengthening teaching and learning. Title I focuses on improving the achievement of disadvantaged students. Title II funds allow all schools to improve the quality of their teachers. The Department coordinates its professional development efforts with other federal entities and with public and private sector organizations.

To bolster high school student performance, federal programs provide leadership in identifying learning options that keep adolescents in school until they have completed their high school course work. Through the Carl D. Perkins Vocational and Technical Education Act, the Department is supporting states’ efforts to improve academic skills and technical skills, prevent dropouts, increase graduation rates, increase postsecondary and advanced degree placement, and improve job outcomes. America’s Career Resource Network addresses the general interest of helping individuals make better decisions about their education and careers. The Tech-Prep Education State Grants provide financial assistance to states to support programs that increase the number of students who participate in postsecondary technical training.

At all levels of education, educational leaders—especially teachers and principals—are crucial to improving student achievement. “Education reform is empty if it does not take account of the needs of educators. Teachers are not the objects of education reform. They are the engines of education reform,” according to President Bush. “They have a high calling, and we must respect it.” Goal 2 articulates the Department’s commitment to ensuring a source of high-quality teachers for the present and the future. Programs such as the Improving Teacher Quality State Grants program provide federal assistance to state and local educational agencies for developing sustained and intensive high-quality professional development. Other state and local educational agency programs provide support for recruiting highly qualified recent college graduates and mid-career professionals to the teaching profession, for creating alternate

routes to teacher certification, for streamlining the certification process, and for instituting bonus pay or merit pay.

Inputs: Allocating Funds

Slightly over 50 percent (\$28 billion) of the total Department's budget supports Goal 2 activities. The No Child Left Behind programs that contribute major funding for improving student achievement include Title I Grants to Local Educational Agencies and Title II Improving Teacher Quality State Grants. The Individualities with Disabilities Education Act (IDEA) Grants to States also provide significant funding for improving the achievement of children with disabilities. Grant funds from these programs are designated to assist state and local agencies as they provide education for low-income students (Title I), for educators' professional development (Title II), and for children with disabilities (IDEA). State and local educational agencies have flexibility in how they use these grant funds, but since improved teaching and learning are the overall objectives of Title I, Title II, and IDEA, these program funds primarily support Goal 2 activities to improve student achievement.

Other program funds that substantially support Goal 2 activities include Enhancing Education Through Technology, Reading First, Even Start, 21st Century Community Learning Centers, Language Acquisition State Grants, Vocational Education State Grants, Comprehensive School Reform grants, and State Grants for Innovative Programs.

Funding from programs focused on special populations also enhance Goal 2. For example, the Education of Migratory Children grant program supports the goal of improving student achievement; these grants are distributed as formula funds to state education agencies to ensure that the special educational needs of migrant children are identified and addressed.

The Indian Education program is targeted to meet the unique educational and culturally related academic needs of American Indian and Alaska Native students so that they can meet the same challenging state student academic achievement standards as all other students.

For some programs, such as Impact Aid, funds provide more general support directly to eligible school districts affected by federal activities. Because federal property is exempt from local property taxes, Impact Aid helps replace the lost revenue that would otherwise be available to pay for the education of children who live on federal property or whose parent works on federal property. Although funds are not readily associated with specific goals, for purposes of this report, most Impact Aid funds are attributed to Goal 2.

Implementation: Checking Progress

The Department's commitment to improving student achievement received support from several significant actions that were begun and either completed or on their way to completion in FY 2002. An expert panel of 72 experienced researchers and practitioners reviewed state applications for Reading First grants and approved 11 state applications as of September 2002. The panel will continue its work until all states have been awarded Reading First funds. Parents' efforts to enhance their children's reading skills got a boost with the publication and dissemination of *Helping Your Child Become a Reader*, *Helping Your Child with Homework*, and *Helping Your Preschool Child*, which were printed and distributed in September 2002.

Initiatives to support the recruitment of teachers moved forward in 2002 through the Transition to Teaching program, which awarded 95 grants: 7 national regional projects, 27 statewide projects, and 61 local projects. All these projects will help recruit, prepare, and support a wide range of talented career-changing professionals as they make the transition to teaching, particularly in high-poverty schools and in high-need subject areas.

Actions to further the Department's goal of investing federal dollars in reading and professional development programs that are research based and proven to be effective advanced on several fronts. The Office of Educational Research and Improvement (OERI) created an editorial review process in August 2002, which will raise the quality of research in Department publications. The end goal of the process is to peer review Department manuscripts for research accuracy before releasing them to the public.

Two important studies reported in 2002 provided direction to improving high school achievement. OERI, in March 2002, completed a review of funded research on comprehensive school reform models and established a scientific advisory group of distinguished methodologists to guide the implementation and assessment of comprehensive school reform models. The Department also issued an interim report on the National Assessment of Vocational Education.

Impact: Measuring Status

The Department's indicators for student achievement not only set targets for the performance of all students, but also set targets for a variety of subgroups of students, such as African-American and Hispanic students, limited English proficient students, students with disabilities, and low-income students. No Child Left Behind set targets for subgroups that often underachieve to ensure that our measures focus on leaving no child behind.

Data for the indicators that measure success in improving student achievement come from several sources. The primary source of student achievement data will be state assessment results as they become available. State assessments are being significantly revised by each state in response to the No Child Left Behind Act. Student achievement results from existing assessments will be available later in 2003. Supplementary data from the 2002 National Assessment of Educational Progress (NAEP) fourth-grade and eighth-grade reading tests are expected to be available in April 2003. The Department will report these data in our FY2003 Performance and Accountability Report.

Academic improvement for high school students, in addition to being measured by state tests, is measured by Advanced Placement participation and achievement. For the indicators based on Advanced Placement participation, we met two targets (for all students and for African American students) and almost met the third target (for Hispanic students). Our targets for achievement are disaggregated by subject. Trend data show that we made progress in all four subject areas but did not meet our FY 2002 targets.

High School completion rates serve as the third indicator of high school success. We expect the Department's National Center for Education Statistics to report 2001 and 2002 data for high school completion in March 2003 and November 2003, respectively.

Because data for 25 of the 32 indicators included as measures for Goal 2 are not yet available, the Department is not yet able to fully determine its success for this goal. Data for these 25

indicators are pending because of the time lag in collecting state assessment data and the infrequency of the NAEP administrations (generally every two years for reading and math). A majority of the current indicators for this objective reflect states' attainment of their targets for each year. The Department intends to revise these indicators to more clearly reflect gains in student achievement.

In addition to specific student achievement assessments, Department programs designed to advance student academic progress were also evaluated and assessed, using the Office of Management and Budget's (OMB) Program Assessment Rating Tool (PART) process (see Appendix D). PART was used in FY 2002 to evaluate several programs that are directly responsible for meeting the goal of improved student achievement: IDEA Grants to States, IDEA Preschool Grants, IDEA Infants and Families Grants, Even Start Family Literacy, Comprehensive School Reform, Vocational Education State Grants, Tech-Prep Education State Grants, and the America's Career Resource Network. The results of these evaluations showed that with one exception, all the programs had clear program designs and purposes; however, the various PART reviews indicated weaknesses for a majority of these programs in the area labeled Program Results. Many of the programs reviewed did not have adequate measures of program outcomes; consequently, the programs could not document results.

Improvements: Making Changes

The PART reviews of the programs that support improving student achievement revealed a need for improving performance measures and collecting data about program outcomes and results. The Department has announced a new strategy for program evaluation and data collection that will address some of the concerns raised by the PART reviews. A core principle of the new strategy is a focus on results. A program will increasingly be evaluated on the results the program is designed to achieve rather than on process and compliance issues. Data collected about the program will be used to show program outcomes and to measure the program's level of success in accomplishing goals. Decision makers will be able to look at the outcomes of each program as they make policy changes and allocate funds. "What works" will be identified and become a part of the knowledge base that directs education programs.

The Department is making additional changes to our data management system, changes that are intended to increase the utility and timeliness of data. Student achievement data are currently not available until a year or two after assessments have been administered. State, local, and national student achievement data; student characteristics; teacher information; instructional programs; and other school-related data often lack comparability, validity, and reliability across educational levels. The power of such unreliable data to drive meaningful changes in educational interventions and to undergird responsible funding decisions is virtually negligible. Through the Performance Based Data Management Initiative (PBDMI), the Department will align our data collection with states and local districts in an effort to efficiently collect timely and useful data.

Similarly, the Department's National Center for Education Statistics will be striving to report NAEP results within six months after the tests are taken, in accord with the provisions of No Child Left Behind.

The Department will continue to work with the states to implement Title II of No Child Left Behind. We will provide intensive technical assistance to help states meet the highly qualified

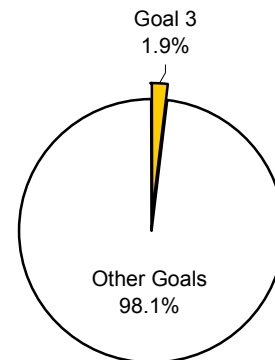
teachers challenge as they boost their standards for teachers, open their classrooms to highly qualified individuals from other career fields, and develop robust induction and mentoring programs for new recruits. We will also work to strengthen alternate route programs throughout the nation by convening a national conference on alternate routes to certification and supporting a network to connect these programs to one another and to good information about what works. As we prepare for the reauthorization of the Higher Education Act, we will consider innovative ways to ensure that both traditional schools of education and alternate routes to certification are preparing teachers in scientifically based teaching methods.

Goal 3: Develop Safe Schools and Strong Character

The No Child Left Behind Act has given us the tools to ensure that our schools are alcohol, drug, and violence free and that our children are safe from threats both foreign and domestic. The Department will work to ensure a safe and drug-free environment in which all children can learn. The President has said, “Our children must not only be educated in reading and writing, but also in right and wrong.”

Inputs: Allocating Funds

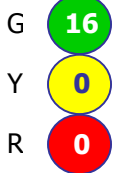
- Of ED’s total FY 2002 appropriation, \$1.05 billion supported Goal 3 activities.² This is about 1.9% of ED’s appropriation.
- Programs that support Goal 4 activities include:
 - Safe and Drug-Free Schools.
 - 21st Century Community Learning Centers.
- \$11 million of ED salaries and expenses funds contributed to the \$1.05 billion supporting Goal 3.



Implementation: Checking Progress

To address Goal 3, the Department developed 2 objectives:

Action Step Progress



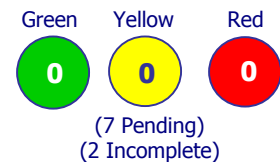
- Ensure that our nation’s schools are safe and drug-free and that students are free of alcohol, tobacco, and other drugs.
- Promote strong character and citizenship among our nation’s youth.

The Department established 7 strategies to achieve this goal. Within those strategies, we developed 16 action steps to be completed across FY 2002 and FY 2003, which made up about 4 percent of Department action steps. At the end of FY 2002, all 16 steps were on track for timely completion (green). We anticipate that we will fully implement all action steps by the end of FY 2003.

Impact: Measuring Status

The Department identified 9 indicators to measure FY 2002 success in meeting Goal 3. Seven indicators are pending (data are not yet available), and 2 are incomplete (data are not expected).

Indicator Status



Improvements: Making Changes

To enhance future performance, the Department plans these actions:

- Complete the development of a model school crisis plan and disseminate it to local educational agencies.
- Develop plans to modify our data collection activities to better focus on effectiveness and performance of the Safe and Drug-Free Schools State Grants program.
- Ensure that community- and faith-based organizations have equal access to Department funding.

² \$89 million targeted specific objectives under Goal 3, and \$16 million supported Goal 3 in general, without focusing on a particular objective.

Goal 3: Develop Safe Schools And Strong Character

The No Child Left Behind Act reauthorized the Safe and Drug-Free Schools and Communities Act to help ensure greater security and vigilance in our schools. The recent tide of events demands even greater preparedness from our schools. To ensure that no child is left behind, we must first ensure that each child is safe. Schools must be places where students feel safe and respected and are allowed to express their concerns without fear of shame or punishment. We must also work to change the climate in our schools to a culture in which every individual has worth—everyone is treated with dignity and respect. We as adults, at home and in our communities, must do a better job of listening to our children and connecting on a personal level.

*All the reforms in the world
won't mean a thing if we don't
have safe classrooms for
students to learn and teachers
to teach.*
—Rod Paige, August 2002

Our Founding Fathers understood that our country would survive and flourish if we were committed to good character and an unyielding dedication to liberty and justice. Our greatest heroes practiced the values of hard work, honesty, commitment to excellence, courage, self-discipline, and perseverance. Reading and writing are not all we need to teach our children. We need to make sure that we teach our children to be responsible citizens who have good values and ethics. Character education focuses on caring, civic virtue and citizenship, justice and fairness, respect, responsibility and trustworthiness. Character education should build community consensus on common values, involve parents, and be fully integrated into a school's curriculum.

Inputs: Allocating Funds

The Department's FY 2002 appropriation included more than \$1 billion to support safe schools and strong character. The largest federal program dedicated to achieving this objective is the Safe and Drug-Free Schools and Communities Program (SDFSC), with a \$747 million appropriation in FY 2002. The funding for this program goes substantially for violence-, drug- and alcohol-prevention activities. Other programs that support Goal 3 included 21st Century Community Learning Centers, which focus on improving students' academic achievement and other activities such as drug prevention and youth development, and Programs of National Significance, which provide strategies for effective parent and community involvement, including drug prevention education.

The Close-Up Fellowship Program provides funding for fellowships for civic education to economically disadvantaged middle and secondary school students and professional development in civic education for teachers. The Civic Education Program supports grants to improve the quality of civics and government education, foster civic competence and responsibility, and improve the quality of civic and economic education through exchange programs with emerging democracies.

Implementation: Checking Progress

The Department's Office of Educational Research and Improvement awarded grants to support pilot programs in character education. Department staff provided technical assistance to new and continuing grantees at the State and District Coordinators' workshop of the Character Education Partnership's 9th National Forum.

The Department developed, in collaboration with the Department of Justice, an annual report on school safety. The Department also disseminated information to the states about a model protocol for the collection of data related to school safety issues. In conjunction with the U.S. Secret Service, the Department trained educators and law enforcement professionals on strategies for assessing threats of significant school violence. More than 2,400 people participated in a Department-sponsored teleconference that highlighted best practices in providing mental health services.

The Department of Education, in conjunction with the Department of Health and Human Services and the Department of Justice, provided support for more than 40 grants under the Safe Schools/Healthy Students initiative.

Finally, the Department's Office for Civil Rights provided technical assistance to school districts and postsecondary institutions on issues involving harassment.

Impact: Measuring Status

The Department evaluates how safe our nation's schools are by measuring school violence experienced by 12–18-year-olds while at school and substance abuse by high school students both on school property and away from school. The *Indicators of School Crime and Safety Report* provides data for the first two indicators, with results from a special analysis of the *National Crime Victimization Survey (NCVS)*. Reports are annual, but data are reported two years after the survey. The National Household Survey on Drug Abuse provides data for the other two indicators; these data are reported one year after the collection. Therefore, data for FY 2002 are not yet available.

To determine the strength of character and inclination for good citizenship demonstrated by our students, the Department has identified two measures—participation in community service among students in grades 6–12 and the attitudes of 14–18-year-olds toward cheating. We are unable to provide FY 2002 data for either of these indicators. NCES, which collected community service participation data, is no longer including the relevant question in its survey. The Horatio Alger Association, which provided information on the attitudes of 14–18-year-olds toward cheating, did not include the relevant question in their 2001 or 2002 survey, but will include the question in 2003.

SDFSC was one of the Department's programs that received a PART review (see Appendix D). The program was rated favorably for strategic planning, program purpose and design, and program management, but the effectiveness of program results was not established.

Several additional studies of SDFSC have been conducted within the last several years. (See Appendix C.) Wide Scope Questionable Quality: Three Reports from the Study on School Violence Prevention indicated that schools need to improve the quality of prevention programming through attention to needs assessment, planning, increased use of research-based

approaches, and monitoring of implementation. Westat has drafted a feasibility study to gauge what data are available nationwide in schools or districts on school crime and student substance abuse and to identify and assess evaluation designs that could be used to measure the quality and implementation of activities funded by the SDFSC Program. Information from a report by the RAND Drug Policy Research Center in 2001³ suggests that concerns exist over the thin distribution of funds that hinders school districts from implementing interventions that are likely to have a significant impact on student behavior.

Improvements: Making Changes

The Department will ensure that all principal offices providing technical assistance to school districts and postsecondary institutions on issues of harassment will include Department-identified best practices. We will convene regional conferences featuring faith-based community partners to showcase and disseminate best practices in character education. The Department will give priority to the selection of high-quality pilot sites to initiate strong character education programs and to evaluate and publish their work and will provide support to rigorous evaluations of the effectiveness of specific character education interventions.

The Department is developing plans to modify our data collection activities to better focus on the effectiveness and performance of the Safe and Drug-Free Schools State Grants program.

In FY 2003 the Department will implement a reorganization designed to highlight the importance of Goal 3 issues and enhance the coordination of programs administered by the Department that relate substantially to this goal. The reorganization brings a number of programs that support safe schools and strong character together into a single organization, headed by the Deputy Under Secretary for the new Office of Safe and Drug-Free Schools.

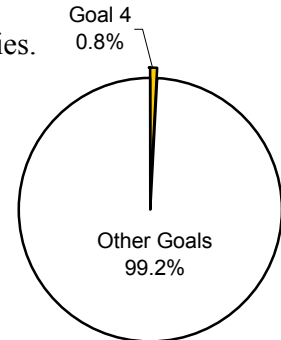
³ “Options for Restructuring the Safe and Drug-Free Schools and Communities Act.” RAND Drug Policy Research Center, 2001.

Goal 4: Transform Education into an Evidence-Based Field

The Department intends to improve the quality and relevancy of research funded or conducted by its programs, grantees, and contractors. We will gather a knowledge base of “what works,” which will provide objective information to enable policymakers and educators to make more informed decisions.

Inputs: Allocating Funds

- Of ED’s total FY 2002 appropriation, \$434 million supported Goal 4 activities. This is slightly less than 1% of ED’s appropriation.
- Programs that support Goal 4 activities include:
 - Research and Dissemination.
 - National Institute on Disability and Rehabilitation Research (NIDRR).
- \$61 million of ED salaries and expenses funds contributed to the \$434 million supporting Goal 4.



Implementation: Checking Progress

To address Goal 4, the Department developed 2 objectives:

Action Step Progress



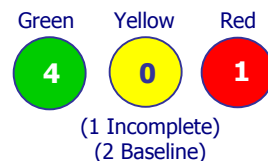
- Raise the quality of research funded or conducted by the Department.
- Increase the relevance of our research in order to meet the needs of our customers.

The Department established 9 strategies to achieve this goal. Within those strategies, we developed 19 action steps to be completed across FY 2002 and FY 2003, which made up about 5 percent of Department action steps. At the end of FY 2002, 17 steps were on track for timely completion (green), and 2 needed intervention by senior management to ensure completion (red). We anticipate that we will fully implement all action steps by the end of FY 2003.

Impact: Measuring Status

The Department identified 8 indicators to measure FY 2002 success in meeting Goal 4. We exceeded our targets for 4 indicators (green); we did not meet the target for 1 (red); and 1 indicator is incomplete (data are not expected). We also set a baseline for 2 indicators.

Indicator Status



Improvements: Making Changes

To enhance future performance, the Department plans these actions:

- Establish the National Center for Education Research and the National Center for Education Evaluation.
- Fund new research projects in focused areas that will significantly advance solutions to major challenges in education, such as reading comprehension and the evaluation of preschool curriculum.
- Implement new standards for the conduct of peer review and editorial review processes to focus on quality and relevance.

Goal 4: Transform Education Into An Evidence-Based Field

For too long, education in the United States has relied on intuitions and good intentions. Falling far behind the progress achieved in fields such as medicine, agriculture, and industrial production, education has floundered because the country has neither demanded rigorous, high-quality evidence from education researchers nor insisted that education researchers conduct research that contributes to the solution of education problems in our nation. That time is over. The Department of Education is the largest source of funding for education research, and we are committed to transforming education into an evidence-based field.

FY 2002 was a landmark year for establishing the context for transforming education into an evidence-based field. The No Child Left Behind Act emphasizes using scientifically based research to improve the effectiveness of educational practice and policy in this country. At the same time, No Child Left Behind strengthens accountability requirements for states and sets standards for children's performance. Because of this increased accountability, there will be an increased demand for trustworthy information identifying educational practices that are most effective for improving student learning.

To meet this increased demand, the Secretary established a strategic plan that called for an increase in the quality of research funded or conducted by the Department and an increase in the relevance of research for education decision makers. This past year the Department engaged in major activities to raise the quality and increase the relevance of education research.

Evidence-based education is the integration of professional wisdom with the best available empirical evidence in making decisions about how to deliver instruction.

—Grover Whitehurst, Director,
Institute of Education Sciences

Inputs: Allocating Funds

To improve student achievement, educators must rely on proven research-based practices and programs. To ensure that federal education dollars are invested in programs that work, the government must invest in research to inform instructional and program practices and in data collection needed to track student achievement and measure educational outcomes. Proposals to significantly change the Department's research, statistics, and assessment component were focused on improving the quality and relevance of the Department's research activities through new programs of research, more rigorous peer review processes, and organizational changes.

Overall, the Department's allocation for Goal 4 for FY 2002 was \$434 million. Major programs that supported Goal 4 activities were located substantially in the Office of Educational Research and Improvement,⁴ which includes the National Center for Education Statistics (NCES) and the National Assessment of Educational Progress (NAEP). NCES

⁴ On November 6, 2002, the President signed the Education Sciences Reform Act of 2002 that replaces the Office of Educational Research and Improvement (OERI) with a new Institute of Education Sciences. However, this report will refer to the Office of Educational Research and Improvement, which was the existing nomenclature throughout FY 2002.

administers the Department's statistics program to provide general statistics about trends in education and collects data to monitor reform, measure educational progress, and inform research. NAEP is the only nationally representative and continuing assessment of American students and has become a key measure of our nation's educational performance.

The research and dissemination component of OERI was the major Departmental entity focused on improving the quality and relevancy of evidence based research. Research and dissemination provided funding for research activities and the large-scale implementation of promising educational practices and technologies, including collaborative research efforts with the National Science Foundation and the National Institute of Child Health and Human Development (NICHD). Additionally, the Regional Educational Laboratories maintained a network of regional research laboratories that carried out applied educational research activities.

Another contribution to improving the quality and relevance of research is the Office of Special Education and Rehabilitative Services' Office of Special Education Programs (OSEP). OSEP research activities employed randomized experimental designs in its research efforts and made significant contributions to the Department's research initiatives through three programs: the Research and Innovation program, the Technology and Media Services program, and Demonstration Grants for Students with Disabilities.

Implementation: Checking Progress

To improve the quality and relevance of its research, the Department began a long process to change the structure and nature of its research office, improve the process by which its research proposals are selected for funding, modify the focus of its research and evaluation efforts, and improve its dissemination practices.

The Department's most significant activity in 2002 was the reauthorization of its research office.⁵ The new Institute of Education Sciences focuses solely on research, evaluation, and dissemination activities. The new office has the responsibility to evaluate the impact of federal education programs and develop a new generation of evaluations using scientifically rigorous randomized trials that provide definitive evidence of what works and what does not.

The Department developed more rigorous standards for the quality of funded proposals and began its efforts to improve the peer review of research proposals by articulating clear standards in its requests for grant applications.

To increase the relevance of its research and evaluation activities, the Department held focused competitions in areas that needed a sustained research program and that offered the potential of solutions to major problems in education. For FY 2002, competitions were held in preschool curriculum to identify curricula that best prepare children for kindergarten, reading comprehension, and cognition and learning in the classroom to understand how research on basic learning processes can be brought to bear on instruction.

Additionally, the Department conducted and will periodically conduct surveys of education decision makers to determine the issues that are most current and important to state and local education decision makers and policymakers.

⁵ Ibid

The improved OERI editorial review process contributed toward raising the quality of research in Department publications, including the scientific rigor of our technical assistance materials on research-based professional development. The purpose of the editorial review is to ascertain the accuracy of research claims and findings in Department publications intended for general distribution. OERI also created a What's Works Clearinghouse to disseminate the results of rigorous educational research.

Impact: Measuring Status

The Department developed indicators to measure the quality, relevance, and use of randomized experimental design in new research and evaluation projects and publications. For these indicators, we evaluated projects and publications of OERI and the Office of Special Education Programs within OSERS. Where possible, baseline data from FY 2001 were collected. The Department exceeded its targets for the use of randomized experimental design, for the quality and relevance of publications, and for the relevance of projects. Largely owing to improvements that had begun in the baseline year of 2001, we did not meet our ambitious target of increasing the percentage of projects rated as high in quality by 25 percentage points. However, the increase from 40 percent to 53 percent was significant.

The creation of the What Works Clearinghouse was a major accomplishment for the Department in 2002. The Clearinghouse will begin its evaluations of existing studies on the effectiveness of education programs, practices, and products in FY 2003. Therefore, data for this indicator are incomplete and are not expected for 2002.

The Department developed indicators to measure the percentage of policymakers and administrators who report that they routinely consider evidence of effectiveness before adopting educational products and approaches and the percentage who report that they use Department of Education research products in policy-making decisions. Baselines were set for 2002 for these indicators.

Improvements: Making Changes

Research expenditures in the Department have been dispersed over many topics and projects, reducing their impact on the quality and relevance of information disseminated to practitioners and policymakers. Initiatives to reorganize our research functions should enable us to focus research in areas that are consistent with long-term priorities using rigorous research methodologies. The recent enactment of No Child Left Behind, with its commitment of support to activities based on scientifically based research, offers an opportunity to bring rapid progress to U.S. elementary and secondary education.

In collaboration with the Coalition for Evidence-Based Policy, an arm of the Council on Excellence in Government, the Department proposes to expand the knowledge base of educational interventions proven effective through randomized controlled trials in large-scale replications and to provide strong incentives for the widespread use of proven interventions by recipients of federal education funds. The Department has contracted with the Coalition for Evidence Based Policy to develop materials and workshops for state and local education administrators to help them understand the rationale behind the use of randomized studies.

The Department intends to further its efforts to improve the quality and relevance of its research by creating the National Center for Education Research and the National Center for Education Evaluation. These Centers will be housed within the new Institute of Education Sciences and will provide the technical expertise to guide the Department in achieving a more effective approach to accomplishing its research mission.

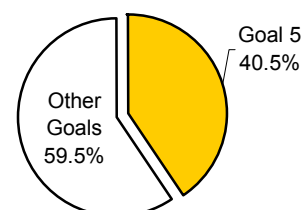
Also in FY 2003, the Department's research office will launch three new research initiatives that will contribute to the solutions of specific problems in education. The Research on Effective Mathematics Education program will support research on instruction, curriculum, and assessment that supports a successful transition to algebra; the Social and Character Development research program will fund research that evaluates the effectiveness of interventions and curricula designed to promote positive social and character development; and the Teacher Quality Research program will support research examining the effectiveness of alternative approaches to professional development for teachers.

Goal 5: Enhance the Quality of and Access to Postsecondary and Adult Education

The Department provides support for enhancing the quality of and access to postsecondary and adult education and employment by providing a range of services that include financial aid, mentoring, and support to help people with disabilities achieve employment.

Inputs: Allocating Funds

- Of ED's total FY 2002 appropriation, \$22.3 billion supported Goal 5 activities.¹ This is about 40% of ED's total appropriation.
- Programs that support Goal 5 activities include:
 - Federal Pell Grants.
 - Vocational Rehabilitation.
 - TRIO.
 - Adult Education.
- \$91 million of ED salaries and expenses funds contributed to the \$22.3 billion supporting Goal 5.



Implementation: Checking Progress

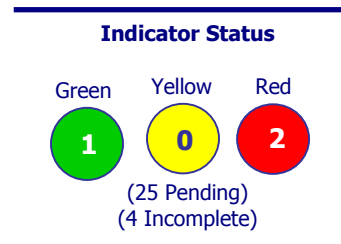
To address Goal 5, the Department developed 5 objectives:

Action Step Progress	Objective
G 44	• Reduce the gaps in college access and completion among student populations differing by race/ethnicity, socioeconomic status, and disability while increasing the educational attainment of all.
Y 0	• Strengthen accountability of postsecondary institutions.
R 0	• Establish effective funding mechanisms for postsecondary education.
	• Strengthen Historically Black Colleges and Universities, Hispanic Serving Institutions, and Tribal Colleges and Universities.
	• Enhance the literacy and employment skills of American adults.

ED established 16 strategies to achieve this goal. Within those strategies, we developed 44 action steps to be completed across FY 2002 and FY 2003, which made up about 11 percent of action steps. At the end of FY 2002, all 44 steps were on track for timely completion (green). We anticipate that we will fully implement all action steps by the end of FY 2003.

Impact: Measuring Status

ED identified 32 indicators to measure FY 2002 success in meeting Goal 5. We met or exceeded the target for 1 indicator (green), and we did not meet the target for 2 indicators (red). Twenty-five indicators are pending (data are not yet available), and 4 are incomplete (data are not expected).



Improvements: Making Changes

To enhance future performance, the Department plans these actions:

- Improve planning and increase the use of performance measures to improve management.
- Improve monitoring procedures and train staff on new procedures.
- Apply current findings to revising programs during reauthorizations.

¹ \$22.4 billion targeted specific objectives under Goal 5, and \$170 million supported Goal 5 in general without focusing on a particular objective.

Goal 5: Enhance the Quality of and Access to Postsecondary and Adult Education

The Department provides support for enhancing the quality of and access to postsecondary and adult education and employment in multiple ways. The Department's programs provide financial aid to increase access to college; help institutions of higher education improve their quality; provide mentoring and tutoring services to help students master the knowledge they need to get into and complete college; inform middle and high school students about what it takes to go to college; provide needed support to help people with disabilities achieve employment; and provide support to adults in meeting more basic educational needs. The Department will work to improve the effectiveness of all institutions, including four-year colleges and universities, community colleges, technology-based programs, and others.

Inputs: Allocating Funds

Forty percent of the Department's budget goes toward the activities supporting Goal 5. That investment falls almost entirely into the Pell Grants and other postsecondary student aid programs. In many ways, financial aid is the determining factor in access to higher education, which is why the Department places so much emphasis here.

The Federal Pell Grant program (which constitutes 20 percent of the Department's appropriation), the Perkins Loan program, the Federal Family Education Loan program, and Federal Work Study program all contribute to making college affordable and accessible. For example, the Pell Grant program provides need-based grants to low-income undergraduate and certain postbaccalaureate students to promote access to postsecondary education. Students may use their grants at approximately 6,000 participating postsecondary institutions.

Goal 5 also covers adult education and literacy, vocational education and rehabilitation, and support for historically black colleges and universities, such as Howard University, as well as Hispanic-serving institutions and tribal colleges and universities.

Implementation: Checking Progress

All but one action step was green for Goal 5. The one action step needing more attention was to "Assist in promoting the technology infrastructure of institutions serving low-income and minority students." Managers are working to address this action step, along with the corresponding lack of data in this area (see Objective 5.4).

Actions in FY 2002 focused on training TRIO professionals on retention and graduation strategies for nontraditional students; eliminating regulatory barriers in the use of federal student aid for students engaged in distance learning; identifying and completing initiatives to assist parents, students, and schools on effective high school-to-college transition for student with disabilities; encouraging Student Support Service grantees to use the maximum amount of federal grant funds (up to 20%) for grant aid by providing examples of how they might reallocate funds; developing a Grantee Technology Resource page on the Institutional Development and Undergraduate Education Service (IDUES) Web site; and maintaining collaboration with the National Institute of Child Health and Human Development to improve

the research base on literacy programs for adolescents and adults.

Impact: Measuring Status

The Department is unable to report its success on the majority of Goal 5 indicators until 2003. Twenty-five of the 32 indicators do not yet have data, but will, and an additional 4 indicators have incomplete data. The 3 indicators on which we were able to report showed mixed results.

Success was achieved by working with states to establish common data definitions for Title II reporting (see Objective 5.2). Although the Department achieved this year's target, a recent study showed that the remaining states are having difficulties aligning their definitions. Thus, it is unlikely that the Department will achieve next year's target of 100 percent.

College tuition rates grew at a rate higher than our target and higher than increases in the past decade. However the rate of increase was less than the rate for the previous decade. For the indicator on state reporting systems for graduation rates (see Objective 5.2), the Department is reviewing other approaches to achieving the desired results. The current strategy necessitates collaboration from numerous sources including Congress.

Although few program evaluations were completed, the results from those that did occur are encouraging. For example, a multiyear Longitudinal Study of the Vocational Rehabilitation State Grants program, first initiated in 1992, was recently completed. This study, which tracked 8,500 Vocational Rehabilitation (VR) consumers at 37 locations in the United States for three years each, provides comprehensive information on the VR program, including types of persons served, services provided, costs, resources available, local environments, and short- and long-term outcomes. Data from the Longitudinal Study show benefits to participants in the VR program, particularly in terms of improvements in employment and earning status. The study also found that VR consumers had excellent job retention over time. Final reports from the Longitudinal Study are currently undergoing agency and departmental clearance, but copies of draft reports are available upon request.

A recurring theme (also evident in the OMB PART reviews) is the need to obtain more timely and valid program performance data. The Department is making agency-wide changes, such as One-ED and PBDMI to address those challenges.

Improvements: Making Changes

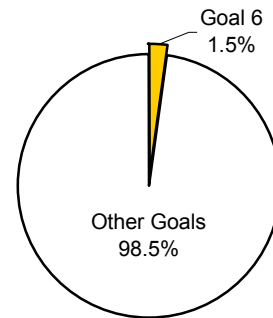
Two themes in improvement appear throughout Goal 5: improve monitoring and data quality. For example, under the new Higher Education Act (HEA), the Department will work to improve the information flow between the Department and grantees. To this end, the Department will design and implement a new grantee monitoring program and will convene discussion groups on institutional planning, implementation, and evaluation of HEA Title III and Title V grantees. In addition, the Department will incorporate planning, implementation and evaluation components into an annual project directors' meeting. Similarly, VR has worked on improving the performance measures for its program. In VR's PART evaluation, the reviewers noted that the program is working to improve its strategic planning and has worked to develop common performance measures for job training programs and standards and indicators for performance. This is common across most programs and will continue to be emphasized into 2003.

Goal 6: Establish Management Excellence

In order to create a culture of accountability, the Department supported accountability systems for state education systems, as well as measures to determine effective programs and to link program costs and value.

Inputs: Allocating Funds

- Of ED’s total FY 2002 appropriation, \$852 million supported Goal 6 activities. This is about 1.5% of ED’s appropriation.
- \$829 million of ED salaries and expenses funds contributed to the \$852 million supporting Goal 6.



Implementation: Checking Progress

To address Goal 6, the Department developed 7 objectives:

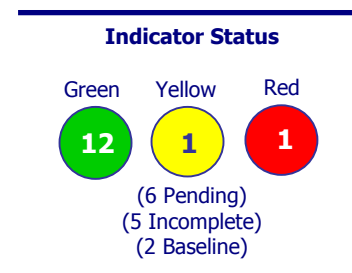
Action Step Progress	Objectives
G 124	• Develop and maintain financial integrity and management and internal controls.
Y 23	• Improve the strategic management of the Department’s human capital.
R 0	• Manage information technology resources, using e-gov to improve service for our customers and partners.
	• Modernize the Federal Student Assistance programs and reduce their high-risk status.
	• Achieve budget and performance integration to link funding decisions to results.
	• Leverage the contributions of community- and faith-based organizations to increase the effectiveness of Department programs.
	• By becoming a high performance, customer-focused organization earn the President’s Quality Award.

(15 Closed)

The Department established 21 strategies to achieve this goal. Within these strategies we developed 162 action steps to be completed across FY 2002 and FY 2003, which made up about 42 percent of Department action steps. At the end of FY 2002, 124 steps were completed or on track for timely completion (green); 23 more were progressing but merited monitoring (yellow); and 15 were closed by merging into other action steps.

Impact: Measuring Status

The Department identified 27 indicators to measure FY 2002 success in meeting Goal 6. We met or exceeded the target for 12 indicators (green); we almost met the target for 1 (yellow); and we did not meet the target for 1 (red). Six indicators are pending (data are not yet available), and 5 are incomplete (data are not expected). We also set a baseline for 2 indicators.



Improvements: Making Changes

To enhance future performance, the Department plans these actions:

- Devise methodologies and procedures for reporting erroneous payments.
- Determine a method for arriving at a administrative cost per grant transaction.
- Improve our capacity to measure and report project variances from cost and schedule goals.
- Improve our measurement and verification techniques to ensure accuracy of Pell Grant payments.
- Prepare for internal and OMB program reviews to document program effectiveness.

Goal 6: Establish Management Excellence

The Department of Education has undertaken sweeping management improvement designed to enhance our ability to focus on our core mission of improving the quality of education for all Americans.

One of Secretary Paige's first initiatives was to create a Management Improvement Team of highly respected career professionals. This team, together with senior officers, the Center for Excellence in Government, and other partners, developed a Blueprint for Management Excellence released in October 2001. The Secretary also created a Culture of Accountability Team, which outlined recommendations to improve Strategic Plan alignment, leadership, management, communication, work processes, skills gaps, and performance evaluation in December 2001. The Blueprint for Management Excellence Action Plan and the Culture of Accountability Report recommendations, together with the President's Management Agenda, laid the foundation for Goal 6. Each of the government-wide initiatives outlined in the President's Management Agenda is integrated into Goal 6 of the Strategic Plan and, more important, into the management improvement efforts of the Department.

Financial reforms recommended by the Management Improvement Team have improved our ability to integrate and reconcile financial reports and have significantly reduced the number of outstanding audit findings. We accelerated the audit process by over a month by using mid-year credit subsidy estimates and by integrating trial balance and financial statement relationship tests into financial reports. The Department received an unqualified opinion in the FY 2002 Financial Statement Audit. This is a significant accomplishment and is the first unqualified auditors' opinion since 1997.

To support the activities envisioned under Goal 6 of the Strategic Plan, we developed One-ED, which provides an integrated, five-year human capital, strategic sourcing, and restructuring plan that builds on the Department's Blueprint for Management Excellence and Culture of Accountability Report and the President's Management Agenda. As a foundation of its strategic human capital management and the competitive sourcing initiative, the Department developed the One-ED strategic investment process to analyze and quantify functions performed in order to reengineer more efficient, accountable, and effective work processes.

The Department also instituted systems to ensure enterprise-wide management of its information systems and investments. A particular focus of these efforts is to align information technology efforts throughout education in order to eliminate unnecessary duplication and burden and to increase the usefulness and accuracy of our information for policy development, management, accountability, and budgeting.

Through these efforts we intend to improve our capacity to effectively allocate and manage federal education resources in order to maximize their impact on national education priorities.

Implementation: Checking Progress

The Department replaced its financial systems in January 2002 with our new general ledger, Oracle Federal Financials. This project represented the first fully operational Department-wide implementation of Oracle for a Cabinet-level agency. The new system provides enhanced financial integrity with more timely, accurate and reliable information for managing the Department's programs. The system strengthens and enforces Department internal controls and policies.

The Department has made tremendous progress in terms of the resolution and closure of recommendations involving matters of financial integrity as well as the management and internal controls that are contained in the audit reports. The Department reduced open recommendations from prior years by over 50 percent in FY 2002.

In the summer of 2002, we launched One-ED, which brings together the Department's human capital, restructuring, and competitive sourcing plans into a single five-year plan. One-ED is a cyclical process to examine and improve the composition and skills of the Department's workforce, its work processes, and its organizational structure. This ensures that all Department services are provided with quality, on time, and for the best value. Reviews are ongoing in five functional areas with more planned over the next three years. One-ED has merited the attention of OMB and OPM and has been promoted by OMB as a model for other agencies to follow.

The Department has developed a new performance appraisal system, EDPAS, which includes multiple performance levels and more job-specific performance criteria to raise the bar on performance. EDPAS agreements are tied to our Strategic Plan, Individual Development Plans, and employee incentives. This system will become effective in FY 2003.

The Department focused on strengthening its information technology (IT) security in the areas of management, technical, and operational policy and procedural controls. The Department improved its IT investments with an agency-wide business case review process. In addition to support for government-wide e-gov initiatives, the Department has begun the implementation of an Education Performance-Based Data Management Initiative to use current technology to electronically integrate student, school, and program performance information together with state and private sector partners. We also performed risk assessment of all major and significant systems, laying the foundation for a security plan for the entire Department.

In pursuit of budget and performance integration, the Department reorganized the strategic planning and budget staff under the Deputy Secretary to coordinate budget decisions and strategic planning efforts and to track progress on action steps. The Department also developed a Department-wide evaluation plan for programs over \$100,000. To link funding decisions to results, the Department integrated program performance information with budget documents, including our Congressional Justification. This is coupled with revisions to program performance measures and targets to make them more meaningful and useful to policymakers.

In 2002 the postsecondary student assistance programs made significant strides in default management and prevention, meeting their default collection targets and implementing performance-based contracts with private collection agencies that have yielded increased

collections for lower costs. The Department has aggressively followed up on GAO and IG recommendations, used data mining to help identify schools where problems may exist, and instituted new systems to verify borrower eligibility.

The Department made significant accomplishments in providing outreach and technical assistance to faith-based and community-based organizations. Our Office of the General Counsel developed a statement of eligibility that contains a positive statement of how faith-based and community organizations can use federal funds to run programs. This statement was included in the Federal Register with all the grant announcements.

Impact: Measuring Status

The Department made substantial progress in achieving its management excellence objectives, and we are committed to resolving our remaining issues.

We received an unqualified “clean” audit opinion, we exceeded our target for performance-based contract actions and we met our target for closing open audit recommendations. We exceeded our target for the Federal Student Aid (FSA) default recovery rate. We met our target in the area of timeliness of FSA reconciliations to the general ledger by reconciling within 30 days in the last two months of the fiscal year; the processes that we implemented to achieve that will allow us to continue such timely reconciliation.

For Pell grant overpayments, we met our target of not exceeding the FY 2001 baseline. Although the target that we stated in our FY 2002 Annual Plan was expressed in absolute dollars, based on best business practices, we have now converted to percentage targets. We also significantly increased our accuracy in measuring overpayments.

We were unable to determine erroneous payments in all areas or to compute administrative cost per grant transaction. This resulted in incomplete information for three indicators. These areas require operational definitions to be vetted within the Department, which we expect to be forthcoming.

We also made considerable progress in implementing our plan for addressing the issues that have been keeping FSA on GAO’s high-risk list, completing 94 percent of the action items in our plan. It should be possible to fully complete the plan in the near future.

The Department established four indicators related to employee attitudes and one related to manager satisfaction with hiring processes. To obtain the employee information, we participated in a government-wide survey conducted by OPM. When OPM releases those survey results, we will be able to determine whether we met our targets. To obtain information on manager satisfaction, we conducted an internal survey, which showed that approximately half of our managers who hired staff in FY 2002 were satisfied with the process.

For the indicator on employee skill gaps, we did not collect the needed data and were not able to set the baselines in FY 2002, as our Annual Plan projected. However, in One-ED, we have developed a detailed innovative framework for developing competencies and learning tracks, by staff level, for all our mission-critical occupations and major business functions.

We exceeded our target for reduction of the data collection burden we impose on our grantees. We set the baseline for customer satisfaction with IT services, as we were scheduled to do.

Data related to keeping IT projects on schedule and within cost projections are not yet complete, but preliminary information for the first half of the year is favorable.

Improvements: Making Changes

The Department will address auditors' recommendations contained within the Department's FY 2002 financial statement audit.

As One-ED progresses over the next year, it will allow us to collect the data necessary to set baselines and determine whether we met our targets for improving the management of our human capital. We will also continue to implement the Strategic Investment Process, a component of One-ED, which uses an analytic tool to analyze and quantify functions the Department performs. The analyses will lead to a decision to continue to perform the work internally or compete it to obtain the best value, either by employees or external vendors. This process will support our efforts to meet our target for competitive sourcing of positions.

The Department is completely reengineering its receipt and inventory functions to increase accountability. Additional controls and procedures are being implemented to ensure that purchases and inventory are tracked more carefully and are better controlled, expanding those previously implemented, such as controls on purchase cards and equipment inventory. The Department will hire contractors for full-time support of the asset management operation and will select and purchasing a new asset management software and hardware system.

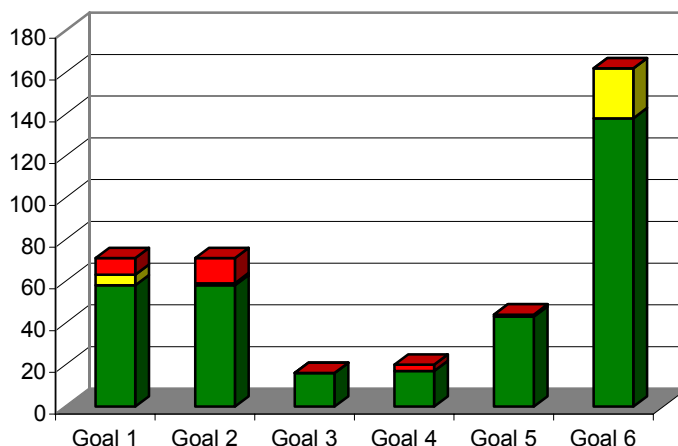
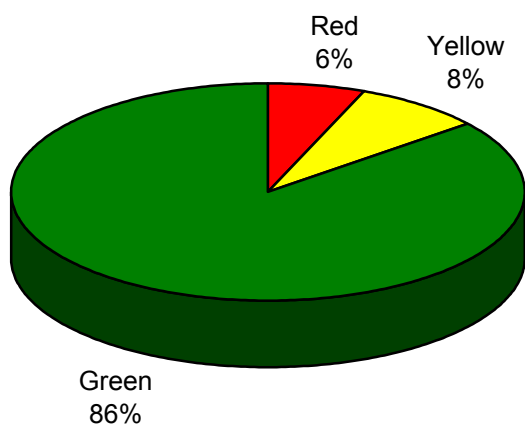
The Department will determine definitions and devise methodologies for calculating erroneous payments and the administrative cost per grant transaction so that we can report on these indicators in future performance reports. We will implement a plan to remedy the remaining items that prevent FSA from being removed from GAO's list of High-Risk Programs.

The President's Performance-Based Data Management Initiative will be implemented in 2003. This electronic data exchange will significantly reduce grantees' reporting burden while significantly increasing the timeliness and quality of program performance information for management and budget decisions.

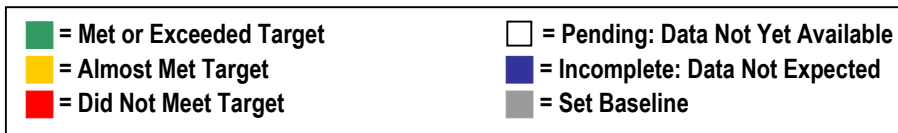
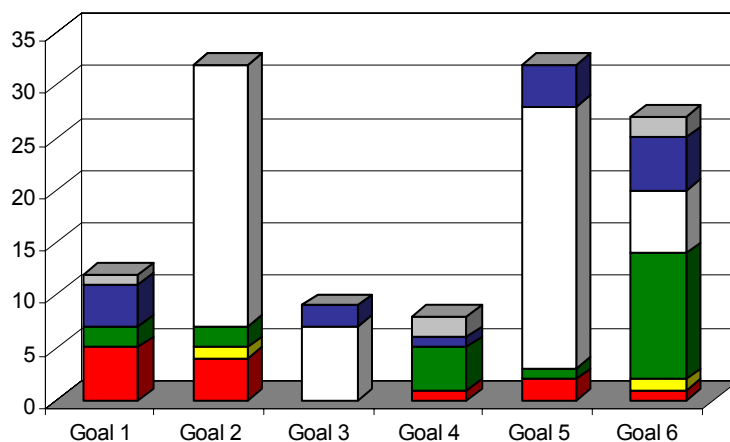
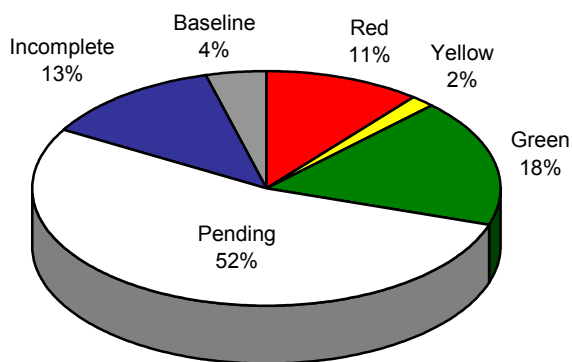
The Department will reapply for the President's Quality Award based on lessons learned from the 2002 application and review experiences.

REPORT CARD ON ALL SIX GOALS

Implementation: Action Step Summary



Impact: Indicator Summary



	Indicator Numbers																				
	.1	.2	.3	.4	.5	.6	.7	.8	.9	.10	.11	.12	.13	.14	.15	.16	.17	.18	.19	.20	.21
Obj 1.1	●	●	●																		
Obj 1.2	●	●	●	●																	
Obj 1.3	●	●	●																		
Obj 1.4	●	●																			
Obj 2.1	○	○	○	○	○	○	○	○	○	○	○	○									
Obj 2.2																					
Obj 2.3	○	○	○	○	○	○	○	○	○	○	●	●	●	●	●	●	●	○	○	○	
Obj 2.4																					
Obj 3.1	○	○	○	○	○	○	○														
Obj 3.2	●	●																			
Obj 4.1	●	●	●	●																	
Obj 4.2	●	●	●	●																	
Obj 5.1	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Obj 5.2	●	●																			
Obj 5.3	●	●	●	●	○																
Obj 5.4	○	○																			
Obj 5.5	●	○																			
Obj 6.1	●	○	●	●	●	●	●														
Obj 6.2	○	○	○	○	●	●															
Obj 6.3	○	●	●																		
Obj 6.4	●	●	●	●	●	●															
Obj 6.5	●	●																			
Obj 6.6	●	●																			
Obj 6.7	●																				

● = Met or Exceeded Target	○ = Pending: Data Not Yet Available
● = Almost Met Target	● = Incomplete: Data Not Expected
● = Did Not Meet Target	● = Set Baseline

Financial Overview

FINANCIAL OVERVIEW

Financial Highlights

The Department's mission is to ensure equal access to education and promote educational excellence throughout the nation. The Department exists to benefit education and everyone who is touched by our business. We believe that our success ultimately depends on our ability to build and nurture relationships with constituents that are essential to our business: state and local educational institutions, students, universities, local communities, and our business partners. To serve and create value for these constituents, the Department executes a collaborative business strategy to focus attention and funding toward educational opportunities for all.

We continue to see consistency and stability in our results over the course of the year, demonstrating that the work we have done to improve the efficiency and productivity of our operations is taking hold. At the same time, we made considerable progress toward our strategic goals.

Our performance this year was led by the steady progress we made implementing the President's Management Agenda (PMA). Through innovative program development, we deepened the already strong connections between our constituents and the Department.

Financial Strategies

The following management strategies are intended to optimize utilization of available resources, thereby increasing the ability to meet the Department's goals and the PMA.

Balance Sheet Management: The Balance Sheet reflects total assets of \$145.4 billion, a 17 percent increase over the previous year. This increase is attributable to the implementation of the No Child Left Behind program and the steady growth of the Federal Student Aid Program. An investment in General Plant, Property and Equipment has been recognized in FY 2002, which is consistent with the Department's Strategic Goal 6 to Establish Management Excellence. This investment gives management the ability to ensure efficient current and future fiscal operations.

The majority of our liabilities, 66 percent, consist of intragovernmental liabilities, which are primarily the result of the Department's focus on ensuring that funds are available for any student desiring a postsecondary education.

As a result of the Department's efficient use of resources and proper Balance Sheet Management, Net Position increased by 23 percent.

Statement of Net Cost Management: The Department's costs are consistent with the Strategic Goals, the PMA and the appropriated budget. The Department experienced a 39.4 percent increase in net costs for the Enhancement of Post Secondary and Adult Education (Program A on the Statement), which tracked with the Department's funding for Strategic Goal 5. Additionally, the expenditures for Strategic Goals 1, 2 and 3 (Programs B and D on the Statement) are consistent with the FY 2002 budgetary appropriation.

Statement of Budgetary Resources Management: This statement provides information about the provision of budgetary resources and their status as of the end of the period. This statement shows that the Department had \$104.4 billion in budgetary resources of which \$12.5 billion remained

unobligated with \$8.3 billion not available at year-end. The Department had \$56.1 billion in Net Outlays for FY 2002.

Statement of Financing Management: This statement demonstrates the relationship between an entity's proprietary and budgetary accounting information. It links the net cost of operations (proprietary) with net obligations (budgetary) by identifying key differences between the two. This statement identifies \$65.9 billion of resources used to finance activities, \$17.9 billion of resources not part of the net cost of operations and \$1.8 billion of components of net cost of operations that will not require or generate resources in the current period.

Management Controls

The Department of Education is committed to management excellence and recognizes the importance of strong financial systems and internal controls to ensure accountability, integrity and reliability. The Department has made significant progress and continues to work to achieve a Culture of Accountability. Management, administrative and financial system controls have been developed to ensure that:

- All programs and operations achieve their intended results efficiently and effectively.
- Resources are used in accordance with the Department's mission.
- All programs and resources are protected from waste, fraud and mismanagement.
- Laws and regulations are followed.
- Reliable, complete and timely data are maintained and used for decision-making at all levels.

This year, the Department developed a required one-day seminar for supervisors and managers to address the responsibilities of our managers in ensuring that the Department has an effective system of internal controls. Further, all employees were required to complete a one-hour online internal control training course.

We believe that the rapid implementation of audit recommendations is essential to improving the efficiency and effectiveness of our programs and operations and to achieving our integrity and accountability goals. We have accordingly instituted a comprehensive follow-up program to ensure that the recommendations are implemented in a timely and cost-effective manner.

Federal Managers' Financial Integrity Act

During FY 2002, in accordance with the requirements of FMFIA and using OMB and Departmental guidelines, the Department reviewed our management control system. The objectives of our management control system are to provide reasonable assurance that:

- Our obligations and costs are in compliance with applicable laws.
- Our assets are safeguarded against waste, loss, unauthorized use or misappropriation.
- The revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over assets.
- All programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

Statement On Management And Financial Controls

For the programs, organizations, and functions covered by the Federal Managers' Financial Integrity Act (FMFIA), I am pleased to report that, except for the weaknesses identified in this report, the Department of Education systems of management controls, taken as a whole, provide reasonable assurance that the objectives of FMFIA have been achieved.

—Rod Paige
Secretary of Education

The efficiency of the Department's operations is continually evaluated by using information obtained from reviews conducted by the General Accounting Office (GAO), the Office of the Inspector General (OIG), specifically requested studies or observations of daily operations. These reviews ensure that our systems and controls comply with the standards established by FMFIA. Managers throughout the Department are responsible for ensuring that effective controls are implemented in their areas of responsibility. Individual assurance statements from assistant secretaries are the primary basis for the Department's assurance that management controls are adequate. The assurance statements are based on each principal office's evaluation of (1) progress made in correcting any previously reported problems; (2) new problems identified by OIG, GAO and other management reports; and (3) the management environment within each Principal Office. Department organizations that identify material weaknesses are required to submit plans for correcting those weaknesses. The plans, combined with the individual assurance statements, provide the framework for monitoring and improving the Department's management controls on an ongoing basis.

FMFIA Section 2, Management Control

During FY 2002 we completed all the corrective actions associated with the two material weaknesses: Audit Tracking Resolution, first identified in 2000 and Financial Reconciliation identified in 1999. They are no longer reported.

Of the 80 internal control material weaknesses identified since the inception of the program, 77 have been corrected and closed, leaving 3 unresolved weaknesses as of September 30, 2002.

Number of Material Weaknesses			
Period Reported	Number Reported for the First Time	For That Year, the Number Corrected	For That Year, the Number Still Pending
Prior Years	78	76	2
2000	2	1	1
2001	0	0	0
2002	0	0	0
Total	80	77	3

Those three outstanding material weaknesses are:

- Quality of data needed to support management decisions.
- Information Technology (IT) security program.
- Foreign school recertification.

No new material weaknesses were identified this year. These unresolved weaknesses were identified prior to the 2002 report.

Quality of data needed to support management decisions

This material weakness, first reported in 1995, deals with Federal Student Aid (FSA) program's not having quality data to provide for effective management decisions. Although the data quality issue was initially associated with the Federal Family Education Loan (FFEL) Program system, it was expanded to include the FSA systems. During the past year, the Department has completed a considerable number of planned actions to resolve this material weakness. Specifically, we continue National Student Loan Data System (NSLDS) data quality efforts targeted at improving timeliness and quality of lender and other FFEL data used in subsidy estimation and program monitoring. Further, the Department has implemented the Common Origination and Disbursement System and developed and implemented an improved Direct Loan Credit Management System to better support Direct Loan financial reporting. However, long-term initiatives that involve coordinating with the Internal Revenue Service (IRS) to obtain changes in legislations, policies, and procedures to enable us to conduct routine data matches remain in progress, thus leaving this material weakness still outstanding. The Secretaries of Treasury and Education and the Director of the Office of Management and Budget submitted proposed legislation to Congress this year, and it is hoped that this weakness will be resolved during FY 2003.

Information technology (IT) security program

This material weakness, first reported in 1999, focuses on the need to strengthen the security of the Department's information technology systems to comply with the Computer Security Act and the Office of Management and Budget (OMB) Circular A-130. We have completed many initiatives to enhance security, including providing Department-wide IT security training, implementing a capital planning and investment control process that integrates security considerations, and completing the Critical Infrastructure Protection Plan (CIPP) vulnerability and threat assessment identification process. The Department will continue to work to implement the remedial actions identified in the vulnerability and threat assessments and to implement the corrective actions developed as a result of

the most recent Government Information Security Reform Act audit. This weakness is scheduled to be resolved during FY 2004.

Foreign school recertification

Weaknesses in the foreign school recertification process were first identified in an OIG audit report in FY 2000. The report stated that FSA's process did not enforce statutory requirements for compliance audits and foreign medical school eligibility ratios. The Department worked very closely with the foreign school community and our OIG to improve the administration of Title IV program in this community. Among our significant accomplishments to address this issue were the publication of the Foreign Schools Handbook to better educate foreign schools about program requirements and the development and publication of the Foreign Schools Audit Guide.

However, the Department is waiting to review the compliance audits received from foreign schools before making a final determination on the effectiveness of the corrective actions. This material weakness is scheduled to be closed in FY 2003.

FMFIA Section 4, Financial Management Systems

During FY 2002 we completed all the corrective actions associated with one material non-conformance: Financial Management Systems, first identified in 1989. Thus, it is no longer reported.

Of the 95 financial management systems non-conformances identified since the beginning of the program, 94 have been corrected and closed, leaving 1 unresolved non-conformance as of September 30, 2002.

Number of Material Non-Conformances			
Period Reported	Number Reported for the First Time	For that Year, the Number Corrected	For That Year, the Number Still Pending
Prior Years	95	94	1
2000	0	0	0
2001	0	0	0
2002	0	0	0
Total	95	94	1

Federal family education loans system—Inadequate accounting for loan losses, interest subsidies and loan origination fees

This material non-conformance concerns the Federal Family Education Loan Program (FFEL) and was first identified in 1990. GAO reported the Department did not maintain financial systems necessary to determine estimated loan losses, a liability for interest subsidies owed to lenders or a receivable for loan origination fees due from lenders. We initiated a number of steps to correct the deficiencies noted, and the FFEL Program financial statements are in conformance with accounting and reporting standards. Also, system improvements were achieved primarily by implementing an integrated Oracle Financial System and a management reporting system in Federal Student Aid (FSA). The FSA Financial Management System (FMS) fully reconciles activity with the FFEL operating partners through the Department's general ledger (FMSS). Detailed financial data is

maintained in FMS and summarized within the general ledger. FSA must take additional actions during the current year to ensure proprietary and budgetary transactions are properly recorded and FSA has expanded this corrective action plan to recognize these actions. This non-conformance is scheduled to be resolved in FY 2003.

FSA High Risk Update

One of the Department primary goals is resolving the management and financial challenges that resulted in GAO designating the Federal Student Aid (FSA) programs as high risk. GAO has outlined three actions needed to remove FSA from its high-risk list: (1) the Department needs to strengthen financial management and internal controls so that relevant, timely information is available to manage the day-to-day operations efficiently and effectively and provide adequate stewardship and accountability; (2) FSA must implement an integrated set of information systems to efficiently manage and effectively control Title IV programs and administer high-quality services to students, colleges and universities and financial institutions; and (3) FSA must maintain a balanced management approach to minimize non-compliance and default rates while promoting the widespread use of the program.

Although the Department believes that there is inherent risk in the programs, we are committed to demonstrating responsible management of the programs so that they are removed from the high-risk list. The Department has met with GAO, OMB and others on actions needed to improve FSA programs and remove them from the high-risk list. As a result, to improve program integrity, the Director of OMB and the Secretaries of Treasury and Education jointly proposed new IRS Tax Code legislation aimed at improving the student eligibility verification process with tax return information. If implemented, invalid applications for potentially hundreds of millions of dollars in payments could be identified and voided.

In addition, the Department has already made significant strides in the area of student loan default management and prevention. We met our targets for FY 2002 default collections and are working with schools and loan holders to keep the statutory cohort default rate, currently at 5.9 percent (measuring defaults over a two-year period), under 8 percent. The Department has improved our default collections in FY 2002 to over \$269 million by using the Department of Health and Human Service's National Directory of New Hires (NDNH) database to locate defaulted borrowers. Including the NDNH collections, FY 2002 collections exceeded goals by over 5 percent; non-consolidation collections totaled over \$966 million. The Department's second annual National Default Prevention Day (NDPD) familiarized more than 1,500 participants in 12 locations with the wide variety of default management and prevention tools available. NDPD 2002 was a total partnership with the school, Direct Loan and FFEL lending communities. In our FY 2002-2003 annual plan, we outlined various additional activities and projects to help ensure the removal of the FSA programs from the GAO high-risk programs list.

OMB Scorecard

OMB tracks the Department's progress in our implementation of the President's Management Agenda (PMA). The PMA identified five government-wide goals: the strategic management of human capital; competitive sourcing; improved financial management; expanded e-government; and

budget and performance integrations. OMB issues quarterly scorecards to each agency and reports the scores to the public semiannually. The scorecard for the quarter ending September 30 (appendix B) rates the Department's implementation process as "green" on four of the five government-wide initiatives with a "yellow" in financial management pending the outcome of our FY 2002 financial statements audit. We attribute the high scores received from OMB to our early action to address management problems. The Department embraced the goals outlined by the PMA and has integrated them into our Strategic Goal 6, Establish Management Excellence. A detailed description of the initiatives and progress toward the implementation of the PMA is available under Goal 6 in the Performance Detail portion of this report.

Government-wide Involvement

The Department takes pride in contributing to effective financial management government wide. Department of Education staff participate in intergovernmental workgroups to resolve issues common among federal agencies and in 2002 were actively involved in the CFO Grants Management Committee, the CFO Council, the Interagency Workgroup on Compliance Supplement, Public Law 106-103 Grant Streamlining Cost Principles Revision Workgroup, the E-Grant Executive Board and AGA training activities. We anticipate a continued involvement in these and other government-wide projects in the future.