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7

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FY 1997 BUDGET SPRING REVIEW
RELATIONSHIP OF KEY PERFORMANCE OBJECTIVES AND BUDGETS
DEPARTMENT OF EDUCATION
GATEKEEPING IN THE STUDENT FINANCIAL ASSISTANCE PROGRAMS

1. Program and Policy Objectives:

Gatekeeping is the term used for managing institutional eligibility for student financial assistance programs authorized under title IV of the Higher Education Act. The student aid programs will make available more than \$35 billion in grant, loan and work-study assistance to about 7 million students in FY 1995. Currently, 7,300 domestic and foreign institutions are eligible to participate in these programs.

Gatekeeping is implemented through the *Program Integrity Triad* of States, accrediting agencies, and the Department of Education (ED). The long-term goals of the Triad are:

- To ensure that institutions of higher education participating in the Federal student aid programs provide a basic standard of quality for the education and training of their students; and
- To ensure institutional accountability for Federal student aid funds, by determining that institutions participating in the programs are administratively capable and financially responsible.

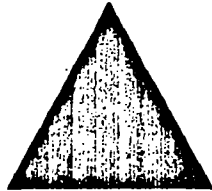
The Federal government forms the base of the triangle. Federal funds are mainly at risk, so Federal officials have the greatest interest in the outcome: recent surveys show that about 70 percent of direct student aid (excluding State subsidies of all students in public institutions) provided nationally comes from the Federal government. Furthermore, the Triad concept is designed in statute specific to Federal program eligibility; States can choose different institutions to participate in their own aid programs if they wish.

The Federal government's primary responsibilities are to serve as the leader and coordinator of the Triad's efforts, and to determine whether institutions meet the Secretary's standards for administrative capability and financial responsibility. Some of these functions are *comprehensive*, affecting all applicable participating institutions (for example, all institutions are subject to financial and compliance audits as well as to periodic recertification), while other functions are *targeted*, focusing attention on institutions that pose a significant risk or fail to meet program standards (for example, program reviews and monitoring under provisional certification are generally targeted).

PROGRAM INTEGRITY TRIAD

States

- Legal authority to provide postsecondary education
- State Postsecondary Review Program



Accrediting Agencies

- Establishment of quality standards for institutions
- Peer reviews

Department of Education

- Initial Certification
- Recertification
- Financial Audits
- Compliance Audits
- Program Reviews
- Compliance and Enforcement Actions
- Oversight and Support of the Program Integrity Triad

Improvements in the gatekeeping function are a critical element in the Administration's negotiations on the GI Bill for America's Workers (GIBFAW). We have repeatedly asserted commitment to such improvements, but have yet to do anything to make them materialize. The Federal role has been in some disarray for the last two years due to management problems.

Accreditors play the most significant role in judging the quality of education programs. In order to participate in the student aid programs, institutions must be accredited by an agency that is recognized by the Secretary of Education. The 1992 Amendments to the Higher Education Act strengthened requirements and also provided for the Department's systematic review and approval of accrediting agencies. If a pattern of problems emerges among

institutions accredited by a particular agency, the Department conducts a file review at the agency and based on the result takes appropriate action.

While the Department establishes standards and procedures for recognition of agencies, the accrediting agencies are responsible for the specific content of standards that are used to review institutions. Unlike other reviews performed within the Triad, the primary focus of accrediting agency reviews is *educational content*. These third-party assessments are currently the principal indicator of educational quality, because ED is specifically prohibited from controlling institutional curricula. Therefore, it is especially important that accreditation reviews result in actions against problem institutions in coordination with the actions of other members of the Triad.

The State role is currently the weakest component, with the fewest Federal controls. Institutions must be licensed in the State(s) in which they offer programs. The State's role is to protect consumers by promoting sound business practices through the State licensing function, and to review problem schools under the State Postsecondary Review program. The Department has no statutory authority over State licensing activities. As a result, there are significant variations between States regarding their minimum licensing requirements.

The State Postsecondary Review program was designed to strengthen the State role in reviewing potential problem institutions and to shore up the widely acknowledged failure of the Federal role in gatekeeping. Implementation was badly handled at ED, beginning with an initial list of "triggered" institutions that included some high quality (and politically well-connected) public and private non-profit institutions. These institutions were triggered in many cases because ED was not keeping good records or had incorrect data. Reviews have not yet been conducted under the program, and the future of the program is uncertain (it has been targeted for elimination in the conference rescission bill and the House Budget Resolution).

2. Performance measures on which information is now available to assess progress in achieving the objectives:

The document which ED provided for this review is attached. ED provided OMB with general performance goals, a table displaying program inputs (funds and FTEs) and some qualitative and quantitative information on a myriad of processes and outputs, and a few outcomes. This information provides an idea of *what is being done* by ED staff and contractors in reviewing institutions. What is missing is an assessment of the meaning of the data and how it relates to program impacts -- i.e., *to what extent the gatekeeping Triad is keeping poor quality schools out of eligibility, and eliminating eligible schools that fail to meet Federal requirements*. There is no apparent relationship between the data provided and the goals laid out in the beginning of the submission.

3. Performance measures that will be used in the FY 1997 budget process to assess progress in achieving the objectives:

The ED submission does not include measurable performance objectives that could be used in the FY97 budget process. ED has submitted a description of staff operational activities, many of which could be recast to address measurable objectives, which are yet to be developed. Many of these operational data relate to improvements to the Triad adopted in the 1992 Higher Education Act amendments, which provide powerful new tools, such as institutional recertification, to improve ED's ability to eliminate poor quality institutions and stem program abuse. During the process of recertifying all schools by FY 1998, ED has broad authority to put questionable schools on provisional certification, and eliminate them from the programs after two years if necessary, with reduced due process. We have detailed some actions that might be taken to improve the management and performance under 5. a., below. We need to discuss with ED a means for OMB to receive regular progress reports on management improvements in this area before the FY 1997 Budget submission.

4. Summary of current program resources¹:

<u>Program</u>	<u>FY 1996 Budget estimates (\$ in millions)</u>			
	<u>FY 1996</u>		<u>FY 1997</u>	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
Gatekeeping	46.9	35.0 ²	49.5	45.4

Notes:

¹ Breakdown of this data is provided on the attached three pages.

² 1996 outlays are outlays from new current authority only; 1997 outlays include outlays from 1996 BA and 1997 BA. Outlays from permanent authority specific to these functions could not be obtained from ED.

5. Discuss briefly:

- a. What might be done to improve the performance of the program? (1) Strong ED management commitment and oversight from the top ED political officers to developing a performance-based system insuring the integrity of eligible institutions. (2) Close monitoring of each "leg" of the Triad to detect, communicate, and take appropriate action on early warning signs for high risk institutions. For example, if an institution loses its

program eligibility because it lost its accreditation or State license, what were the reasons, and do those reasons indicate that the institution was engaged in activities that should have triggered simultaneous action by ED? (3) Develop a profile of poor quality schools, and a set of early warning indicators, so ED can weed out high risk schools and target enforcement action on schools posing the greatest risk to students and the Federal government. (4) Implementation of an ED management information system that will bring together key data on all institutions and the activities of all Triad members so that ED can see what is happening across the board on a school-by-school basis.

- b. Are there laws or administrative controls that are obstacles to improved performance? Briefly describe the major impediments. Most of the fraud and abuse that has occurred in the past has been concentrated in the for-profit proprietary sector, but regulations intended to prevent such fraud and abuse were imposed on all schools, imposing unnecessary regulatory burden on compliant schools and leading to charges of overregulation by traditional colleges. Informal discussion with ED's OGC indicates that differential regulation of various types of institutions is possible but has not been done in the past for political reasons. ED is making some movements toward this -- through a regulatory reinvention initiative and an experimental sites authority.

6. Use of program and financial data and information:

- a. There has been extensive documentation of unscrupulous proprietary schools that are eligible for Federal student assistance, as well as examples of schools that lack financial and administrative capacity even if not guilty of fraudulent activities. This documentation has taken the form of IG reports, extensive news reporting, and Congressional investigative hearings. External data, with the exception of IG reports, are not well used to target program reviews of potential problem institutions. The measures ED constructed for this review come mainly from operational data within the Institutional Participation and Oversight Service in the Office of Postsecondary Education.
- b. Some of the data provided is considered accurate and reliable, particularly those measures which relate directly to ED operations. Other measures, such as ED's accounting of the number of schools that lose eligibility because they lost their State license or accreditation, are considered unreliable. Other measures are accurate, but have no contextual or management information behind them that would allow managers to notice systemic problems or forecast trends.

-- For example, ED's data on collections on liabilities assessed to institutions during program reviews indicates that collections as a percentage of liabilities are less than 1 percent. ED asserts that the low collections are due to the fact that many of the schools who owe ED money have closed, yet ED did not parse out closed schools from open schools to determine whether there are collection problems against open schools.

c. Since measurable performance objectives have not yet been developed, there are no comparisons of program costs with performance indicators. Such information would be useful in the future.

SPRING REVIEW
ANALYSIS OF POSTSECONDARY INSTITUTIONAL GATEKEEPING

Programs by Office	FTE	Budget Authority	FY 1996 Estimates				FTE	Budget Authority	FY 1997 Estimates				
			Outlays		1998	1999			Outlays		1999	2000	
			1996	1997									1997
OGC:	13.55						13.97						
PC&B		872,485	837,585	34,899				927,417	890,320	37,097			
Overhead Costs		398,478	191,270	139,467	47,817	19,924		423,567	203,312	148,248	50,828	21,178	
Total		1,270,963						1,350,984					
OM / OHA:	5.5						5.67						
PC&B		354,145	339,979	14,166				376,442	361,385	15,058			
Overhead Costs		161,744	77,637	56,610	19,409	8,087		171,928	82,525	60,175	20,631	8,596	
Contracts - Case tracking		41,200	19,776	14,420	4,944	2,060		42,477	20,389	14,867	5,097	2,124	
Contracts - Information Svcs		25,750	12,360	9,013	3,090	1,288		26,548	12,743	9,292	3,186	1,327	
Total		582,839						617,395					
CFO:	3.0						3.09						
PC&B		193,170	185,443	7,727				205,332	197,119	8,213			
Overhead Costs		88,224	42,348	30,878	10,587	4,411		93,779	45,014	32,823	11,253	4,689	
Contracts - EDCAPS		141,196	67,774	49,419	16,944	7,060		45,000	21,600	15,750	5,400	2,250	
Total		422,590						344,111					
OPE / IPOS:	380						391.78						
PC&B		24,468,200	23,489,472	978,728				26,008,742	24,968,393	1,040,350			
Overhead Costs		10,472,040	5,026,579	3,665,214	1,256,645	523,602		11,131,370	5,343,058	3,895,980	1,335,764	556,569	
Travel		3,459,000	1,660,320	1,210,650	415,080	172,950		3,566,229	1,711,790	1,248,180	427,947	178,311	
Contracts - Closed School Claims		2,400,000	1,152,000	840,000	288,000	120,000		2,474,400	1,187,712	866,040	296,928	123,720	
Contracts - Dun & Bradstreet (ACE)		300,000	144,000	105,000	36,000	15,000		309,300	148,464	108,255	37,116	15,465	
Contracts - Institution Qual Control		665,000	319,200	232,750	79,800	33,250		685,615	329,095	239,965	82,274	34,281	
Contracts - PEPS		2,900,000	1,392,000	1,015,000	348,000	145,000		2,989,900	1,435,152	1,046,465	358,788	149,495	
Total		44,664,240						47,165,556					
GRAND TOTAL	402.05	46,940,632	34,957,743	8,403,941	2,526,316	1,052,632	414.51	49,478,047	36,958,071	8,786,757	2,635,214	1,098,006	
TOTAL 1996 OUTLAYS			34,957,743										
TOTAL 1997 OUTLAYS									45,362,012				

NOTE: Overhead Costs include common support and central ADP expenses, overtime, awards, supplies and travel.

OPE travel has been shown separate from the overhead costs.

The "Total 1996 Outlays" include only the 1996 outlays from 1996 budget authority.

The "Total 1997 Outlays" include the 1997 outlays from 1996 budget authority, as well as the 1997 outlays from 1997 budget authority.

SPRING REVIEW

POSTSECONDARY INSTITUTIONAL GATEKEEPING CONTRACTS

OM / OHA:

Case Tracking	Assists the Administrative Law Judge by tracking all cases, by docket card and submitted documents.
Information Services	Provides subscriptions to the information services of Westlaw and Lexis, used to enhance the legal research capacity of the Office of Hearings and Appeals and its components, the Office Administrative Law Judges, and the Civil Rights Reviewing Authority. Access to the two legal information research systems improves the quality and efficiency of the case review process.

CFO:

EDCAPS	The Central Registry System will interface with EDCAPS to validate whether an entity, which may be a recipient of funds via the grants, contracts, or student aid process, is eligible to receive funds and to maintain various indicative data regarding contacts, mailing addresses, bank account information, tax identification information, Catalog of Federal and Domestic Assistance (CFDA) data and whether an entity is currently under suspension or debarment.
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OPE / IPOS:

Closed School Claims	Review and process borrower's request for discharge of loan because school closed while the student was attending classes or the school falsely certified the student's application and ability to benefit from the education.
Dun & Bradstreet (ACE)	(Accreditation, Certification, and Eligibility) Provide summaries and reports (in report and electronic form) to ED on institutional financial statements.

Institutional Quality
Control Assurance

Conducts training workshops, software support and materials to provide the 100 participating institutions with guidance to implement the process for award accuracy and improved customer service. Schools who participate in this project receive relief from some regulatory requirements.

PEPS

The Postsecondary Education Participants System contains information concerning school eligibility determination and certification and assists program reviewers in targeting institutions based on several thresholds, such as default rates.

Department of Education
POSTSECONDARY EDUCATION
GATEKEEPING IN STUDENT FINANCIAL ASSISTANCE PROGRAMS

Fiscal Year 1996 OMB Spring Review

CONTENTS

	Page
Executive summary.....	1
Summary of performance indicators and measures	3
Program performance assessment.....	7
Relationship of key performance objectives and budgets.....	21
Appendix	
Organization of gatekeeping activities	A-1
Exhibits	
Flowchart -- Participation in Federal Student Aid Programs.....	Exhibit 1
Flowchart -- Gatekeeping for Existing Institutions.....	Exhibit 2

Department of Education

POSTSECONDARY EDUCATION GATEKEEPING IN STUDENT FINANCIAL ASSISTANCE PROGRAMS

EXECUTIVE SUMMARY

The Department of Education's management of institutional participation, or *gatekeeping*, is one of the 57 high risk areas currently identified by OMB. The continued participation of institutions that are incapable of managing the Federal student aid programs and put the significant investment in student aid at risk.

The Department's strategic goal for gatekeeping in the student financial assistance programs is to promote greater accountability to consumers and taxpayers through the institutional gatekeeping and oversight activities of the *Program Integrity Triad* – the current gatekeeping system of States, accrediting agencies, and the Department of Education. The primary focus in Spring Review is on the gatekeeping functions performed by the Department.

Long-term Objectives

The Department of Education's long-term objectives for gatekeeping in the student financial assistance are to:

- Ensure that institutions participating in the Federal student aid programs are administratively capable and financially responsible;
- Strengthen the Program Integrity Triad; and
- Assure institutional accountability for Federal student aid funds.

Performance Measures

The Office of Postsecondary Education's Institutional Participation and Oversight Service (IPOS) management information system will provide the basis of performance measurement in the gatekeeping area.

Currently Available

The Department will be using performance measures in the following gatekeeping areas:

Department Support and Oversight of Triad Partners

- State Licensure
- Accreditation

Department Gatekeeping Functions

- Certification
- Recertification
- Financial Audits
- Compliance Audits
- Program Reviews

Under Development

Given existing data limitations the Department has identified the following three measures to estimate the number of institutions that pose a significant risk :

- High cohort default rates;
- Limitation, suspension, and termination actions; and
- Failure to meet financial responsibility standards.

To varying degrees, these performance measures, either singly or combined with other factors, are being used in the Department's various gatekeeping areas to target institutions for increased oversight. Taken together, these data indicate that the number of so-called "problem schools" appears to be a relatively small segment of the entire number of institutions participating in the Federal student aid programs. The majority of the overall problems are in the proprietary sector, however, the vast majority of proprietary schools are not included in the schools considered to be "at risk". Improved data quality and availability resulting from current initiatives will help the Department better identify the number of institutions with problems.

Gatekeeping Resources

	1996	1997
Budget Authority	\$44,940,632	\$49,478,047
Full-time Employees (FTE)	402	414.5

Improving Gatekeeping Performance

The Department is starting to see the results of its recent initiatives implemented to improve gatekeeping performance. Many of these initiatives stem from the new authorities in the 1992 Amendments to the Higher Education Act that help the Department screen out and eliminate institutions that violate Federal standards. Additional initiatives are currently being developed to further improve gatekeeping performance.

Program and Financial Data

Performance data are derived from current management information systems. In addition, the Department began to phase-in a new state-of-the art institutional information system in March 1995. This information system will improve the quality and timeliness of performance information relating to gatekeeping.

Department of Education

POSTSECONDARY EDUCATION GATEKEEPING IN STUDENT FINANCIAL ASSISTANCE PROGRAMS

PROGRAM PERFORMANCE ASSESSMENT

Gatekeeping, the term used for managing institutional participation in the Federal student aid programs, is one of the 57 areas currently identified under the OMB High Risk Program. The area is considered to be *high risk* because Federal management of the gatekeeping process has been considered to be inadequate, resulting in the participation of institutions that are incapable of administering Federal student aid funds properly and that provide students with an educational experience that is unlikely to result in employment or higher earnings. The participation of such institutions in the programs places at risk the Federal government's significant investment in student financial assistance -- over \$35 million in total aid available in 1995 -- as well as contributing significantly to the costs of student loan defaults.

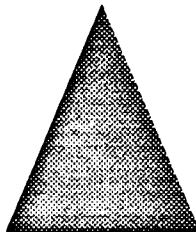
The Department's strategic goal for gatekeeping is to promote greater accountability to consumers and taxpayers through the institutional gatekeeping and oversight activities of the *Program Integrity Triad*.

The *Program Integrity Triad* refers to the current gatekeeping system of States, accrediting agencies, and the Department of Education.

PROGRAM INTEGRITY TRIAD

States

- Legal authority to provide postsecondary education
- State Postsecondary Review Program



Accrediting Agencies

- Establishment of standards for institutions
- Peer reviews

Department of Education

- Initial Certification
- Recertification
- Financial Audits
- Compliance Audits
- Program Reviews
- Compliance and Enforcement Actions
- Oversight and Support of the Program Integrity Triad

The Higher Education Amendments of 1992 (1992 Amendments) significantly increased the gatekeeping responsibilities of each component of the Program Integrity Triad. Since enactment of this legislation, the Department has taken steps to implement these new requirements and to support its other two partners in the Program Integrity Triad in carrying out their responsibilities. The Department will continue this leadership role by coordinating and evaluating the activities of the Triad to ensure that it is meeting its objective of improving the accountability and integrity of institutions participating in the Federal student financial assistance programs.

This performance assessment focuses on the *Federal* component of the Program Integrity Triad -- the gatekeeping functions performed directly by the Department.

Long-term Objectives

The Department of Education's long-term objectives for gatekeeping in the student financial assistance programs are to:

- Ensure that institutions participating in the Federal student aid programs provide a basic standard of quality for the education and training to their students;
- Strengthen the Program Integrity Triad; and
- Assure institutional accountability for Federal student aid funds.

Program Performance

The Department's gatekeeping activity is actually a myriad of functions:

Performance in gatekeeping activities contributes to one or more of the Department's long-term objectives mentioned above. Some functions are performed directly by the Department -- program reviews, and certifications -- while others -- accreditation and state licensure -- are performed by the other members of the Program Integrity Triad.

Department Support and Oversight of Triad Partners

- Monitoring State Licensure
- Recognition and Oversight of Accrediting Agencies

Department Gatekeeping Functions

- Certification
- Recertification
- Financial Audits
- Compliance Audits
- Program Reviews

Some functions are *comprehensive* affecting all applicable participating institutions -- for example, all applicable institutions are subject to financial and compliance audits as well as to recertification.

Other functions are *targeted* focusing on institutions that pose a significant risk or fail to meet program standards -- for example, program reviews and provisional certifications.

These functions are also designed to be *inter-related* and support other Department gatekeeping functions or components of the Program Integrity Triad -- for example, compliance audit results can trigger a program review.

Estimated Extent of Problem Institutions

Available data on overall institutional performance currently are sparse. However, the increased emphasis on gatekeeping, performance measurement, and better data analysis is expected to result in improved data quality and availability. Improved data quality and availability will help the Department better identify the number of institutions with problems.

No one particular indicator seems to be completely effective in distinguishing "problem schools", there are some measures currently available which can be used to estimate the number of institutions that pose a significant *risk* to the Federal student aid programs.

Given existing data limitations the Department has identified the following three measures to estimate that pose a significant risk :

- High cohort default rates;
- Limitation, suspension, and termination actions; and
- Failure to meet financial responsibility standards.

To varying degrees, these performance measures, either singly or combined with other factors, are being used in the Department's various gatekeeping areas to target institutions for increased oversight.

High Cohort Default Rates

Institutions with high cohort default rates are one indicator of poor institutional performance. The Department uses cohort default rates as follows:

- Problem institutions with a default rate of greater than 40 percent are subject to termination from participation in all Federal student aid programs;
- Institutions with a high cohort default rates for three consecutive years are terminated from participation in the Federal Family Education Loan (FFEL) program;
- Institutions with default rates of between 20 and 40 percent are required to implement a default reduction management plan that is designed to revise admission policies to increase the likelihood of student completion, improve counseling and support services, reduce student withdrawals, and increase job placement.

The major number of institutions meeting this criteria are proprietary institutions. In the most recent action, of the 449 institutions identified in the FY 1992 cohort as exceeding the acceptable default rate

threshold, 402 were proprietary institutions, 16 were private institutions, and 31 were public institutions.

Moreover, the cohort default rates at proprietary institutions is generally about twice the national average.

Institutional Cohort Default Rates by Sector

	1992 (FY1990 Cohort)	1993 (FY1991 Cohort)	1994 (FY1992 Cohort)	1995¹ (FY1993 Cohort)
Proprietary	41.2%	36.2%	30.2%	n/a
Private	7.5%	6.7%	7.1%	n/a
Public	9.5%	8.6%	8.9%	n/a
NATIONAL	22.4%	17.8%	15.0%	n/a

Cohort default rates nationally have steadily decline since 1992. However, the biggest problem continues to be in the proprietary sector, where roughly one-third of all student borrowers who enter repayment default on their loans.

Limitation, Suspension, and Terminations

Proprietary institutions also comprise the majority of Department's enforcement activity -- limitation, suspension, and termination actions -- taken against participating institutions.

Enforcement Actions by Sector

	1992	1993	1994	1995
Proprietary	77.1%	60.8%	80.6%	63.20%
Private	21.5%	22.5%	16.8%	31.60%
Public	7.4%	16.7%	2.6%	5.20%
TOTAL	100%	100%	100%	100%

¹ FY 1993 cohort default rates will be released in July 1995. Preliminary estimates expect the downward trend to continue.

Failure to Meet Financial Responsibility Standards

Only a small percentage of participating institutions failed to meet the financial responsibility standards between in the period 1989-93.

Percent of Institutions Not Meeting Financial Responsibility Standards (1989-93)

Proprietary	1.5%
Private	2.8%
Public	0%
NATIONALLY	1.5%

Relationship Between Measures of Problem Institutions

Institutional Performance Indicators by Sector (Unduplicated Distribution)

Percent of Institutions Meeting Two Measures	Enforcement Actions Taken	Financial Standards Not Met
High Default Rate	1%	.5%
Proprietary	2.5%	1%
Private	.2%	.4%
Public	--	--
Enforcement Actions Taken		.2%
Proprietary		.2%
Private		.3%
Public		--

Percent of Institutions Meeting All Three Measures	.1%
Proprietary	.1%
Private	.1%
Public	--

Taken together, these data indicate that the number of so-called "problem schools" appears to be a relatively small segment of the entire number of institutions participating in the Federal student aid programs and the majority of the problems are in the proprietary sector. However, while proprietary

institutions are the largest proportion of these "problem schools", the vast majority of proprietary schools are not included in the schools considered to be "at risk".

The following is a description of each major gatekeeping function and an assessment of current performance in this area.

State Licensure

Institutions must be licensed or otherwise legally authorized to provide an educational program beyond the secondary level by the State in which the institution offers the program. State licensure is the gatekeeping area in which the Department has the least control. In fact, the Department of Education has no statutory or regulatory authority over states' licensing activities. As a result, there are significant variations nationwide in both the number of licensing agencies within a state and the minimum state licensing requirements.

Number of Institutions Removed From Participation Because of Loss of State License

1992	1993	1994	1995 (YTD)
3	3	61	57

The data suggest that licensure requirements have become stricter -- the number of institutions removed because of state license increased from 2 in 1991 to 61 in 1994. However, the validity of the current data is questionable, thus reducing its utility as a performance measure. The Department's lack of authority over state licensing activities and the wide variations among States negatively impacts both the timeliness and accuracy of state licensing data reported to the Department. It appears that the Department's current state licensure data reflects only a portion of the institutions removed from Title IV participation because of loss of state license. The Department is currently working to identify the states reporting licensure data to the Department and determining the validity of that data.

Accreditation

Institutions must also be accredited by an agency that is recognized by the Secretary of Education. The 1992 Amendments strengthened existing requirements and also provided for the Department's systematic review and approval of the organizations that accredit schools, allowing them to participate in the Federal student aid programs. If a pattern of problems emerges among institutions accredited by a particular agency, the Department conducts a file review at the agency and based on the result takes appropriate action.

While the Department establishes standards and procedures for recognition of agencies, the accrediting agencies, not the Department, are responsible for the specific content of standards that are used to review institutions. Unlike other reviews performed within the Program Integrity Triad, the primary focus of accrediting agencies reviews is intended to be on *educational content*. These third-party assessments of institutions serve as the Department's principal indicator of educational quality, because ED is specifically prohibited from reviewing institutional curricula. Therefore, it is especially important that accreditation reviews result in actions against problem institutions that are congruent with the actions taken by the other two members of the Program Integrity Triad.

In general, accrediting agencies have raised their performance standards for institutions in recent years. However, the impact of these actions is difficult to assess by looking at the current data.

***Number of Institutions Removed From Participation
Because of Loss of Accreditation***

1992	1993	1994	1995 (YTD)
130	36	120	67

These current data show significant variations in the number of institutions removed from participation in Title IV programs because of loss of accreditation, ranging from a low of 36 in 1993 to a high of 130 in 1992. This specific cause for the significant drop from 130 institutions removed in 1992 to 36 in 1993 has not yet been identified. One probable explanation for this occurrence may be that 1993 was the year of implementation of the tougher accrediting agency standards from the 1992 Amendments, and many agencies may have focusing on revising their standards instead of conducting peer reviews.

Certification

Once an institution has established eligibility through state licensure and accreditation, to begin participation in one or more of the Federal student aid programs, the institution must apply directly to the Department through a process known as *certification*. In certification, the Department determines whether the institution meets certain standards including factors of financial responsibility and administrative capability.

***Number of Initial Certification Applications Received From
New Institutions***

1992	1993	1994	1995 (YTD)
262	251	197	111

77

With a few exceptions, these initial certifications applications are received from the proprietary sector.

***Percent of Initial Certification Applications Received
From New Institutions By Sector***

	1992	1993	1994	1995 (YTD)
Proprietary	99.6%	100%	99.5%	100%
Private	0.0%	0.0%	0.0%	0.0%
Public	0.4%	0.0%	0.5%	0.0%
Total	100%	100%	100%	100%

For new institutions, the Department may either deny certification or *provisionally certify* the institution. Provisional certification is a new authority created in the 1992 Amendments and implemented by the Department in January 1993. Provisionally-certified institutions remain in that status for at least one full award year².

***Initial Certification Applications From New Institutions Denied and
Provisionally Certified Since January 1993***

	1993	1994	1995 (YTD)
Denied	34.7%	32.5%	43.2%
Provisionally Certified	65.3%	67.5%	56.8%
	100%	100%	100%
TOTAL NUMBER	251	197	111

After this provisional certification period has expired, a provisionally-certified institution applies for *full certification*. After reviewing the institution's application for full certification, and indicators of the institution's performance during this period, the Department may fully certify, continue to provisionally-certify, or deny certification.

Provisional certification is also used in certain circumstances in the *recertification* process (see discussion below).

It is too early to determine the effectiveness of provisional certification, but it is expected to increase the Department's ability to ensure that institutions which present some risk to the Federal student aid programs are reviewed on a regular basis and that effective and prompt action is taken to remove

² The actual period ranges from 13 to 24 months depending on when the institution actually begins its participation.

eligibility if warranted. When an institution is placed on provisional certification it is entitled to fewer due process rights, allowing the Department to act more quickly if the institution is failing to meet program standards.

Recertification

The 1992 Amendments now require that all participating institutions be *recertified* every four years to ensure that institutions continue to meet the factors of financial responsibility and administrative capability. The Department implemented this requirement in January 1995. The Department estimates that it will be required to recertify 25 percent of the 7,300 institutions participating in the Federal student aid programs institutions each year -- 1,825 institutions annually. In the initial years of recertification reviews the Department will be giving priority to institutions that pose the greatest risk to the Federal student aid programs.

As in the past, institutions that have had a *change of institutional characteristics*, such as a change in ownership, are required to recertified.

Selection Methods for Recertification Reviews

	1992	1993	1994	1995 (YTD)	1995 (Est.)
Priority Selection	--	--	--	765	n/a
Random Selection	--	--	--	558	n/a
Subtotal	--	--	--	1,323	1,825
Institutional Changes ³	467	509	461	274	479
TOTAL SELECTED	467	509	461	1,579	2,304

Of the 1,825 which will be selected for recertification reviews in 1995 --

- *Priority selection* is being given to institutions that:
 - had an on-site program review or guarantor review in the prior year;
 - are due for administrative review for high withdrawal rates;
 - are currently under a letter of credit that is about to expire;
 - are categorized as "critical" under Dun & Bradstreet's categorization of institutions (see discussion of financial audits in next section); or
 - are referred for recertification by a guaranty agency, accrediting agency, State licensing agency, the Inspector General, Office of General Counsel, or regional office.
- The remainder will be *randomly selected*.

³ Institutional changes; such as changes in ownership, new locations, location changes, and name changes always require recertification.

When an institution applies for recertification, the Department may --

- Deny recertification,
- Provisionally certify the institution⁴, or
- Recertify an institution for the full four-year period.

This systematic recertification process only began in January 1995 so data is not yet available on the results of recertification reviews which were priority or randomly selected. This data will be available later this year. Currently, recertification applications for 1,323 institutions are under review.

Baseline data is available, however, for recertifications resulting from institutional changes, which the Department has been doing for several years. The following chart shows the actions taken as a result of these reviews:

Results of Recertification Reviews for Institutional Changes
(% of Reviews)

	1992	1993	1994	1995 (YTD)
Denied	14.1%	20.2%	22.6%	14.4%
Provisionally Recertified	--	23.4%	28.8%	39.3%
Fully Recertified	85.9%	56.4%	48.6%	48.2%
TOTAL	100%	100%	100%	100%

Current data show that for institutional changes, the Department is now provisionally recertifying roughly half of the number of institutions that it normally would have fully recertified in past years. Moreover, the Department has increased the percentage of recertification applications denied. Tougher financial responsibility standards which became effective on July 1, 1994 may have caused an increase in the percentage of institutions denied recertification. Other contributing for this increase may be due to the hiring of more experienced staff, an annual financial analysis training program instituted in 1992, and refinement of policies and procedures.

Financial Audits

All institutions are required to submit a financial audit to the Department each year. The Department reviews these financial audits to determine if institutions continue to comply with the financial responsibility standards, and if they don't, whether to require letters of credit or other sureties.

Since 1995, the Department has contracted with the firm of Dun and Bradstreet to provide analysis of these financial audits. Dun and Bradstreet initially screen the data using edits established by the Department in order to identify those institutions which pose the greatest risk by not measuring up to the Department's financial standards. This screening activity will allow the Department to target its

⁴ The Department may provisionally certify an institution if it is experiencing problems that are significant enough to warrant further monitoring, but correctable within three years -- for example, an unresolved audit deficiency.

resources on the institutions posing the greatest risk.

***Financial Audits Submitted and
Reviewed by Department Staff***

	1992	1993	1994	1995 YTD	1995 Est.
Submitted	1,824	1,813	1,865	4,000	5,200
Number Reviewed	1,824	1,813	1,865	870	1,980
Percent Reviewed	100.0%	100.0%	100.0%	21.8%	38.1%

The percentage of institutions meeting the financial responsibility standards overall has been steadily decreasing from 95.2 percent in 1992 to 87.9 percent to date in 1995. However, of the institutions meeting the standards, the percentage of institutions that meet them *unconditionally* has increased dramatically from 16.6 percent in 1992 to 44.5 percent to date in 1995. It appears that institutional that the Department has toughened its practice in this area by determining that borderline institutions are not financially responsible, rather than letting them continue to participate in the program under Department monitoring.

***Institutional Compliance with Financial Responsibility Standards Based on
Financial Audits Reviewed***

(Percentage of Total Audits Reviewed)

	1992	1993	1994	1995 (YTD)
Standards Met Unconditionally	16.6%	12.1%	22.1%	44.5%
Standards Met by Posting Surety	29.8%	23.9%	20.8%	23.4%
Standards Met by Monitoring	48.8%	57.6%	44.5%	20.0%
SUBTOTAL -- Standards Met	95.2%	93.6%	87.4%	87.9%
Standards Not Met	4.8%	6.4%	12.6%	12.1%
TOTAL	100.0%	100.0%	100.0%	100.0%

18

Compliance Audits

All domestic institutions participating in the Federal student aid programs are now required to have a compliance audit conducted by a certified public accountant *annually* instead of biennially. Currently, the 6,500 domestic institutions are subject to the annual audit requirement.

The objectives of these annual compliance audits are threefold:

- First, to determine and report whether the institution's basic financial statements are fairly presented in accordance with generally accepted accounting principles (GAAP).
- Second, to determine and report whether the institution's assertions relative to compliance with certain specified requirements are fairly stated. These requirements involve institutional eligibility and participation, reporting, student eligibility, disbursements, refunds, cash management, and, if applicable, close-out examinations.
- Finally, to identify noncompliance and internal control weaknesses for the Department so that corrective actions may be taken. The Department may limit, fine, suspend, or terminate an institution as the result of audit findings.

This requirement became effective in July 1994 with the impact of the change on workload being experienced starting in January 1995. These audits must now be conducted and reported to the Department within six months after the end of the school's fiscal year, as opposed to past years where they were submitted between nine months to a full year after the close of the audit period.

[ED Note: Detailed data not provided by 5/19/95]

Number of Compliance Audits Conducted

	1992	1993	1994	1995 (Est)
SFAP Audits				
A-128 Audits (Single State-wide)				
A-133 Audits (Single Non-Profits)				
TOTAL AUDITS CONDUCTED	3,286	4,649	4,369	5,829

The change in reporting frequency from biennial to annual SFAP compliance audits in July 1994 has significantly increased the number of audits conducted each year from 3,286 in 1992 to 5,829 in 1995.

Number and Percentage of Compliance Audits With Findings
(Audits Requiring Resolution)

1992	1993	1994	1995 (YTD)	1995 (Est)
1,781	1,393	817	393	850
38.3%	31.9%	24.0%	16.2%	14.5%

Historically, about 40 percent of the compliance audits contain findings and require Department resolution. Many of these audits, however, contained nominal findings, and the Department determined that it was not cost-effective in terms of both costs to resolve these audits and opportunity costs from not devoting more time and resources to more serious audit findings. Moreover, the change from biennial to annual audits which effectively doubled the annual workload relating to compliance audit forced the Department to re-evaluate its current procedures in relation to its current level of resources. Therefore, the Department, in consultation with its Inspector General, instituted minimum thresholds for questioned costs in audits of at least \$10,000. This action has reduced the percentage of audits requiring resolution significantly, however, the number of audits should remain within an optimal range for existing staff resources of 800 to 1000.

[ED Note: Data will be available by 5/19/95]

**Number of Enforcement Actions
Based on Compliance Audits**

1992	1993	1994	1995 (YTD)	1995 (Est)
------	------	------	------------	------------

Program Reviews

The Department conducts on-site program reviews to determine whether institutions are complying with applicable statutes and regulations. This is a targeted gatekeeping function. The Department selects institutions for program reviews based on numerous criteria designed to identify at-risk institutions, including high default rates.

Number of Program Reviews Conducted

1992	1993	1994	1995 (YTD)	1995 (Est)
705	594	556	298	720

When an institution is selected for a program review, the Department initially conducts a *survey review* involving one reviewer. The purpose of the survey review is to examine a broad number of program compliance areas and to detect whether any systemic violations have occurred. If systematic violations are disclosed in the survey review, the Department proceeds to a *concentrated team review*. The purpose of the concentrated team review is to determine the extent of the problem, its financial impact, and to prepare sufficient

documentation for enforcement actions against the institution. Examples of deficiencies sufficient to justify a team review include any finding with a significant dollar impact that is adverse to the federal government or harmful to students.

At the time the Department decides to perform a concentrated review, it may take a number of immediate actions. These include --

- Placing the school on the reimbursement system of payment ⁵;
- Begin an emergency action; or
- Begin a limitation, suspension, or termination action.

In those instances where fraud is suspected, the case is referred to the Inspector General's Office for investigation.

***Number of Program Reviews
Resulting in Enforcement Actions***

1992	1993	1994	1995 (YTD)
not available	not available	37	23

***Amount of Liabilities
Recovered From Program Reviews***

1992	1993	1994	1995 (YTD)
\$2,990,130	\$3,411,507	\$3,147,305	\$712,082

⁵ Normally, the Department advances program funds to institutions up to an authorized level for student awards prior to the actual payment to the student. Under the reimbursement system, the Department *reimburses* the institution for payments to the student that it has already made from its own funds. This action is analogous to a denial of credit.

Department of Education

POSTSECONDARY EDUCATION
GATEKEEPING IN STUDENT FINANCIAL ASSISTANCE PROGRAMS
RELATIONSHIP OF KEY PERFORMANCE OBJECTIVES AND BUDGETS

Performance Indicators and Measures Using Existing Data

Note: Indicators appear in *italics*, and measures with a bullet

Measure the effectiveness of State licensure of institutions to identify problem institutions before they are legally authorized to operate.

- Identify the states reporting licensure data to the Department and determine the reliability of the data.
- Increase the number of institutions removed from participation in the Federal student aid program because of loss of state licensure.

Measure the effectiveness of accrediting agencies recognized by the Secretary in decreasing the number of problem institutions.

- Complete actions on a sufficient number of accrediting agencies to meet statutory requirement that all agencies are reviewed on a five-year cycle.
- Target accrediting agencies that accredit significant numbers of high-risk institutions.
- Evaluate the congruence of adverse actions taken against problem institutions taken by accrediting agencies and other members of the Program Integrity Triad.

Ensure that the Department has an effective and fair certification process that eliminates problem institutions and encourages improved performance.

- Increase the number of institutions which are provisionally-certified.
- Complete recertification review of 1,825 institutions annually to meet statutory requirement to review all institutions on a four-year cycle.

Increase the ability of the Department's compliance audits to identify and act on serious compliance problems.

- Increase the amount of fines assessed as result of compliance audits.
- Increase the amount of liabilities assessed as the result of compliance audits.
- Increase the number of limitation, suspension, and termination actions taken as the result of compliance audits.

17

Increase the ability of the Department's program reviews to identify and act on serious compliance problems.

- Increase the number of "survey" institutional reviews to 950 annually and the number of "concentrated" team reviews to 50 annually.
- Increase the amount of fines assessed as result of program reviews.
- Increase the amount of liabilities assessed as the result of program reviews.
- Increase the number of limitation, suspension, and termination actions taken as the result of program reviews.

Increase the timeliness of reporting of required information to the Department by institutions .

- Take swift action on institutions that fail to submit required compliance audits, financial audits, and recertification applications.
- Decrease the number of institutions failing to submit compliance audits, financial audits, and recertification applications in a timely manner.

Ensure that the Department provides strong, yet cost-effective oversight through problem prevention and targeted inspection.

- Implement experimental sites authority to provide high-performance institutions with additional flexibility while maintaining institutional accountability.
- Increase the number of institutions participating in the Institutional Quality Assurance Program to one-third by the year 2000.
- Review ability of program review triggers and recertification selection criteria to identify high-risk institutions.

Summary of Current Resources Allocated to Gatekeeping

Current resources for each gatekeeping function are concentrated in the Institutional Participation and Oversight Service in the Office of Postsecondary Education (see Appendix for description of the organization of gatekeeping activities). In addition, the Office of General Counsel provides legal assistance to the program staff and represents the Secretary in administrative and court cases involving participating institutions, the Office of Hearings and Appeals adjudicates administrative hearings on Departmental enforcement actions, and the Office of the Chief Financial Officer establishes and collects receivables due to the Department arising from fines and liabilities.

A detailed breakout of these activities appears on the following page.

Improving Gatekeeping Performance

In recent years, several new initiatives have reduced the number of problem institutions participating in the Federal student programs. These initiatives include – a student loan default reduction initiative, increased enforcement authority in the 1992 Amendments to the Higher Education, greater emphases in program management, and improved data on student aid recipients. For example since 1994, the Department has eliminated 609 institutions (7.7 percent of eligible institutions) from participation in the student loan programs because of high loan default rates.

To further improve gatekeeping performance, the Department will be working on the following in the near future:

- **Effective use of provisional certification** to control participation of institutions in the Federal student aid programs.
- **Refinement and clarification of the Program Integrity Triad.** Responsibilities of the Triad are both independent and interlocking, and the Department must ensure that the Triad provides strong yet cost-effective oversight.
- **Performance partnerships** are being considered to encourage institutions to improve their performance and to award high-performing institutions. Steps are already being taken in the direction with the Institutional Quality Assurance Program and implementing the "experimental sites" authority contained in the Higher Education Act.

Discussion of Program and Financial Data

The majority of the gatekeeping performance measures will be derived from data contained in quarterly reports from the Institutional Participation and Oversight Service. With the exception of State licensure data, this outcome data appears to be accurate and reliable.

An additional source of gatekeeping data will become available with the full implementation of the new Postsecondary Education Participant System (PEPS) in the near future. The first phase of PEPS, which contains eligibility and certification information, came on-line on March 1 1995. The second phase, which contains program review information is scheduled to come on-line in the last quarter of FY 1995.

APPENDIX

SUMMARY OF PERFORMANCE OBJECTIVES, INDICATORS, AND MEASURES

Gatekeeping in Student Financial Assistance Programs

Objectives/Goals	Performance Measure	Data Source	Actual Outcomes					Goals (to be set)			
			1992	1993	1994	1995 (yr to date)	1995 (goal)	1996	1997	1998	1999
Default Rates	Cohort Default Rate	Tape Dump	FY '90 Cohort	FY '91 Cohort	FY '92 Cohort	FY '93 cohort (*)					
	(By type and control)										
	proprietary		41.2%	36.2%	30.2%	n/a					
	private		7.5%	6.7%	7.1%	n/a					
	public		9.5%	8.6%	8.9%	n/a					
	National		22.4%	17.8%	15.0%	n/a					
State Licensure	Number of institutions removed from Title IV participation because of loss of state license	IPD Weekly Report	3	3	61	57	n/a	n/a	n/a	n/a	n/a
Accreditation	Number of institutions removed from Title IV participation because of loss of accreditation	IPD Weekly Report	130	36	120	67	n/a	n/a	n/a	n/a	n/a
Certification	Number of initial applications from new institutions to participate in Title IV	IPD Monthly Report	262	251	197	111					
	(By type and control)										
	% proprietary		99.6%	100.0%	99.5%	100.0%					
	% private		0.0%	0.0%	0.0%	0.0%					
	% public		0.4%	0.0%	0.5%	0.0%					
	Number of applications approved (**)	IPD Monthly Report	182	164	133	63					
	(By type and control)										
	% proprietary			100.0%	99.2%	100.0%					
	% private			0.0%	0.0%	0.0%					
	% public			0.0%	0.8%	0.0%					
	Number of applications denied	IPD Monthly Report	80	87	64	48					
	% denied	IPD Monthly Report	30.5%	34.7%	32.5%	43.2%					

* - FY 93 cohort default rates available July 1995

** - all institutions approved for initial certification were provisionally approved beginning in Jan. 1993

Objectives/Goals	Performance Measure	Data Source	Actual Outcomes					Goals (to be set)			
			1992	1993	1994	1995 (yr to date)	1995 (goal)	1996	1997	1998	1999
Recertification	Number of institutions selected randomly (*) % fully certified % provisionally certified % denied	IPD Monthly Report	not applicable	not applicable	not applicable	558					
	Number of institutions selected by priority (*) % fully certified % provisionally certified % denied	IPD Monthly Report	not applicable	not applicable	not applicable	785					
	Subtotal		---	---	---	1,323	1,825	1,825	1,825	1,825	
	Number of institutions in recertification because of change in institutional characteristics (**) % fully certified % provisionally certified % denied	IPD Monthly Report	467 85.9% n/a 14.1%	509 56.4% 23.4% 20.2%	461 48.6% 28.8% 22.6%	285 46.3% 39.3% 14.4%					
	Total number of institutions selected for recertification	IPD Monthly Report	467	509	461	1608	n/a				

* - the requirement to recertify every school began in Jan. 1995; recertification has always occurred because of changes in institutional characteristics

Objectives/	Performance Measure	Data Source	Actual Outcomes				Goals (to be set)			
			1992	1993	1994	1995 (year to dat 1995 goal)	1996	1997	1998	1999
Financial audits	Number of total audits submitted	FAB	1,824	1,813	1,865	4,000	5,200			
	Number of total audits undergoing concentrated review (%)	FAB	1,824	1,813	1,865	870	1,980			
	Percent reviewed		100.0%	100.0%	100.0%	21.8%	38.1%			
	Institutions meeting standards unconditionally	FAB								
	Number		302	219	412	387				
	Percent		16.6%	12.1%	22.1%	44.5%				
	Institutions posting surety	FAB								
	Number		544	433	388	204				
	Percent		29.8%	23.9%	20.8%	23.4%				
	Institutions financially monitored	FAB								
	Number		890	1,044	830	174				
	Percent		48.8%	57.6%	44.5%	20.0%				
	Subtotal - Number		1,738	1,696	1,630	765	5,200			
	Subtotal - Percent		95.2%	93.6%	87.4%	87.9%				
	Audits not meeting financial responsibility standards	FAB								
	Number		88	117	235	105				
	Percent		4.8%	6.4%	12.6%	12.1%				
	Total - Number		1,824	1,813	1,865	870				
	Total - Percent		100.0%	100.0%	100.0%	100.0%				
	Number of institutions referred for enforcement	FAB	66	56	52	25				

* - Dun and Bradstreet will conduct a preliminary review of all compliance audits beginning in 1995

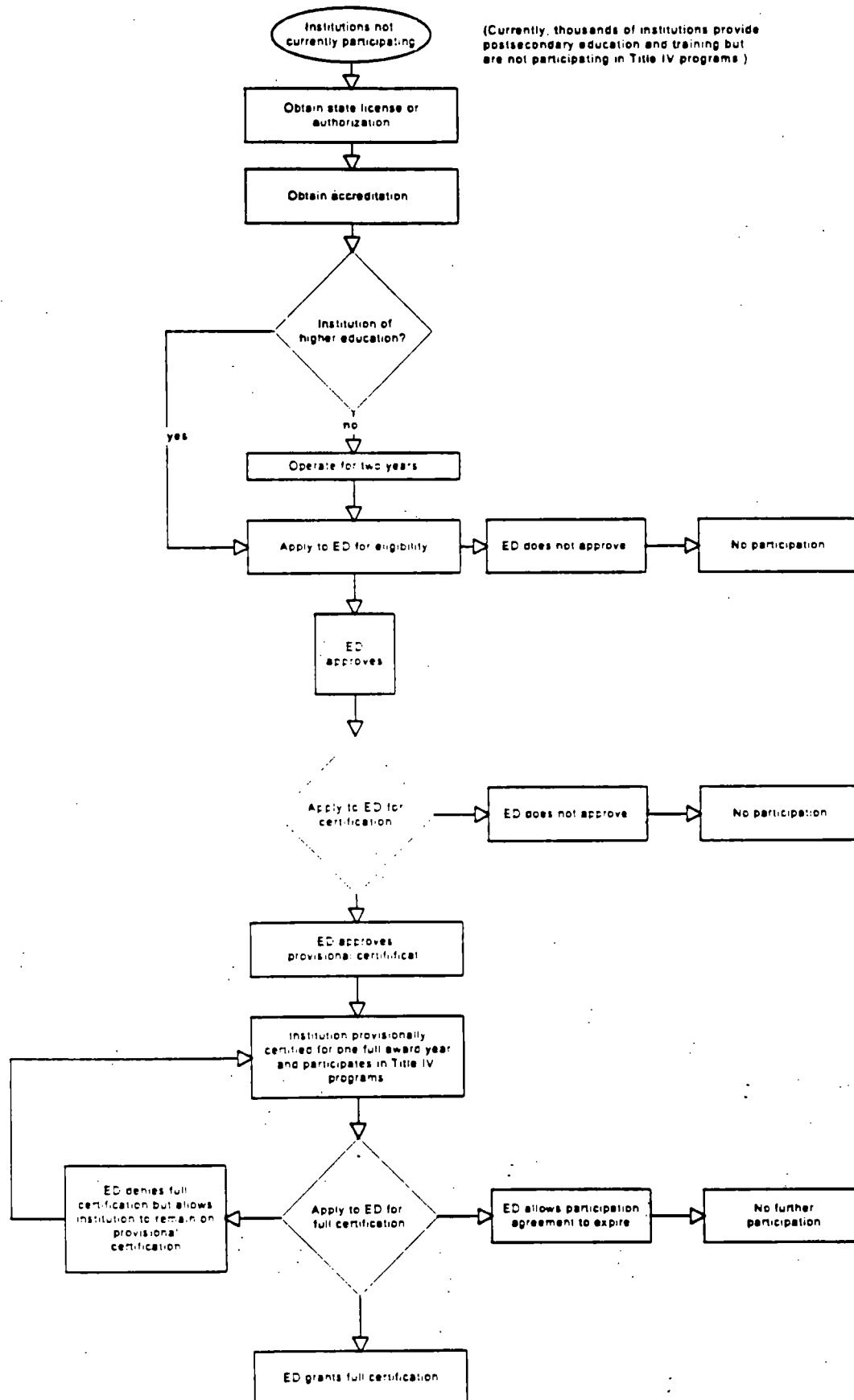
Objectives/Goals	Performance Measure	Data Source	Actual Outcomes				Goals (to be set)			
			1992	1993	1994	1995 (year to date 1995 goal)	1996	1997	1998	1999
Compliance Audits	Number of total audits	IPOS/IMD	4,649	4,369	3,398	2,431	6500			
	A-128 audits		(will be available 5/19)							
	A-133 audits		(will be available 5/19)							
	SFA audits		(will be available 5/19)							
	Number of audits with findings (By type and control)	IPOS/IMD	1,781	1,393	817	393				
	% proprietary		(will be available 5/19)							
	% private		(will be available 5/19)							
	% public		(will be available 5/19)							
	Percent of audits with findings	IPOS/IMD	38.3%	31.9%	24.0%	16.2%				
	Number of audits resolved	IPOS/IMD	n/a	1,305	1,379	193				
	Number of institutions referred for enforcement	IPOS/IMD	(will be available 5/19)							
Program Reviews	Number of program reviews conducted (By type and control)	IMD	704	609	557	321	720	950		
	% proprietary		63.6%	73.9%	61.0%	44.9%				
	% private		20.0%	12.0%	17.2%	29.0%				
	% public		16.3%	14.1%	21.7%	26.2%				
	Number of Final Program Review Determinations issued (*)	IMD	647	519	350	77				
	(By type and control)									
	% proprietary		62.0%	73.9%	59.4%	49.4%				
	% private		20.7%	12.0%	17.1%	20.7%				
	% public		17.3%	14.1%	23.4%	29.9%				
	Number of institutions referred for enforcement (**)	IMD	not available	not available	37	23				
	Liabilities recovered (**) (in thousands)	CFO	\$2,990	\$3,412	\$3,147	\$712				

* - number of FPRD's issued is based on the cohort of program reviews in the fiscal year

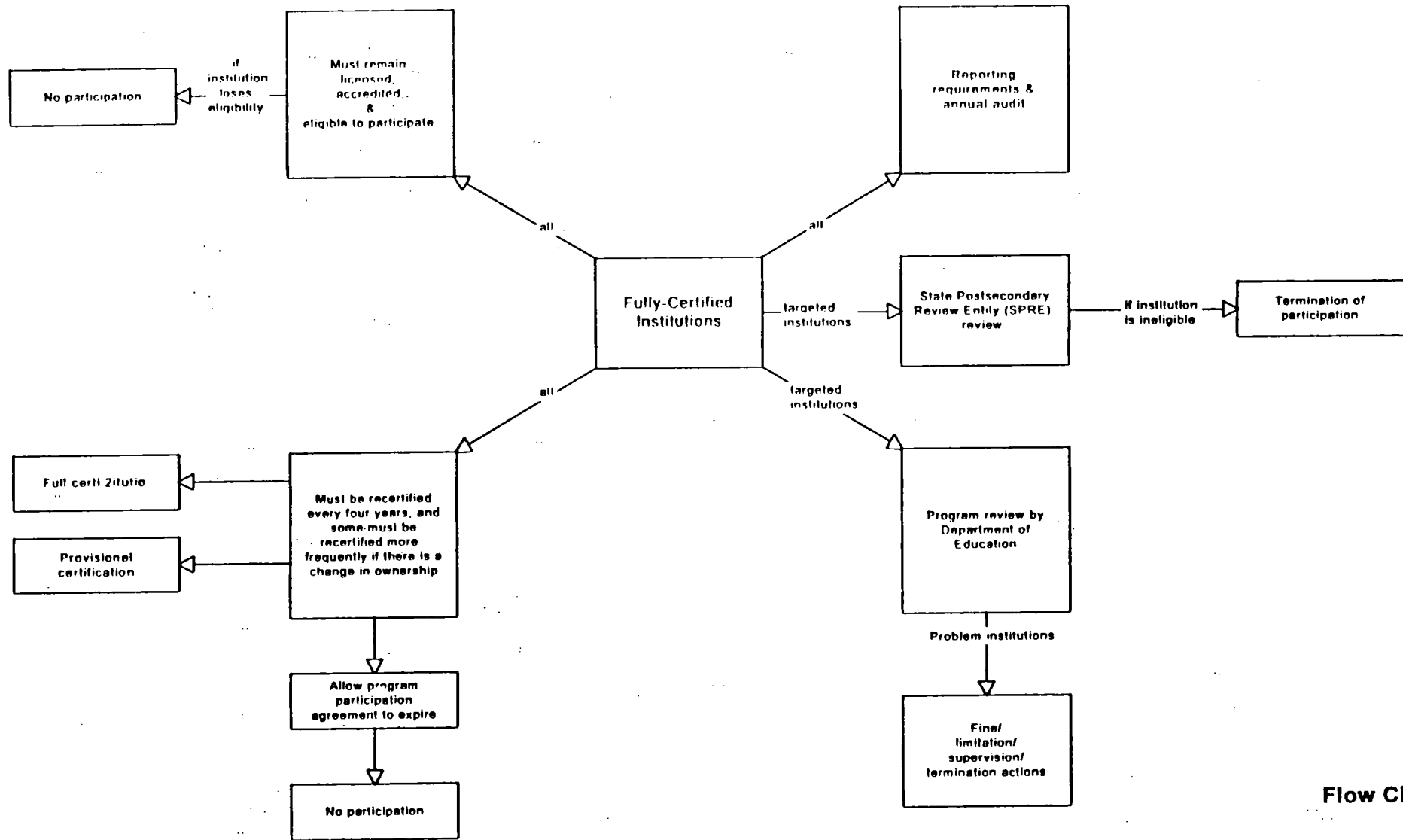
** - the number of enforcement actions and amount of liabilities recovered is unable to be separated by cohort year and includes some reviews conducted during prior fiscal years

EXHIBITS

How Institutions Obtain Initial Eligibility to Participate in Title IV Programs



Gatekeeping for Existing Institutions



Flow Chart 2

Clinton Presidential Records Digital Records Marker

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

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

Divider Title: HHS

FY 1997 BUDGET SPRING REVIEW

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
ADMINISTRATION FOR CHILDREN AND FAMILIES
TABLE OF CONTENTS**

Program Performance Assessment For Key Programs 1

Relationship on Key Performance Objectives and Budgets

Tab 8 Child Support Enforcement 5

Tab 9 Head Start 31

**FY 1997 BUDGET SPRING REVIEW
DEPARTMENT OF HEALTH AND HUMAN SERVICES
SPRING REVIEW ON PROGRAM PERFORMANCE**

Program Performance Assessment for Key Programs

Selecting the Key Programs

HHS and OMB jointly selected the following five programs to serve as key programs for the Spring Review on Program Performance:

Health Division

PHS Performance Partnerships
Immunization Initiatives
HCFA On-Line

Human Resources Division

Head Start
Child Support Enforcement

HHS and OMB have had numerous discussions to assess performance measurement activities in each of the five areas. These discussions are in addition to the normal consultative process of OMB and HHS to prepare for the upcoming budget season, which includes a written request to HHS in June for the inclusion of specific items in the FY 1997 budget justifications. For the past ten years, we have requested that HHS include performance measures in their justifications. This paper discusses HRD program areas.

Why Key Programs Were Selected

The Child Support Enforcement (CSE) program, which has a collection of pilots under the Government Performance and Results Act (GPRA), was selected for this review because it provides the opportunity to develop performance measures interactively with States. In addition, attention has focused on strengthening this program in the last several years in order to ensure that both parents assume responsibility for their children, to decrease the need for single-parent families to receive welfare in the first place, and to increase the overall well-being of America's children. After completing the GPRA pilot process, the CSE program may be used as a model for other State based programs.

The Head Start program would benefit from the development of performance measures that illustrate the effectiveness of the program. Recent budget increases have been targeted to expanding enrollment and improving the quality of the program. Without a heightened focus on the end results of increasing program resources, further funding increases may not be sustainable and even defending the current level may become difficult. Targeting Head Start as a key program also coincides with the program's own efforts to meet its statutory mandate to develop performance measures by June 1995.

Both CSE and Head Start were also picked because they are not likely to be dramatically altered through the current welfare reform discussions.

HHS-Wide Performance Measurement Activities

HHS has advised OMB of the status of HHS-wide activities related to the development of performance measures. The following discussion is based on an overview paper provided by HHS. Within HHS, the initiation of processes to develop performance measures is not limited to the five key program areas chosen. The process of developing performance measures has begun and is planned in all of HHS' Operating Divisions, with HHS headquarters staff providing direction, coordination, and guidance.

The Administration for Children and Families. Among the performance measurement initiatives under development throughout the agency, ACF has a performance measurement initiative and several of its programs are sponsoring special projects. In an effort to move AFDC families to work and self-sufficiency, ACF will initiate efforts with its partners and stakeholders to redesign and streamline the AFDC quality control system. With the Child and Family Services Review, ACF will coordinate the development of a new results oriented strategy for reviewing Federally assisted child and family services programs.

Attached is a new brochure prepared by ACF which serves as a "Report Card" on ACF's efforts to improve performance through results-oriented management. Among ACF's goals are:

- Reinventing program oversight by implementing team-developed program monitoring to focus measurement, review, and technical assistance on results and outcomes.
- Ensuring faster and more efficient issuance of grants by reengineering grants business systems and

processes.

- Improving customer service by collecting and applying information on partner expectations, customer needs, and employee ideas.

In addition, the Office of Community Services is sponsoring a joint Federal, State, and local agency partnership effort to develop national goals and performance measures. The partnership has reached tentative agreement on 6 results oriented goals. State and local officials are now reviewing 20 proposed national performance measures developed by the joint task force.

The Administration on Aging. AoA has initiated strategic planning and performance measurement activities, with Department level technical assistance. AoA's efforts will involve significant State and local participation.

Child Support Enforcement

States are Involved in Establishing an Outcome-Based System. HHS is developing performance measures through a consultative process with its State partners. The work with States thus far has led to consensus over child support program goals and objectives, which include increasing paternity establishments, order establishments, and collections. HHS expects to reach agreement on measures with State in the next few months and to submit the proposed measures by the end of the fiscal year.

How are incentives likely to change? The current child support program contains an incentive system through which incentive payments are made to States based on child support collections. Welfare reform is likely to change this system by offering incentives in the form of increased match rates based on paternity establishment and overall program performance. HHS's efforts to develop performance measures and standards will have to take into account any of the changes made by legislation.

Head Start

Performance Measures Remain in a Developmental Stage. While HHS is statutorily-mandated to produce an internal paper on performance measures by June 1995, it sees this report as part of an on-going effort to develop measures. Given the complexity of the data that it seeks to collect, HHS is focusing on research as a primary

means of identifying suitable measures and collection mechanisms. Recognizing that there are no quick solutions, OMB has asked that HHS provide a timeline for the development of performance measures.

Need for Progress in Developing Outcome Measures. HHS has had some success in developing process-based measures. It has identified collection mechanisms for one-half of the performance measures currently under consideration, most of which focus on health and services provided. For the most part, however, data is not currently available on measures dealing with Head Start's impact on parents, direct assessments of classroom quality, and the program's impact on children's social competence and learning skills. HHS should continue to keep OMB up-to-date on its on-going research efforts to develop long-term, outcome based performance measures.

Expectations for the FY 1997 Budget Process

While HHS has made progress towards developing performance measures for each of the program areas selected for Spring Review, it is not clear how helpful this progress will be in making FY 1997 budget decisions.

- Child Support Enforcement -- HHS expects to reach consensus with States over performance measures by the end of the fiscal year. At that time, the agency's expectation is that further definitional issues will need to be addressed and that performance measurement tools will need to be adapted. They believe performance targets could be included in State performance plans in FY 1998. Pending the outcome of welfare reform, a new performance incentive system may also need to be in place by FY98.
- Head Start -- Head Start performance measures remain at a developmental stage. Given the long-term nature of academic research on Head Start performance measures and the difficulty of developing new data collection mechanisms, this goal may yet take some time. OMB has requested that HHS provide a timeline for the development and implementation of performance measures. In the meanwhile, it is important that HHS continue its research efforts in order to ensure the eventual identification of conceptually-sound, empirically-based measures.

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Divider Title: _____

**FY 1997 BUDGET SPRING REVIEW
DEPARTMENT OF HEALTH AND HUMAN SERVICES
SPRING REVIEW ON PROGRAM PERFORMANCE -- CHILD SUPPORT ENFORCEMENT**

Summary: HHS at this point has not yet established performance measures in the child support program (other than those used in the current incentive payment scheme). They have to date reached consensus with State IV-D directors over a broad set of goals and objectives for the program (which HHS considers somewhat of a landmark) and are in the process of developing the appropriate measures for these goals. The goals and objectives seem logical and focus on increasing paternity establishment rates (particularly within one year of birth), increasing the establishment of financial and medical support orders, and increasing health coverage and support collection rates.

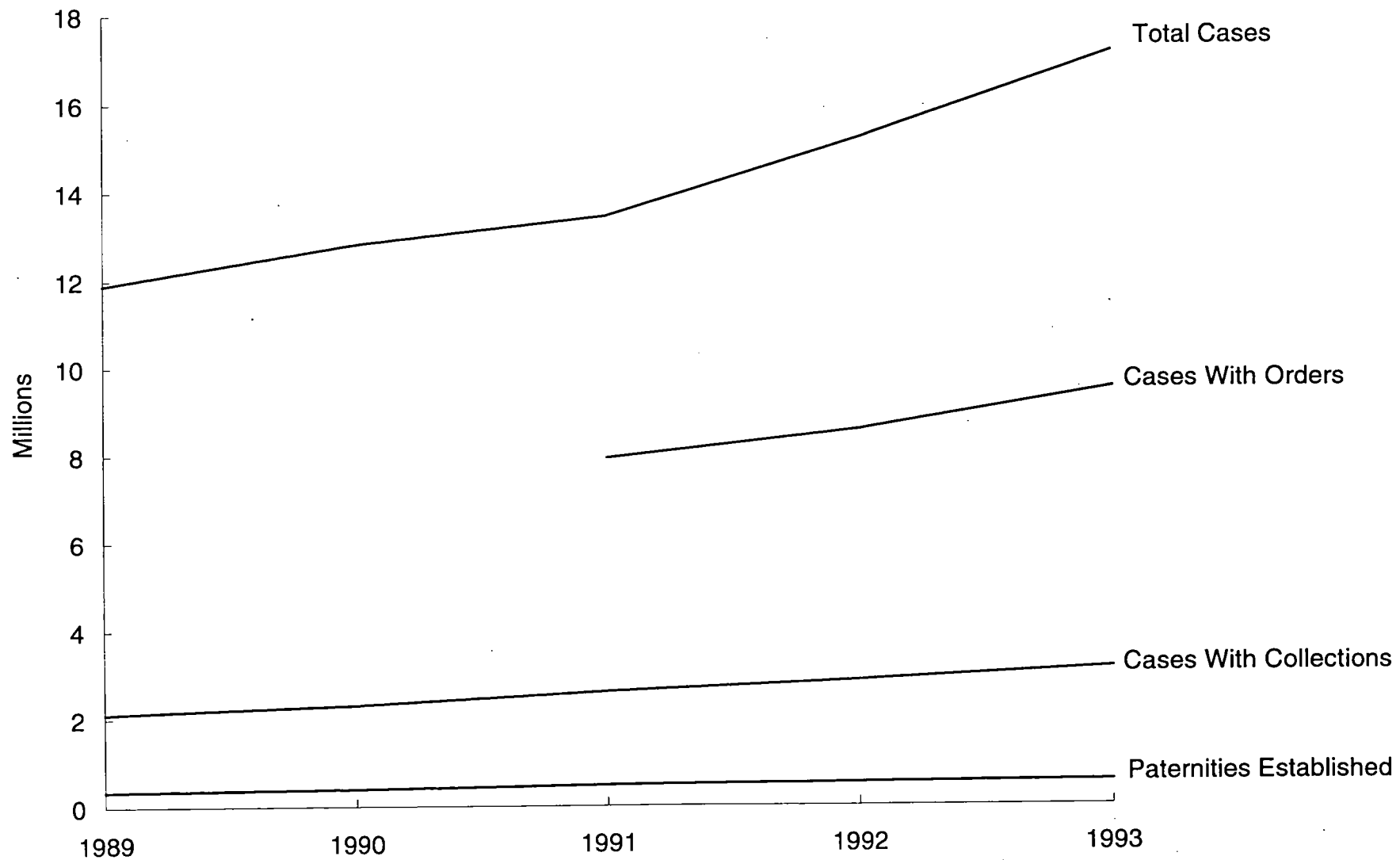
HHS has set September of this year as the target date for agreement among the State IV-D administrators on measures and expects to submit them by the end of the fiscal year. Following the development of these measures, performance "targets" are expected to be included in annual State performance plans by September 1997. The schedule for targets could be accelerated if some States choose to implement child support performance partnerships. In addition, some States are experimenting with performance agreements and could also have targets in place before September 1997.

Agreed Upon Performance Measures That Will Be Used in FY 1997 Budget: Specific measures have not yet been developed. In consultation with States, HHS expects to establish measures by September in the areas of paternity, order establishment (financial and medical), collections, review and adjustment of orders, customer satisfaction, program efficiency, and cost avoidance. Following the agreement upon measures, HHS indicates that further definitional issues will need to be addressed and that performance measurement tools will need to be adapted.

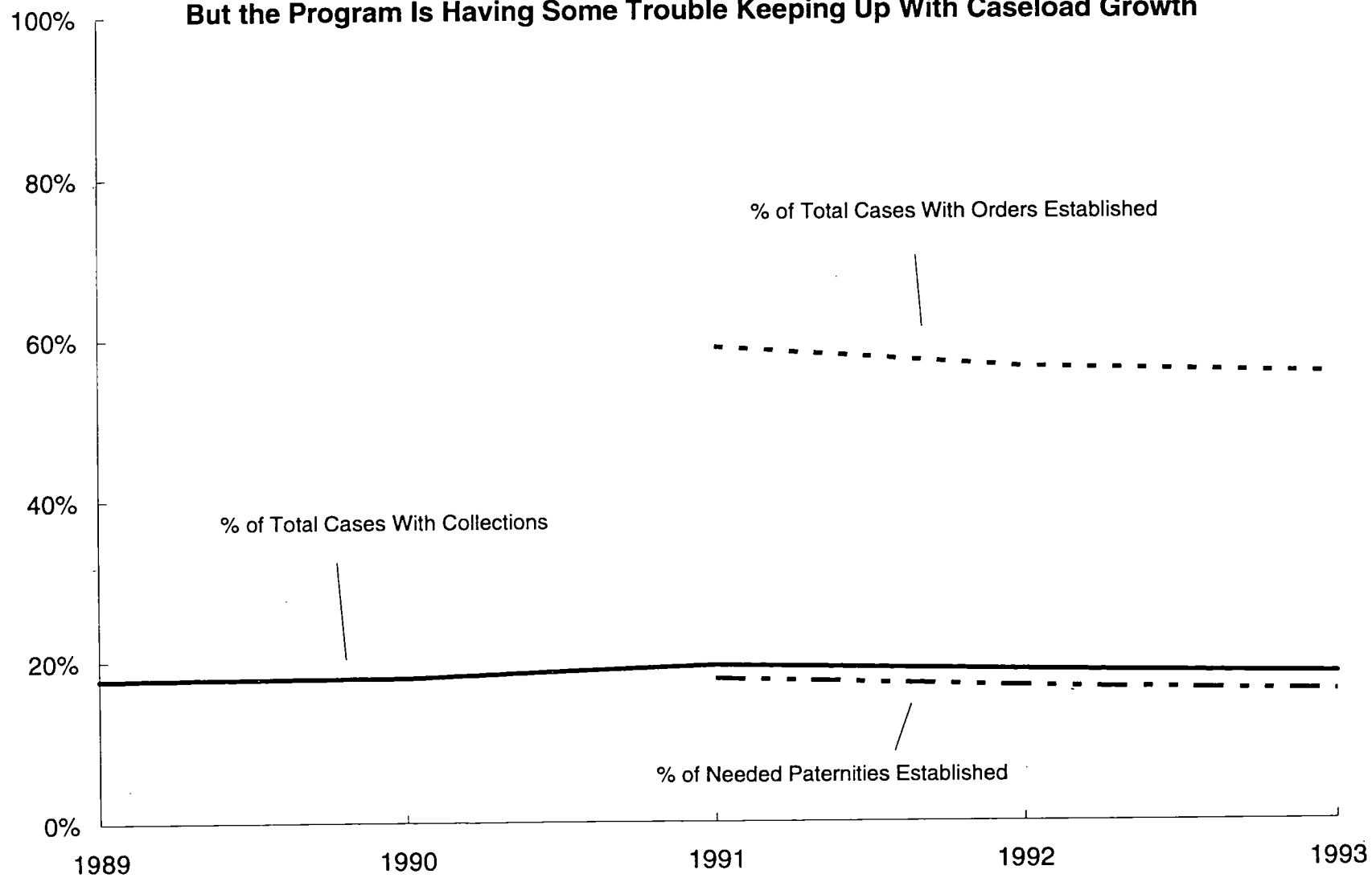
What We Know About Program Performance: Although the definition of program measures may change as a result of HHS's consultation with States, HHS currently collects data in a number of areas related to the potential measures. The attached two charts present information on program activity over the past few years. In sum, the child support program has grown markedly in terms of the numbers of paternities established and the number of families for whom child support is collected. Total caseload has grown even faster, however, causing a slight decline in the percentage of cases with orders established, collections, and paternity establishments

Issues to Be Pursued: The performance incentive system within the child support program will very likely be changed pending the outcome of welfare reform. Under the current program, States receive incentive payments of six to 10 percent of child support collections based on achievement of certain threshold collection-to-cost ratios. (Separate incentive payments are calculated for AFDC and non-AFDC collections, and non-AFDC incentive payments may not exceed 115 percent of AFDC payments.) States must also establish paternity in 75 percent of their IV-D cases or risk audit penalties. The House-passed welfare reform bill and the Senate Finance Committee mark include a new system of performance incentives. The legislation retains the current base match rate of 66 percent, but, instead of an incentive payment system based on collections and costs, it offers incentives in the form of increased match rates. Under the new system States could potentially increase their match by 24 points, to a maximum of 90 percent. Twelve of the 24 points would be awarded for increases in out-of-wedlock paternity establishments Statewide (rather than just in the IV-D caseload) and 12 points would be awarded for overall program performance, taking into account factors such as order establishment, collections and collection rates, and cost effectiveness. The legislation calls for the new system to be in place by FY 1998 and requires the HHS Secretary to establish through regulations the thresholds that must be achieved for States to qualify for the increased match rates. HHS's establishment of performance measures should therefore be closely linked with the development of the new performance incentive system likely to be created by the legislation.

Child Support Agencies Are Providing More and More Services



But the Program Is Having Some Trouble Keeping Up With Caseload Growth



RELATIONSHIP OF KEY PERFORMANCE OBJECTIVES AND BUDGETS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

KEY PROGRAM: OFFICE OF CHILD SUPPORT ENFORCEMENT

1. Program and Policy Objectives:

As originally designed a major focus of the Child Support Enforcement (CSE) Program was to recoup Aid to Families with Dependent Children (AFDC) costs for State and Federal governments. This focus has continually been broadened by additional statutory requirements which have increased both the services available and the population eligible to receive services. Expansive legislation has been enacted to increase families' abilities to become or remain self-sufficient. This has been in response to national trends towards increasing non-support of children, out-of-wedlock births, and dissolution of traditional family structure. For an explanation of the expansive vision of the CSE Program, see the introductory text of the Strategic Plan (Attachment A).

The following goals and objectives are part of the National Child Support Enforcement Strategic Plan. Consensus on the strategic plan was achieved between CSE program partners (State IV-D Directors and Federal Regional and Central Office staffs) on February 28, 1995.

GOAL 1: ALL CHILDREN HAVE PARENTAGE ESTABLISHED

Objectives:

- a. To Increase Establishment of Paternities, Particularly Those Established within One Year of Birth

GOAL 2: ALL CHILDREN IN IV-D CASES HAVE FINANCIAL AND MEDICAL SUPPORT ORDERS

Objectives:

- a. To Increase the % of IV-D Cases with Orders for Financial Support
- b. To Increase the % of Cases With Orders for Medical Support

GOAL 3: ALL CHILDREN IN IV-D CASES RECEIVE FINANCIAL AND MEDICAL SUPPORT FROM BOTH PARENTS

Objectives:

- a. To Increase the Collection Rate
- b. To Increase the Percentage of Cases Where Health Insurance Coverage Is Obtained After Being Ordered
- c. To Increase the Percentage of Cases with Appropriate and Up-to-date Support Orders
- d. To Make the Process More Efficient and Responsive

2. Performance Measures that will be used in the FY 1997 budget process to assess progress in achieving the objectives:

a. Measures Currently Used or Available

The following measures were reported in the CSE FY 96 Performance Plan submitted to OMB as required by our designation as a Government Performance and Results Act (GPRA) Pilot.

- ◆ Number of Paternities Established
- ◆ Total Child Support Collections

Incentive payments to States based on AFDC and non-AFDC collections and program cost-effectiveness are also authorized by statute.

b. Planned Measures

Performance indicators for the strategic plan are currently being developed by a workgroup of Federal and State partners. The indicators will be integrated into the strategic plan once consensus is achieved. These indicators will go beyond those described above and will cover each objective in the strategic plan (see Attachment A). The specific indicators have not been finalized and significant work will be needed to fill in the details (definitions, timing, etc.) Once work on indicators has been completed, CSE program partners will begin work on any required standards. After two meetings of the Federal/Regional/State workgroup and feedback from all State CSE programs, there is general agreement on measuring performance on the following aspects of the CSE Program:

- ◆ Paternity;
- ◆ Collections;
- ◆ Order Establishment - financial and medical;
- ◆ Review and Adjustment of Orders;
- ◆ Customer Satisfaction - parents' satisfaction with State CSE programs and States' satisfaction with the Federal OCSE;
- ◆ Program Efficiency; and
- ◆ Cost Avoidance.

Once consensus between program partners is achieved, these indicators will be integrated into the text of the strategic plan. It is hoped that the indicators and the accompanying revised data reporting will be in place by FY 1997. Performance measures contained in major Welfare Reform legislation are included at Attachment B.

3. Summary of Current Program Resources:

FY 1996 Budget Estimate (\$ millions)				
Program	FY 1996		FY 1997	
	BA	Outlays	BA	Outlays
Office of Child Support Enforcement	\$1,943	\$1,952	\$2,109	\$2,091

4. Using the outcome of NPR Phase II as a base, discuss briefly:

a. What might be done to improve the performance of the program?

Child Support Aspects of Welfare Reform. Welfare reform initiatives would mandate State laws in a variety of areas to strengthen States' abilities to establish paternity and support orders and to collect support. Requirements would simplify and streamline paternity establishment, with an emphasis on voluntary paternity establishment. State child support agencies would have expanded administrative authority to use expedited processes to establish and enforce child support orders. Mandated State laws would provide for additional proven enforcement techniques including automated administrative enforcement remedies, suspension of drivers', professional, occupational and recreational licenses for failure to pay overdue support, and the reporting of new hires to expedite and increase income withholding.

Results-oriented Audits. Welfare Reform initiatives would reorient the audit role to focus primarily on performance outcomes as measured by performance indicators and require States to conduct self-reviews, under Federal ground rules, to measure State compliance with, among other things, expedited procedures and timely case processing. Federal

auditors would, at least once every three years, assess the completeness, reliability, and the security of the data, and accuracy of performance reporting systems.

Systems Automation. State-wide automation is expected to be implemented in almost all States by FY 1997.

GPRA Pilot. OCSE's designation as a pilot program for implementing the Government Performance and Results Act, has provided impetus for moving towards a results orientation. Strategic planning and performance measures development efforts have been described under items 1 and 2 of this document.

GPRA Voluntary Demonstration Projects. 27 States have volunteered over 30 demonstration projects which will "practice" the GPRA principles (e.g., performance plans, performance indicators, etc.). OCSE will monitor and provide technical assistance to these state and local demonstrations. GPRA demonstrations will be required to produce baseline and performance data and allow validation of the data produced. The GPRA projects represent a range of experiments including: voluntary paternity acknowledgment, streamlining management, obtaining medical support, identifying assets, automation, and privatization.

GPRA Research Demonstration Grants. Up to seven demonstration projects will be selected and will take the form of cooperative agreements with States lasting up to seventeen months. State human services agencies and child support enforcement agencies are eligible to apply for funding in order to demonstrate strategic planning, performance planning, performance measure development, and performance budgeting.

Executive Order 12953. This Executive Order, recently signed by the President, mandates all executive agencies of the Federal government to facilitate the payment of child support. OCSE will provide technical assistance to other executive branch agencies implementing E.O. 12953. OCSE will furnish information on the child support program and assist with efforts to inform all current and prospective Federal employees at least once a year.

Washington Metro Project. This effort is aimed at identifying and overcoming barriers in interstate child support cases among the District of Columbia, Maryland and Virginia. OCSE is serving in a coordinating and facilitating role among the various state and local jurisdictions in an effort to bridge the gaps between child support agencies in a

metropolitan area. Methods for improving enforcement of interstate cases developed and tested in the Metro Project will be disseminated to similar metropolitan areas throughout the nation.

Specialist Staff. OCSE has recently added specialists to its staff to focus exclusively on improving child support enforcement performance where cases involve Indian Reservations and foreign governments. New staff are also focusing on the unique problems of cases involving members of the Armed Forces and employees of the Federal government. There are also plans to add staff to liaison with law enforcement professionals on child support enforcement.

Model Office Grants. These demonstration projects now underway in two States (Colorado and Maine) will test various child support innovations (e.g., aspects of welfare reform and improved enforcement and location techniques) in a controlled management environment. Successful practices will be disseminated to all CSE agencies.

b. Are there laws or administrative controls that are obstacles to improved performance? Briefly describe the major impediments:

- ◆ Incomplete automation of state CSE agencies (State-wide automation is expected to be implemented in almost all States by FY 1997).
- ◆ Low priority and low visibility of CSE programs in some States.
- ◆ Welfare Reform legislation will address most other obstacles to improving performance once implemented by State and Federal partners. See item 4a above for a discussion of new enforcement techniques/tools expected to be included in enacted legislation.

5. Use of program and financial data and information:

- a. Review the use of financial (budget and accounting) data, evaluation studies, Inspector General Reports, and other information on performance of the program.**

The Child Support Enforcement FY 1994 Preliminary Data Report includes the following program performance information.

During FY 1994, State CSE agencies were able to:

- ◆ Establish paternity for 590,814 children;
- ◆ Establish 1,023,292 support orders;
- ◆ Enforce or modify 5,804,201 support orders;
- ◆ Locate 4,104,349 parents or their employers, income or assets;
- ◆ Collect \$9,868,940,000 in child support; and
- ◆ Recover 12.5 percent of AFDC payments.

The Child Support Enforcement FY 1994 Preliminary Data Report includes the following analysis on program performance information. This data may be subject to change.

Caseload. Nationally, the child support enforcement caseload increased almost 9 percent between fiscal years 1993 and 1994. This rise in caseload is largely due to the 9 percent increase in the number of non-AFDC cases and the 13 percent increase in the number of AFDC Arrears Only cases. The 9 percent increase in the total caseload between fiscal years 1993 and 1994 is lower than the 13 percent increase seen between 1992 and 1993. For the second year, the non-AFDC child support caseload has exceeded the active AFDC child support caseload.

Paternities Established. Paternities were established for almost 600,000 children in fiscal year 1994. This represents a 7 percent increase over the number of paternities established in fiscal year 1993. However, it is a somewhat smaller increase in paternities established than was observed between fiscal years 1992 and 1993 when paternities increased about 8 percent. These figures do not include all paternities established by "in-hospital" efforts. These data will be reported in fiscal year 1995.

Orders Established. More than one million orders for child support were established in fiscal year 1994--down slightly from the number of orders established in the previous year. There was a minus 2 percent change in the number of child support orders established between fiscal year 1993 and fiscal year 1994, while the percentage increase between fiscal year 1992 and fiscal year 1993 was almost 15 percent.

Collections. Total child support collections were \$9.9 billion for fiscal year 1994. This is an increase of 11 percent over the \$8.9 billion collected in fiscal year 1993. This increase, however, is not quite as large as the 12 percent increase the program experienced in collections between fiscal years 1992 and 1993. AFDC collections were \$2.6 billion in fiscal year 1994, a 6 percent increase over the previous year and non-AFDC collections were \$7.3 billion, a 13 percent increase over fiscal year 1993.

Collections per Full-Time Equivalent Staff. Nationally, the amount of child support collected per full-time equivalent staff (FTE) was \$201,124 in fiscal year 1994. This represents only a slight increase over the amount collected per FTE in fiscal year 1993. There were 49,069 FTE in fiscal year 1994, an increase of 10 percent over fiscal year 1993.

Expenditures. The cost of running the Child Support Enforcement program also increased in fiscal year 1994--total administrative expenditures were up 14 percent to \$2.6 billion for the year. This is comparable to the 12 percent increase in program expenditures between fiscal year 1992 and 1993. ADP costs for the planning, development, and implementation of automated statewide child support enforcement systems accounted for 14 percent of total administrative expenditures in fiscal year 1994.

Other Statistics. Program increases were also noted for total cases in which a collection was made (up 9 percent).

The following tables provide data on collections and paternities for the fiscal years 1989 to 1994. Additional tables on program trends included in our most recent Annual Report and Preliminary Data Reports are available at Attachment C.

TOTAL DISTRIBUTED COLLECTIONS FOR FIVE FISCAL YEARS						
FY	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total for Year	% Increase
1989	1,120,863,517	1,213,497,230	1,506,098,209	1,400,217,249	5,240,676,205	
1990	1,279,803,759	1,384,364,295	1,728,288,387	1,617,668,441	6,010,124,882	14.7%
1991	1,482,016,025	1,592,216,074	1,957,107,455	1,854,279,421	6,885,618,975	14.6%
1992	1,682,298,454	1,879,946,543	2,276,482,353	2,125,794,450	7,964,521,800	15.7%
1993	1,953,988,853	2,084,331,406	2,471,170,828	2,397,841,145	8,907,332,232	11.8%
1994	2,154,680,486	2,335,747,162	2,752,446,658	2,626,065,724	9,868,940,030	10.8%

PATERNITIES ESTABLISHED FOR FIVE FISCAL YEARS						
FY	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total for Year	% Increase
1989	78,823	83,327	90,993	86,100	339,243	
1990	84,363	96,905	105,005	107,031	393,304	15.9%
1991	109,454	112,159	123,614	126,878	472,105	20.0%
1992	114,874	129,138	137,821	134,024	515,857	9.3%
1993	131,562	140,717	143,093	139,265	554,637	7.5%
1994	137,876	144,574	155,352	153,017	590,819	6.5%

b. Who prepares the data and information? Is it timely and accurate? How might it be improved?

Data is assembled and reported to OCSE by staff of the 54 State and territorial programs. Data is usually reported on time. Financial data is usually accurate. Program data accuracy is affected by a number of factors including level of State automation and structure of the State CSE program (e.g., county run).

Following are a number of efforts that have been or will be undertaken to improve data:

Measuring Excellence Through Statistics (METS). This 1992-93 initial effort to improve reporting resulted in key definitions that would be used by States in reporting information on their activities. This work will be used to assist in the development of performance measures with our State partners. The performance measures development effort has been described in item 2b above.

Systems Automation. State-wide automation is expected to be implemented in almost all States by FY 1997. This should result in improved accuracy and uniformity of program data and speed in reporting.

Results-oriented Audits. Welfare Reform initiatives would reorient the audit role to focus primarily on performance outcomes as measured by performance indicators. Federal auditors would, at least once every three years, assess the completeness, reliability, and the security of the data, and accuracy of performance reporting systems.

- c. **Is financial data available that compares all program costs with the objectives and performance measures that have been established? What changes in budget or accounting structure would be helpful?**

Currently, there is no financial data available that compares all program costs with established objectives and performance measures.

According to statute, the Federal Government pays an incentive amount to States ranging from 6 to 10 percent of AFDC and non-AFDC collections. Incentive payments are funded by a portion of the AFDC collections recouped by the States and refunded to the Federal Government. This is a non-appropriated source.

February 28, 1995

CHILD SUPPORT ENFORCEMENT STRATEGIC PLAN FOR FY 1995-1999

INTRODUCTION

This strategic plan (Plan) describes the broad direction and aspirations of the Child Support Enforcement (CSE) Program (Program) for the five year period from FY 1995 to 1999. During this time, the Program will grow and change, becoming more results-oriented and responsive to customers. In addition, welfare reforms will necessitate Program enhancements. As the Program and the environment in which it operates continue to evolve, this Plan will change. This is a long-range, "big picture" national plan for the program. State programs are at different stages and levels of progress and State as well as Federal annual performance plans may focus on more limited, specific areas of concentration for program improvements.

This Plan is organized hierarchically, with goals and objectives flowing from the Program mission and vision. The Program vision is an outgrowth of the broader vision of the Administration for Children and Families, OCSE's parent organization. Promoting the economic and social well-being of families, children, individuals and communities is the heart of the ACF mission. Through Federal leadership, ACF sees:

- Families and individuals empowered to increase their own economic independence and productivity;
- Strong, healthy, supportive communities having a positive impact on the quality of life and the development of children;
- Partnerships with individuals, front-line service providers, communities, American Indian tribes and communities, States and Congress that enable solutions which transcend traditional agency boundaries;
- Services planned, reformed and integrated to improve needed access; and
- A strong commitment to working with persons with developmental disabilities, refugees and migrants to address their needs, strengths and abilities.

The widespread consensus in the child and family policy community that multiple needs of vulnerable children cannot be addressed adequately through fragmented service delivery systems points to the need for coordination and building new partnerships at all levels. A variety of social programs have already begun to seize new opportunities to promote family strength and stability, enhance parental functioning and protect children. These goals are supported by the CSE Program, and to that extent that they can be achieved, they will alleviate the stunning caseload growth which the Program has experienced over the last decade. While the government and ACF attempt to achieve these over-arching goals, the CSE Program helps keep children who are in divided families connected financially and emotionally with both parents.

Trust, communication, planning, creativity, risk-taking, and respect among Program partners are values to which ACF is committed.

MISSION

The Child Support Enforcement Program is authorized and defined by statute, title IV-D of the Social Security Act. The purpose and the *mission* of the Program are derived from the Act:

To assure that assistance in obtaining support (both financial and medical) is available to children through locating parents, establishing paternity and support obligations, and enforcing those obligations.

VISION FOR THE FUTURE

The Child Support Enforcement Program will put children first by helping parents assume responsibility for the economic and social well-being, health and stability of their children. We recognize the value of improved relationships with both parents.

The Child Support Enforcement program will promote stability, health, and economic security for all children in need of support. This will be accomplished by assuring that a parent who lives outside the primary residence of the children has a legal relationship with the child, pays an appropriate level of child support on a regular and timely basis, and is encouraged, except in cases where this is proven to be inappropriate, to have an ongoing relationship with the child. Child support includes providing for medical support.

We acknowledge that fathers and mothers (and other caretakers) each play a critical emotional role in a child's upbringing. Thus, within the context of first serving the best interests of the child, we must see that all parents are treated fairly and equitably by the CSE system and that the concerns of both parents are recognized.

The Program is committed to expanding its knowledge base through research and demonstration projects with State and local governments that are intended to advance the well-being of children.

OUR CUSTOMERS, PARTNERS AND STAKEHOLDERS

For the purpose of this document, the primary *customers* of the Child Support Enforcement Program are children in need of support. Secondary customers are the two parents of these children. It is important to recognize the different values and perspectives of those involved in children's lives and to acknowledge that, while interests may conflict, the physical and emotional needs of the child are paramount.

The Program is a partnership. The *partners* operate the program and must work together to achieve results for Program customers. The partners include:

- State and local child support enforcement agencies;
- Courts, law enforcement agencies, and other entities operating under cooperative agreements with child support enforcement agencies; and
- The Office of Child Support Enforcement (OCSE), including ACF Regional Offices.

Many other groups have a legitimate interest in how our customers are served. These *stakeholders* make a contribution toward, and benefit from, a well-run Program. They include national interest groups and community-based organizations that help serve the interests of Program customers or partners; other components of Federal, State and local government that serve our customers, such as title IV-A, XIX and IV-E agencies; related government agencies that work on particular aspects of the Program; contractors; employers; hospitals; Congress; State legislatures; taxpayers; and the public in general.

GOALS AND OBJECTIVES

Program goals are the broad outcomes or impacts sought for program customers. Objectives are the results needed to be accomplished in order for the goals to become a reality. It is assumed that accomplishment of the objectives will result in achievement of the goals.

As this Plan has been developed by OCSE in partnership with the IV-D State agencies, approaches which establish how particular objectives will be accomplished will be developed by the State IV-D managers and staff who operate the Program in partnership with OCSE. Those strategic and tactical planning efforts continue the process that this Plan begins. In addition, OCSE will develop an internal plan, setting forth the role of Federal staff in supporting State and local agencies' efforts in child support enforcement. It is expected that, over time, this Plan and individual State's strategic plans will continue to develop and, through continued collaboration, will dovetail.

Overall Approach

The goals and objectives described below are for the entire breadth of the Program and not simply Federal activities.

All partners in administering the Program need to be involved in developing the initial goals and objectives and then to remain committed to achieving results focused on children. The strategic planning process is ongoing and continuously improving and focusing the direction taken by the Program. Consequently, OCSE will continually seek input to these goals and objectives from our partners, customers and stakeholders.

In some program areas, the best results for children will be achieved through improving consistency and uniformity in service delivery and eliminating conflicting program policies. We plan to work with States to identify activities, such as in the interstate and international arenas and data collection, where uniform approaches yield the best results.

We recognize that to achieve broad satisfactory results for children, partners need to work closely together and strike a balance between uniformity and flexibility to allow for innovation in program operations.

Empowering partners with more flexibility and encouraging innovation will also be a major operating principle. We need to make full use of the experience and creative talents of all partners in the program to achieve the ambitious outcomes we are seeking. While not a specific, child-oriented

goal of the Plan, constant effort to stimulate and celebrate innovation and creativity is the essence of the approach to successful accomplishment of the Plan's goals and objectives.

In consonance with the principles of creativity and innovation, both OCSE and our partners must commit to operating in a continuously improving and empowering environment -- supported by opportunities for development, modern management practices, and maximum use of technology.

GOAL 1: ALL CHILDREN HAVE PARENTAGE ESTABLISHED

Objectives:

- a. **To Increase Establishment of Paternities, Particularly Those Established within One Year of Birth**

GOAL 2: ALL CHILDREN IN IV-D CASES HAVE FINANCIAL AND MEDICAL SUPPORT ORDERS

Objectives:

- a. **To Increase the % of IV-D Cases with Orders for Financial Support**
- b. **To Increase the % of Cases With Orders for Medical Support**

GOAL 3: ALL CHILDREN IN IV-D CASES RECEIVE FINANCIAL AND MEDICAL SUPPORT FROM BOTH PARENTS

Objectives:

- a. **To Increase the Collection Rate**
- b. **To Increase the Percentage of Cases Where Health Insurance Coverage Is Obtained After Being Ordered**

- c. **To Increase the Percentage of Cases with Appropriate and Up-to-date Support Orders**
- d. **To Make the Process More Efficient and Responsive**

PERFORMANCE MEASURES AND STANDARDS IN HR 4 AND THE BRADLEY BILL

I. HR 4A. IV-D Paternity establishment measure for penalty purposes (same as in current law):

IV-D children during the FY born-out-of-wedlock with
paternity established or acknowledged

IV-D children born-out-of-wedlock needing paternity
 established as of end of previous FY

B. IV-D Paternity establishment standard for penalty purposes

IV-D paternity establishment percentage must be:

90% (75% in current law) or
 if between 50 and 90%, must increase by 3 percentage points
 if between 45 and 49%, must increase by 4 percentage points
 if between 40 and 45%, must increase by 5 percentage points
 if less than 40%, must increase by 6 percentage points

C. Universal paternity measure for incentive purposes:

Children born-out-of-wedlock, less than 1 year old, with
paternity established or acknowledged during the fiscal year

Children born-out-of-wedlock during the fiscal year

D. Measure of overall performance in child support enforcement for incentive and penalty purposes

Must consider such factors as:

- o % of cases with support orders
- o % of paying cases
- o ratio of child support collected to child support due
- o cost-effectiveness of IV-D program

E. Secretary must establish standards for universal paternity measure and overall performance measure in regulations, after consultation with the States

F. Penalty for failure to meet IV-D paternity establishment and overall performance standards of between 1 and 5% of AFDC funds to the State, based on an audit, increasing with consecutive failures

G. Incentives of up to 24 percentage point increase in FFP for performance in universal paternity and overall performance measures.

III. Bradley bill (same as HR 4, except):

- A. IV-D paternity establishment standard upper limit is 75 percent as in current law (not 90 percent)
- B. For States which don't record out-of-wedlock births on birth certificates, Secy must find alternate measurement method.
- C. Penalty of 5-10% of IV-D (rather than IV-A) payments
- D. Incentives of up to 15 percentage point increase in FFP (rather than up to 24 percentage point increase)

Source: Child Support Enforcement FY 1994 Preliminary Data Report

Office of Child Support Enforcement

Table 5

Program Trends for FY 1992, 1993, and 1994

	1992	1993	1994	Percent Change	
				1992-1993	1993-1994
Total IV-D Collections (\$000)	\$7,964,522	\$8,907,332	\$9,868,940	11.8%	10.8%
AFDC/FC Collections	\$2,258,844	\$2,416,263	\$2,557,823	7.0%	5.9%
Non-AFDC Collections	\$5,705,678	\$6,491,069	\$7,311,117	13.8%	12.6%
Total IV-D Administrative Expenditures (\$000)	\$1,994,691	\$2,241,094	\$2,556,372	12.4%	14.1%
Total IV-D Caseload	15,158,794	17,114,839	18,607,553	12.9%	8.7%
Total Cases for Which a Collection was Made	2,835,672	3,119,181	3,402,921	10.0%	9.1%
Total Locations Made	3,705,809	4,499,012	4,104,349	21.4%	-8.8%
Total Paternitys Established	515,857	554,637	590,819	7.5%	6.5%
Total Support Orders Established	892,586	1,025,365	1,023,292	14.9%	-0.2%

Source: Financial and statistical data as reported by the States.

Note: Data for fiscal year 1994 are preliminary.

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Table I
Financial Overview
for Five Consecutive Fiscal Years
(\$000)

	1989	1990	1991	1992	1993
Total IV-D Collections	\$5,240,676	\$6,010,125	\$6,885,619	\$7,964,522	\$8,908,123
AFDC/FC Collections	1,593,067	1,750,125	1,983,962	2,258,844	2,416,266
State Share	563,265	620,001	699,647	786,758	847,252
Federal Share					
(less estimated incentives)	457,572	532,737	625,601	737,937	776,520
(less actual incentives)	488,375	537,916	608,900	697,869	752,128
Payments to AFDC Families	306,581	333,727	381,150	434,783	453,258
Incentive Payments					
Estimated	265,649	263,660	277,564	299,366	339,236
Actual	234,846	258,481	294,265	339,434	363,629
Non-AFDC Collections	3,647,609	4,260,000	4,901,657	5,705,678	6,491,857
Total IV-D Administrative Expenditures	\$1,363,209	\$1,606,065	\$1,804,104	\$1,994,691	\$2,241,094
State Share	425,581	545,192	592,520	651,807	724,480
Federal Share	937,628	1,060,872	1,211,584	1,342,884	1,516,614
Total Program Savings (w/estimated incentives)	(\$76,723)	(\$189,667)	(\$201,292)	(\$170,630)	(\$278,085)
State Share	403,333	338,469	384,691	434,317	462,009
Federal Share	(480,056)	(528,135)	(585,983)	(604,947)	(740,094)
Total Program Savings (w/actual incentives)	(\$76,723)	(\$189,667)	(\$201,292)	(\$170,630)	(\$278,085)
State Share	372,530	333,290	401,392	474,385	486,401
Federal Share	(449,253)	(522,956)	(602,684)	(645,015)	(764,486)
Total Fees and Costs Recovered for Non-AFDC Cases	\$6,520	\$22,235	\$33,868	\$29,187	\$31,260
Cost-Effectiveness Ratios					
Total/Total	3.84	3.74	3.82	3.99	3.97
AFDC/Total	1.17	1.09	1.10	1.13	1.08
Non-AFDC/Total	2.68	2.65	2.72	2.86	2.90

Source: OCSE financial data as reported by the States

- Total Program Savings remains the same regardless of whether estimated or actual incentive payments are used.
- The cost-effectiveness ratio is total collections per dollar of total administrative expenditures.

Table 2
Statistical Overview
for Five Consecutive Fiscal Years

	1989	1990	1991	1992	1993
Total IV-D Caseload	11,876,435	12,796,388	13,422,739	15,158,794	17,110,468
AFDC/FC Caseload	5,708,730	5,871,637	6,166,438	6,752,648	7,472,332
Non-AFDC Caseload	4,266,395	4,842,894	5,388,503	6,453,734	7,491,498
AFDC/FC Arrears Only Caseload	1,901,310	2,081,857	1,867,798	1,952,412	2,146,638
AFDC/FC and AFDC/FC Arrears Only Caseload	7,610,040	7,953,494	8,034,236	8,705,060	9,618,970
Total Cases for Which a Collection Was Made	2,107,246	2,287,820	2,588,291	2,835,672	3,119,659
AFDC/FC Cases	657,585	700,803	755,328	831,172	873,713
Non-AFDC Cases	1,247,228	1,382,821	1,554,740	1,749,427	1,956,168
AFDC/FC Arrears Only Cases	202,433	224,196	278,223	255,073	289,778
AFDC/FC and AFDC/FC Arrears Only Cases	860,018	924,999	1,033,551	1,086,245	1,163,491
Percentage of Total Cases With Collections	17.7	17.9	19.3	18.7	18.2
AFDC Cases	11.5	11.9	12.2	12.3	11.7
Non-AFDC Cases	29.2	28.1	28.9	27.1	26.1
AFDC/FC Arrears Only Cases	10.8	10.8	14.9	13.1	13.5
AFDC/FC and AFDC/FC Arrears Only Cases	11.3	11.6	12.9	12.5	12.1
Total IV-D Cases With Orders Established	NA	NA	7,906,389	8,538,798	9,484,243
AFDC/FC Cases	NA	NA	2,644,826	2,568,663	2,790,275
Non-AFDC Cases	NA	NA	3,393,765	4,017,723	4,547,330
AFDC/FC Arrears Only Cases	NA	NA	1,867,798	1,952,412	2,146,638
AFDC/FC and AFDC/FC Arrears Only Cases	NA	NA	4,512,624	4,521,075	4,936,913
Percentage of Cases With Collections to Total Cases with Or	NA	NA	32.7	33.2	32.9
AFDC Cases	NA	NA	28.6	32.4	31.3
Non-AFDC Cases	NA	NA	45.8	43.5	43.0
AFDC/FC Arrears Only Cases	NA	NA	14.9	13.1	13.5
AFDC/FC and AFDC/FC Arrears Only Cases	NA	NA	22.9	24.0	23.6
Total Absent Parents Located	1,628,120	2,061,709	2,577,082	3,705,809	4,484,231
Total Paternitys Established	339,243	393,304	472,105	515,857	554,205
Total Support Obligations Established	937,698	1,022,243	NA	NA	NA
Total Support Orders Established	NA	NA	820,917	892,586	1,044,517
Total Support Orders Enforced or Modified	NA	NA	4,353,252	4,357,912	5,372,591
Percentage of AFDC Payments Recovered	10.0	10.3	10.7	11.4	12.0

Source: OCSE statistical data as reported by the States.

- NA - Data are not available because the number of Cases With Orders Established was not collected until FY 1991. Due to new reporting requirements effective FY 1991, data for support obligations established are no longer available in the same format as for prior years. The previous definition of support obligations established included modifications to orders, while the new definition only included new, not modified orders. Enforcement is defined as any action taken to make a collection on an existing order.

- Percentage of Cases with Collections to Total Cases with Orders include cases with voluntary payments.

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Divider Title: _____

**FY 1997 BUDGET SPRING REVIEW
DEPARTMENT OF HEALTH AND HUMAN SERVICES
SPRING REVIEW ON PROGRAM PERFORMANCE -- HEAD START**

Summary: HHS's paper outlines plans to set up performance measures covering five broad domains: health services, services to children with disabilities, education, family-oriented services, and management issues. The performance measures are meant to reflect the program objectives of providing "comprehensive and responsive high quality Head Start services to as many low-income pre-school children and families as resources permit." HHS sees the measures as indices for overall program quality rather than as a tool for compliance monitoring purposes.

The paper also makes reference to a Performance Measures Report, due in June 1995, which was mandated by the 1994 Head Start reauthorizing legislation. This project has consulted with an advisory panel of experts as well as with focus groups representing Head Start service providers, parents, national organizations, and experts. HHS has provided OMB with a 23-page table which contains some potential performance measures.

Agreed-Upon Performance Measures: Head Start performance measures remain tentative as HHS has not made policy-level decisions yet. As a result, very few actual performance measures are presented in this paper. The majority of measures presented are process-oriented. For example, they focus on such variables as the number of children served, average class size, and caseload ratios for family workers. In many of such cases, HHS has identified collection mechanisms already in place. According to HHS, one-half of the performance measures currently under consideration have some type of collection mechanism in place, including data on program characteristics and demographics, data related to program monitoring and compliance, and performance indicators that report services provided to Head Start participants and their families.

Collection tools, however, have yet to be developed for outcome-focused measures, many of which are difficult to quantify. For the most part, data is not currently available on measures dealing with Head Start's impact on parents, direct assessments of classroom quality, and the program's impact on children's social competence and learning skills.

Given the difficulty of developing accurate and functional performance measures. HHS's primary strategy has been to support on-going research efforts in this area. The paper is accompanied by two attachments which provide a "blueprint" for the Head Start research agenda. The first, the final report of the Advisory Committee on Head Start Quality and Expansion, includes recommendations to develop performance measures, strengthen research, and review and strengthen program monitoring. It provides a series of questions to guide new research efforts. For example, "Which Head Start practices maximize benefits for children and families with different characteristics under what types of circumstances?" and "How are gains sustained for children and families after the Head Start experience?"

The second attachment is an overview of the Head Start research agenda. It shows on-going research activities in six major directions:

- quality and policy issues
- longitudinal research on children and families
- evaluation of services for infants and toddlers
- innovative program strategies
- special subpopulations
- partnership with the larger child development community

Issues to be Pursued:

- o HHS continues to emphasize process-based objectives. Three of its six stated policy objectives are related to increasing enrollment. (part 1 of HHS Head Start paper)
- o HHS sees Head Start performance measures as indices for overall program quality, but they have not yet defined quality in the context of the Head Start program. While they have minimally acceptable performance standards, they have not set goals or targets for excellence. The paper stresses that planned performance measures would focus on aggregate program data rather than measuring individual grantees.
- o Outcome-based measures (i.e. long-term cognitive development of participants) are in development. OMB will continue to encourage HHS to focus on outcome-based performance measures that are good proxies for program impacts.

- o Many of the performance measures are complex and data collection costs have not yet been estimated. For example, HHS proposes to measure parental involvement through parental interviews. OMB will encourage cost-effective collection mechanisms in order to facilitate implementation of performance measures.
- o HHS identifies four major obstacles to improving performance. Of these, two are related to funding levels. A third is related to cooperation with schools and communities, and the fourth is potential problems related to local variation.
- o OMB has requested HHS to provide a well-developed timeline by which it expects to have usable performance measures.

Department of Health and Human Services
Spring Review on Program Performance
FY 1997 Budget

Key Program: Head Start

1. Program and Policy Objectives

To provide comprehensive and responsive high quality Head Start services to as many low-income pre-school children and families as resources permit. To accomplish this, DHHS will:

- o Improve the overall quality of the Head Start program.
- o Increase Head Start enrollment.
- o Increase the number of infants and toddlers served by the Head Start program.
- o Increase the number of children served in full-day Head Start to meet the child care needs of working Head Start parents.
- o Encourage Head Start programs to forge partnerships with key community and State institutions.
- o Assure that any deficiencies in Head Start Programs are identified and quickly corrected.

2. Performance Measures for the FY 1997 budget process and beyond

a. Measures Available now

Various types of measures of program performance are available from current data systems. These include, but are not limited to:

- o Performance Indicators that report services provided to children and families in areas of health, education, social services and parent involvement. These include, for example, the percentage of children receiving medical screening, dental exams, immunizations, and the percentage of families receiving needed social services.
- o Data on program characteristics and demographics that include:
 - Number of children served.
 - Percentage of the eligible population served.
 - Number of infant and toddler age children served.
 - Number of children served in full-day full-year programs.
 - Average class size.
 - Caseload ratios for family workers.
- o Data related to program monitoring and compliance, such as the number of programs judged to be poorly performing Head Start grantees and the number of poorly performing programs replaced by new grantees.

b. Planned Measures

Head Start Performance Measures Project

Consistent with the requirements of Section 641A(b) of the Head Start Act, Head Start is currently undertaking a major effort to develop a set of Performance Measures or "yardsticks" which can be used to assess the quality and effectiveness of the program at a point in time and periodically over time.

Performance on the measures will be gauged through the analysis of aggregate data that can serve to identify strengths and weaknesses in the operation of the program at the national and sub-national levels. (Unlike Head Start's performance standards, the measures are not intended to be used at the individual program level for compliance monitoring purposes.)

The project envisions the establishment and maintenance of ongoing systems for the collection, analysis and reporting of information on the measures that have been identified. While data sources are available for some areas of interest, other areas will require further developmental work before they can be assessed. This is particularly the case with the definition and assessment of measures dealing with child and family outcomes.

As currently defined, the Head Start measures cover five broad domains: health services (including medical, dental and mental health and nutrition), services to children with disabilities, education, family-oriented services (called "Partnerships with Families") and program management. Within each of these domains measures are proposed which deal with issues of both program quality and program impacts, and with services to both children and parents.

Since its inception, the development of the measures has involved broad consultation with child development experts and with knowledgeable persons within the Head Start community. These consultations have helped to identify important outcomes of Head

Start; helped to define the scope of the measures; defined specific items for inclusion; suggested data sources and flagged potential pitfalls.

The data that will be generated through the measures project can be used for a variety of purposes, including: national reporting and charting of trends; setting program improvement goals and gauging progress over time; targeting Head Start quality improvement funds and informing priorities for the use of technical assistance resources; and identifying areas that may warrant further investigation through research.

Thus far, the Head Start measures project has defined 47 separate measures of program quality and effectiveness. Data on approximately one half of these are already available from current reporting services; and a priority for FY 1996 and beyond will be the initiation of work to fill the gaps in existing information. For the most part, the data that are not currently available relate to the measures dealing with Head Start's impact on parents, direct assessments of classroom quality, and the program's impact on children's social competence and learning skills.

This latter area -- social competence and learning skills -- is an example of an area of interest that is both complex and that will require additional work before the data on children's progress can be obtained. Among other things, this area will require assessment of children's social and emotional development, language usage, approaches towards learning, and cognition and general knowledge. It is also an area which may require experimentation with various assessment approaches including observations by teachers, parent rating scales and direct child assessments.

A report on the measures project will be completed in June, 1995. The report will discuss each of the measures recommended for adoption, will present current data on the measures for which data are available, and identify the measures which will require new information collection efforts. Issues pertinent to particular measures and data gathering options will also be discussed. Succeeding phases of the project will involve the review of current Head Start information systems, the development

and testing of new information collection efforts (e.g., as may be needed to assess classroom quality, to assess family impacts and to gauge children's social competence and learning skills) and the actual use of the measures for program improvement and reporting purposes.

4. Summary of Current Program Resources

<u>Program</u>	FY 1996	
	BA	Outlays
Head Start	\$3,934,728,000	\$3,643,704,000

	FY 1997	
	BA	Outlays
Head Start	\$3,934,728,000	\$3,876,523,000

5. Improving Program Performance and Obstacles to Improvement

a. On-going or planned activities to improve program performance, including REGO Phase II activities.

Since 1992, a number of important steps have been taken to revitalize and improve Head Start. These include:

- o A thorough assessment and renewed, bipartisan vision for the future by the Secretary's Advisory Committee on Head Start Quality and Expansion. The Committee defined as key goals improvements in:

- Quality
 - Responsiveness to Community and Family Needs
 - Building Partnerships.
-
- o The virtually unanimous bipartisan reauthorization of the program.
 - o 132,000 more children enrolled in Head Start.
 - o 20,000 more children enrolled in Full-day, Full-year to support parents in work or in training.
 - o Average Teacher Salary increased by \$2,400 to \$16,700
 - o Tough new policies to correct those grantees that were performing poorly which resulted in 72 seriously deficient grantees whose problems were corrected after intensive assistance and 20 seriously deficient grantees being terminated or relinquishing their grants.

In addition, there are a number of activities to improve program performance that are underway or planned. These include:

- o Using future appropriation increases to maintain and improve Head Start program quality by continuing to allocate to grantees cost-of-living and quality improvement funds.
- o Taking other steps to improve program quality such as the development of model staffing patterns and improving facilities.
- o Revising and improving the Head Start Performance Standards.
- o Developing Program Measures to better assess performance and progress.

- o Reviewing and improving the extensive system that provides training and technical assistance to Head Start programs.
- o Continuing to give grantees flexibility in how they use their funding resources to design a quality Head Start program which best meets the needs of their communities.
- o Using appropriation increases to expand program enrollment. The FY 1996 request would result in services to approximately 32,000 additional children.
- o Expanding the number of children who receive needed full-day full-year services. The FY 1996 appropriations request would enable such services to be extended to an estimated 22,000 additional children.
- o Developing more effective transition practices as children leave Head Start and enter public school.
- o Awarding Collaboration Grants to all States to foster closer cooperation between Head Start and State programs.
- o Revising and improving the system used to monitor program performance and compliance.
- o Continuing to work in an intensive fashion with grantees having serious problems delivering quality Head Start services.
- o Terminating and replacing grantees which after receiving intensive assistance are still unable to remedy serious deficiencies.

b. Major Obstacles to improving performance.

The lack of sufficient resources to permit Head Start to serve additional children, to serve more children in full-day programs, to expand infant and toddler enrollment and to maintain and improve program quality would constitute a major obstacle.

The accomplishment of some objectives rely heavily on the involvement and support of groups and organizations outside of the Head Start program, such as the cooperation of school systems to carry out transition activities. The lack of such cooperation could be an obstacle.

Head Start programs rely on other funding streams to provide many services. For example, Head Start nutrition services are supported largely through USDA child food programs and health services through Medicaid. Restrictions or the block granting of these or similar programs could be a major obstacle for Head Start.

Head Start is a community-based, discretionary grant program that allows considerable flexibility to local agencies to carry out their programs in ways that meet the unique needs of each community. Although this is an important element in Head Start's success, these local variations and differences in priorities can delay implementation of some objectives.

6. Use of Program and Financial Data

a. Studies, Reports, Financial Data and other Information Concerning Program Performance

Attached is the Secretary's Advisory Committee Report on Head Start Expansion and Quality.

Attached is a summary of the research findings and the research agenda for the Head Start program.

Currently, data are available to Head Start from the following systems:

- o Program Information Report (PIR) - Data, reported annually, on services being delivered by all Head Start programs and descriptive information about Head Start children and families. This data is self-reported by grantees and is believed to be generally accurate. An assessment is currently underway to determine its reliability
- o Head Start Cost (HSCOST) - Data, reported annually, by budget and component categories, on how grantees are using Head Start grant funds.
- o Head Start Monitoring Tracking System - Data on the results of the Head Start grantee triennial on-site monitoring reviews.
- o Audit information from the biennial fiscal audits of local Head Start grantees.

b. Planned Activities to Improve Program Performance Information

- o Initiation of work on approaches for collecting data on the Head Start Performance Measures for which data are not currently available. Among the areas that will receive priority attention are the piloting of approaches for securing parent impact information, for assessing the quality of classrooms, and for measuring children's progress in the area of social competence and learning skills.
- o The establishment of Quality Research Centers to ensure partnerships with the academic community and to provide a forum for ongoing data collection, piloting, and measures development.
- o Strengthening the Head Start research agenda to provide outcomes information and other key information that will inform the measures project. This includes

research activities related to Early Head Start, Comprehensive Child Development Programs, a Head Start families study, Head Start transition projects, a Department of Education collaborative study and work on longitudinal methods.

- o Continued work on the Head Start Family Information System (HSFIS), a family case management and grantee record keeping system, will produce a standardized data base in many local programs from which it may be possible to obtain useful information related to program measures.
- o Implementation of the PCCOST system will allow cost information to be submitted by Head Start grantees electronically.
- o There will be continued encouragement to grantees to transmit Program Information Report (PIR) data electronically.
- o A review and, as appropriate, revision of the PIR will be undertaken later this year.
- o A review and, as appropriate, revision of the monitoring tracking system will happen later this year and in FY 1996.

c. Is financial data available that compares all program costs with the objectives and performance measures that have been established? Are there current program costs that are not presently included in budget estimates? What changes in budget or accounting structures would be helpful?

There are financial data available that allow some analysis of costs in relation to program objectives, including a data base that contains detailed budget information from programs' funding applications. In addition, not all objectives or measures are of a type that can be adequately assessed solely through the use of financial data. There are no program costs not presently included in budget estimates.

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WELFARE REPORM

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FY 1997 BUDGET SPRING REVIEW
UPDATE ON PERFORMANCE IN PROGRAMS AFFECTED BY WELFARE REFORM

Several programs were not recommended as candidates for Spring Review because of their involvement in current welfare reform efforts. This section provides a brief update on performance and incentive issues related to welfare reform legislation as well as information on some agency activities also underway.

Administration Proposal

As a comparison to the discussion on welfare reform below, the Administration included a number of provisions relating to performance in its Work and Responsibility Act of 1994. The Administration's bill called for a revised AFDC Quality Control system including outcome and service delivery standards in addition to the current focus on ensuring payment integrity. HHS would continue its efforts to create an outcome-based performance measurement system focused on helping welfare recipients become self-sufficient, reducing welfare dependency, and moving recipients into the labor market. Prior to the development of outcome-based performance standards, HHS would emphasize service delivery standards and financial incentives in the areas of JOBS and WORK participation, State accuracy in keeping the two-year clock on benefits, and the number of deferral and extensions to the time-limits. HHS would also increase its technical assistance efforts to assist States in changing the "culture of the welfare system."

AFDC

The House passed welfare reform bill consolidates several programs into a new temporary assistance block grant which contains a number of "performance" incentives. Starting in FY98, States may receive a five to ten percent bonus in their block grant if they reduce their "illegitimacy ratio" by one to two percent. The "illegitimacy ratio" is determined by tallying the change in the number of children born out of wedlock and the change in the number of abortions performed in the State.

States that reduce their welfare caseloads -- either by placing welfare recipients in jobs or by simply cutting them off assistance -- would be allowed to reduce the percentage of recipients required to participate in work activities under the bill's strict participation requirements. States that fail to meet the work participation rates would be

subject to a five percent block grant reduction.

The bill would terminate the AFDC quality control system, which conducts reviews and audits focusing primarily on benefit payment accuracy. Currently, the QC system is the primary Federal tool for monitoring and enforcing the quality of State AFDC programs. States that are found to have error rates above the national average are subject to sanctions against their benefits. This Federal accountability system would end under the House-passed legislation.

The bill introduced in the Senate Finance Committee does not include an "illegitimacy ratio" or an incentive to reduce caseloads as in the House bill, but it would end the QC program.

JOBS

The Senate mark continues the JOBS program under the consolidated AFDC block grant and includes language similar to that in the Family Support Act (FSA) of 1988 requiring the HHS Secretary to develop a set of outcome measures other than the process-oriented participation rates mandated in JOBS. In response to FSA, HHS submitted a report on performance standards for the JOBS program last October. The report did not identify performance measures or standards, but instead described the difficulty in developing the right measures and incentives for programs that serve very disadvantaged populations. The main challenges in doing so are overcoming the inconsistent relationship between outcomes (such as job placements) and program effectiveness; the establishment of a "level playing field" across and within States and over time; the determination of who is "counted" in measuring performance; and the recognition that different State JOBS programs may have different objectives. The report laid out a timetable for establishing and implementing performance measures and standards which extends until 1999. One of the early activities in the workplan -- the convening of State work groups to redesign the QC system -- was recently completed. The report from the work group recommends a shift away from the QC system's current focus on errors toward a more inclusive and broader set of outcomes.

Child Care

The House welfare reform bill would consolidate the four major child care programs into a revised Child Care & Development Block Grant (CCDBG). Quality set-asides within CCDBG would be eliminated, minimal health and

safety standards would be removed, and reporting and accountability requirements would be reduced. In the Senate, the Finance Committee has merged the funding for the three mandatory child care programs into the AFDC block grant and provided no specific set-asides for child care and little reporting on dollars used for child care. The Labor and Human Resources Committee is reauthorizing the discretionary CCDBG separately and would retain many of the current health, safety, and reporting standards (although the quality set-asides would be reduced). No additional actions are being taken by the Congress on performance in child care programs.

The Child Care Bureau in ACF has begun to consider potential performance measures in child care. While still somewhat preliminary, the agency is focusing on the development of measures that would achieve two broad goals: improving the quality of child care and promoting the economic independence and productivity of low-income families. The primary measures under consideration, which have been discussed with a 10-state work group who received them positively, include increasing the number of child care facilities accredited by national accrediting organizations, increasing the number of families leaving AFDC who receive Transitional Child Care (although this would not be pursued if the TCC program is consolidated under the welfare reform block grants), and decreasing the number of low-income families who spend more than 10 percent of their income on child care. Further work remains to be done in this area, but child care staff are very interested in pursuing these measures further.

Child Protective Services

The current system permits HHS to regularly review States' child protective service delivery. When States are not providing minimum Federal child protective services to their wards, HHS can intervene and encourage corrective action via technical assistance, funding disallowances, and penalties. The House-passed welfare reform essentially scraps Federal oversight of State child protective systems. While States would be required to submit annual reports to HHS on a number of measures, such as child abuse and neglect reports, children in foster care, average length of stays in foster care, etc., these appear to be strictly informational. HHS would have little role beyond disseminating such information. The Senate Finance committee appears more willing to keep the current Federal oversight system largely in place, and HHS is encouraging this direction in a letter to Senator Packwood.

Child Nutrition

USDA is currently developing its School Meals Initiative in order to meet a statutory requirement that school lunches and breakfasts comply with the Dietary Guidelines for Americans. This initiative uses nutrition analysis to insure that school meals meet minimum nutritional guidelines. Under the proposed rule, federal review of schools' compliance to fiscal and nutritional standards will change from a four- year to a five-year cycle. This decision was made in part to offset the added burden of requiring nutrition analysis. HR 4 would eliminate the mandatory national nutrition standards in the Child Nutrition programs.

SSI

Performance issues regarding SSI focus on SSA's identification of individuals who are on the rolls who no longer qualify, given the recipient's disability condition and income and resource status. As discussed in more detail in the Spring Review paper on SSA, these issues are addressed through continuing disability reviews (CDRs). Some welfare proposals would increase the minimum levels of CDRs that SSA is required to perform for SSI recipients, especially children. Some welfare proposals have placed time limits on disability decisions for children. Currently, SSA must demonstrate in a CDR that a recipient has experienced medical improvement in order to remove the recipient from the program. A time limited disability decision would enable SSA to reevaluate a recipient's disability status and discontinue eligibility under current standards even if insufficient evidence is available to prove medical improvement has occurred.

Food Stamps

Meeting program goals. HR 4, the House-passed welfare would have inflation erode the maximum benefit, so that by the year 2000, a person with no income would not receive enough Food Stamps to afford an adequate diet. The bill would require 1 million childless adults to participate in State work and training programs to be eligible for Food Stamp. However, States would not be responsible for providing an adequate number of slots in programs. USDA and CBO both estimate over \$1 billion in annual savings, on the assumption that work and training slots will not be available.

The Administration's Farm Bill proposals would maintain benefits that are adequate for a healthy diet and incorporate a nutrition education program into Food Stamps to help people eat more healthily, as well as more adequately.

Financial accountability. HR 4 would make some modest improvements in retailer accountability. The Administration's Farm Bill proposal would make more improvements in retailer accountability, give more States incentives to reduce payment error rates, and give States more flexibility on administrative issues

EITC

Financial accountability. A study of electronic EITC claims filed during two weeks in January, 1994 suggested that EITC overclaiming rate might be as high as 25% of the amount to which people are entitled. As a result of this study, Treasury has made a number of improvements, including rejecting millions of electronic tax returns that report questionable SSN's (paper returns are accepted, but are subject to compliance actions). The Budget proposed improvements in compliance procedures that would streamline processing for such EITC claims, and enable IRS to review more cases. The Senate Budget Resolution assumes enactment of these improvements. Treasury has also set up a survey this year that should provide the most reliable information on EITC overpayments since 1988.

Meeting program goals. The major goal the President set for the EITC is enabling a parent working full-time to raise their children out of poverty. The Senate Budget Resolution assumes repeal of the 1996 increase in the EITC for families with two children. This change would increase the number of full-time workers who must raise their children in poverty.

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SOCIAL SECURITY

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**FY 1997 BUDGET SPRING REVIEW
SOCIAL SECURITY ADMINISTRATION**

Table of Contents

Program Performance Assessment for Key Programs.....	1
--	---

Relationship of Key Performance Objectives and Budgets

Tab 10	Disability Claims and Appeals.....	4
Tab 11	Continuing Disability Reviews (CDRs).....	10
Tab 12	800-Number Telephone Service.....	13

FY 1997 BUDGET SPRING REVIEW
SOCIAL SECURITY ADMINISTRATION
PROGRAM PERFORMANCE ASSESSMENT FOR KEY PROGRAMS

Selecting the Key Programs

SSA and OMB jointly selected the following three key programs areas for the Spring Review on Program Performance:

- (1) Initial Claims Processing -- Disability Claims and Appeals;
- (2) Post Entitlement Processing -- Continuing Disability Reviews (CDRs); and
- (3) Service Delivery -- 800-Number Telephone Service.

Why Key Programs Were Selected

(1) Disability Claims and Appeals

The disability programs within SSA have been a concern for many years. Findings of disability are inherently complex, and require the cooperation of not only the applicant, but also medical providers. Workload growth (including increasing requests for hearings), legal challenges, legislative changes, an inefficient disability determination process, an unwieldy appeals process, and high levels of pending cases are all factors that combine to make disability claims and appeals processing a key area for program improvement at SSA.

(2) Continuing Disability Reviews (CDRs)

SSA is required to complete periodic CDRs of disability beneficiaries to determine their continuing eligibility for benefits. However, since 1991, various factors have hampered the agency's ability to complete as many CDRs as would be desirable. To improve the situation, SSA has implemented a new mailer process to eliminate non-productive reviews and allow more CDRs to be completed with the same level of resources. The FY 1996 Administration budget request includes a substantial increase for CDRs.

(3) 800-Number Telephone Service

Based on surveys of customer expectations, SSA is defining a key dimension of high quality telephone service as making certain that callers can get through to SSA within 5 minutes. SSA is unable to consistently meet that pledge today. Both OIG and SSA surveys have shown a clear link between the number of times a caller gets a busy signal and their satisfaction with service. With almost 50 million callers served by the 800 telephone service in FY1994, efforts to increase customer satisfaction are focused on this key program improvement area.

Social Security Administration -- Areas for Improvement

OMB endorses the majority of what is included in the Spring Review material submitted by SSA, but would like to encourage the agency to move forward in the following four areas.

- (1) Disability Claims and Appeals -- SSA has not provided a set of measures for individual State performance standards. These standards could be thought of as performance partnerships with the States. Since SSA already collects a number of productivity measures on a state-by-state basis (such as, cost per case, degree of accuracy, and processing time), we recommend that SSA establish performance standards to facilitate comparison of performance among the States.
- (2) Continuing Disability Reviews -- SSA does not have an overall measure of the error rate in either of its disability programs, i.e., Disability Insurance (DI) and Supplemental Security Income (SSI). SSA has provided

a variety of measures related to continuing disability reviews (CDRs). While these measures are useful, they cannot be used to estimate the extent to which there are individuals receiving disability benefits who no longer satisfy the eligibility criteria.

- (3) 800-Number Telephone Service -- SSA has provided measures relating to their 800 service, but has not provided a good measure of the accuracy of the information provided through the 800 service. Poor performance in this area was a serious embarrassment for the IRS in the late 1980s and resulted in an exhaustive joint monitoring system with GAO. SSA should be encouraged to strengthen its performance measures in this area.
- (4) Overall -- As part of the budget process, SSA could improve in its efforts to make longer-range (e.g., 5 years out) projections of the effects of alternative budget requests on the results reflected in its performance measures. Such an ability to describe the consequences on the performance measures of varying funding levels would help to better inform the decision-making process.

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FY 1997 BUDGET SPRING REVIEW

RELATIONSHIP OF KEY PERFORMANCE OBJECTIVES AND BUDGETS **AGENCY: SOCIAL SECURITY ADMINISTRATION** **KEY PROGRAM: DISABILITY CLAIMS AND APPEALS**

1. Long-Term Disability Claims and Appeals Program Objectives

- A. Reduce initial claim processing time to 60 days and hearings processing time to 225 days (measured from the date of initial claim filing);
- B. Implement a reengineered disability determination process (including administrative appeals steps) to improve customer-orientation and efficiency; and
- C. Implement legislative changes in a timely and effective manner.

SSA announced a significant reengineering plan for the disability determination process in September of 1994. Implementation of the new process is an Agency priority, and will occur on a phased basis through FY 2001. The first round of process changes are expected in the summer of 1995. These initial reengineering changes will be coordinated with short-term disability improvement efforts initiated in late 1994 that were designed to reduce pending workloads (by December of 1996) while reengineering groundwork was still underway.

Once fully implemented, SSA's reengineering efforts will result in significantly faster initial claim and appeal processing times, better process integrity and customer-orientation, and more efficient use of resources to make disability decisions. Full realization of the benefits from disability reengineering are particularly dependent on the development of a modern case processing computer system (that includes electronic evidence collection), which in turn, is dependent on timely computer procurement funded by the Automation Investment Fund in the FY 1996 budget request.

Recent legislation placing restrictions on disability benefit payments to individuals disabled by drug addiction and alcoholism has created new workload challenges for SSA. Other legislative proposals pending in Congress, for example, changes in the way disability decisions are made for children, may impact on the disability program.

2. Current Disability Claims and Appeals Performance Measures

SSA has a myriad of management, programmatic, and fiscal performance data available to assess disability program progress. Primary disability claims and appeals performance measures in use at the Agency today include:

Measure	Expected Results	
	1995	1996
A. Initial DDS claims processing time	74 days	62 days
B. Hearings processing time	304 days	262 days
C. Initial DDS claims received	2,665,900	2,716,900
D. Total DDS cases received	3,786,900	4,036,400
E. Initial DDS claims processed	2,819,400	2,811,700
F. Total DDS cases processed	3,940,400	4,131,200
G. Initial DDS claims pending	398,900	304,100

H.	Total DDS cases pending	575,700	480,900
I.	Hearings requests received	596,500	609,300
J.	Hearings requests processed	608,000	670,000
K.	Hearings requests pending	474,000	414,000
L.	Percent of initial DI claims processed within 6 months after onset or 60 days of effective filing date, whichever is later	49%	55%
M.	Percent of initial SSI disability claims paid or denied within 60 days of the filing date	25%	30%
N.	Percent of accurate initial disability determinations by DDSs	97%	97%
O.	Percent of hearings decisions made and notices sent within 120 days after filing date.	14%	12%

3. Disability Claims and Appeals Performance Measures In the FY 1997 Budget

The list of measures discussed previously includes both inputs and outputs (e.g., claims processed), and outcomes. SSA's budget is based primarily on workload-based outputs, since they can be used to relate resource inputs to outputs, and to relate component workloads to those at the Agency level. SSA

anticipates development of systems in the future to factor more of the key outcome measures into the budget as well. In addition to measures A-K shown above, measures for the FY 1997 budget would include.

Measures in addition to A-K above

		Expected Results	
		1995	1996
L.	Weeks work on hand for initial DDS claims	7.8 weeks	5.8 weeks
M.	Weeks work on hand for hearings	41.3 weeks	35.3 weeks

4. Summary of Current Disability Claims and Appeals Program Resources (\$ in millions)

	<u>FY 1996</u>
Total, Administrative Expenses Account	\$6,188

Subprogram:

Disability Claims	\$1,900
Hearings	\$900

5. Future Program Activities

SSA's disability reengineering effort, including the supporting technology from the Automation Investment Fund (AIF), will dominate program activities over the next 5 to 6 years. The extent of process changes underway crosses the entire spectrum of the program--from the way SSA communicates to the public about disability, to the way evidence is collected and considered, to streamlining appeals steps, and to the introduction of new enabling case processing technology. SSA is literally rebuilding the process, and while the service and efficiency pay-off will be high, the effort will continue to require time, attention, resources, legislative and rule-making facilitation, and the AIF technology.

As noted previously, Congressional efforts to fundamentally change disability entitlement requirements, especially related to disabled children under SSI, may have a significant impact on the program.

Two REGO II initiatives recently announced by the President will have an impact on the disability program. If SSA were to cease involvement with attorney fee processing as proposed, then resources currently applied to that disability related workload could be saved.

In addition, a REGO II initiative, still in the final planning stages, is designed to improve the performance of poor performing states through increased management attention and reform of internal processes. Initial claim processing time among DDS currently ranges from a low of 43 days in North Carolina, to a high of 112 days in Ohio. The range in overall accuracy among states is from a low of 90.8 percent in New Jersey, to a high of 97.4 percent in Michigan.

Both initiatives, plus other REGO II efforts that have broad impact on SSA such as payment cycling, increased electronic fund transfers, and Regional Office consolidation are targeted to have impact in FY 1997. Like disability reengineering, these efforts will also require legislative and rule-making facilitation.

6. Financial And Program Data/Information

(This information applies generically to all key programs and rather than repeat it as item 6 in specific program write-ups, it is only shown here.)

SSA issues an annual financial statement which is audited by the Office of Inspector General (OIG). The audit opinion for FY 1994 states, without qualification, that SSA's financial statements present fairly the financial condition and results of Agency operations. The audited, business-type, financial statements are preceded by an overview with observations about performance against SSA's key goals. A supplemental section of the report includes a significant amount of information on the performance of each SSA program.

SSA's Chief Financial Officer is responsible for the preparation of the annual financial statement. The statements are completed with data compiled from the Agency's official general ledger and financial accounting systems. Other SSA components, which monitor various aspects of SSA's programs, contribute to the overall data gathering process by providing supplemental management information compiled from both automated and manual systems.

SSA believes that the information gathered is both timely and accurate. As previously stated, in the opinion of OIG, the annual financial statements present fairly the financial condition and results of Agency operations. SSA's FY 1994 statements were completed earlier than required, and the FY 1995 financial statements are targeted for release on December 15, 1995.

SSA continually strives to provide the public with the best information possible. SSA has formed an Agency task force to assess the performance measures for FY 1996 and beyond. As improvements are made in the performance measurement arena, the changes will be properly reflected in the annual financial statements.

Potential Changes in Budget/Accounting Structure

Often the implementation of programmatic changes at SSA spans several fiscal years. During the Spring Review discussions, SSA indicated that it would like additional "no-year" authority where unused operating funds could be carried over to the next fiscal year. In addition, they suggested that granting SSA authority to enter into Interagency agreements exempt from the year-end provisions now imposed by the Economy Act would also be beneficial. For example, SSA would like to sign agreements with agencies in August of one fiscal year and obligate 12 months funding rather than split the annual services into two separate contract actions as is now the case. These are issues that OMB will review with SSA during the fall budget process.

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FY 1997 BUDGET SPRING REVIEW

RELATIONSHIP OF KEY PERFORMANCE OBJECTIVES AND BUDGETS AGENCY: SOCIAL SECURITY ADMINISTRATION KEY PROGRAM: CONTINUING DISABILITY REVIEWS (CDRS)

1. Long Term CDR Program Objectives

- A. Refine CDR mailer process and profiling techniques
- B. Increase the number of CDRs processed

CDRs are a postentitlement workload where SSA reviews currently entitled disability recipients on a periodic basis to ensure that eligibility continues. Through data analysis and profiling, SSA is increasingly able to target limited CDR processing resources to those cases with the highest potential for cessation. In addition, new electronic screening capabilities planned should make the CDR mailer process (use of a self-help form completed by beneficiaries to initiate a CDR) more efficient in future years.

2. Current CDR Performance Measures

Measure	Expected Results	
	1995	1996
A. Number of CDRs processed	270,800	431,100

3. CDR Performance Measures In the FY 1996 Budget

Measure	Expected Results	
	1995	1996
A. Number of CDRs processed	270,800	431,100

4. Summary of Current CDR Program Resources (\$ in millions)

		<u>FY 1996</u>
Total, Administrative Expenses Account		\$6,188
Subprogram:	CDRs	\$215

5. Future CDR Program Activities

Because timely performance of CDRs has a positive effect on Trust Fund outlays, there has been re-occurring interest from the Congress and others to finance administrative costs associated from doing CDRs with program dollar savings. As an alternative, the FY 1996 President's budget earmarked a specific amount of administrative funds (\$215 million) to be spent on CDR processing.

Finally, SSA is continuing to seek measures of performance for postentitlement workloads that better reflect the broader issue of how many people might be on the rolls that are ineligible for benefits because of improvement in their disabling condition or other reasons. An SSA workgroup is currently examining a number of different options, including measures that reflect percentages of lifetime disability benefits that are paid incorrectly.

6. Financial and Program Data/Information

See Item 6 in "KEY PROGRAM: DISABILITY CLAIMS AND APPEALS."

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FY 1997 BUDGET SPRING REVIEW

RELATIONSHIP OF KEY PERFORMANCE OBJECTIVES AND BUDGETS AGENCY: SOCIAL SECURITY ADMINISTRATION KEY PROGRAM: 800 NUMBER TELEPHONE SERVICE

1. Long Term 800 Number Objectives

A. Serve callers to the 800 Number within 5 minutes of their first attempt.

The term "serve" refers to callers ability to gain access to the 800 Number, and being able to connect with an agent or an automated telephone response unit.

2. Current 800 Number Performance Measures

Measure	Expected Results	
	1995	1996
A. Total number of calls to the 800 number served	49,354,700	51,381,000
B. Percent of individuals calling the 800 number who are served within 5 minutes of their first attempt	82%	85%

3. 800 Number Performance Measures In The FY 1997 Budget

Measure	Expected Results	
	1995	1996
A. Total number of calls to the 800 number served	49,354,700	51,381,000
B. Percent of individuals calling the 800 number who are served within 5 minutes of their first attempt	82%	85%

SSA's budget is workload and component-driven--it is not based on method of access by the public. There is presently no SSA workload that can be identified solely with 800 Number activity. SSA is beginning to develop models to help assess resource inputs that would be required to answer 800 Number calls within 5 minutes and has set that as a goal for the budget process.

4. Summary of Current 800 Number Program Resources (\$ in millions)

	<u>FY 1996</u>
Total, Administrative Expenses Account	\$6,188
Subprogram: 800 Number	\$300

In the SSA budget, the cost of the 800 Number is incorporated into the costs of other SSA workloads, including disability claims, hearings and CDRs. The costs above represent estimates of payroll for the workyears targeted to 800 Number work in teleservice centers and Spike Units, and the telephone line charges and other support costs associated with this activity.

5. Future 800 Number Program Activities

SSA is currently working to increase call answering capacity on the 800 Number and we expect to reach our objective of serving callers within 5 minutes early in CY 1996. Each of SSA's six program service centers has trained a contingent of "spike" employees to assist full-time teleservice representatives in answering calls during peak periods. Central and regional office pilots are planned to assist with 800 Number transcription workloads. And two SSA Data Operation Centers are being converted into SSA teleservice centers.

In addition, SSA is also exploring technology as a way of increasing call-taking capacity. Automated self-service options are available in some locations, and new "network prompt" technology is being developed as a means of accepting more calls, as well as a platform for further automated call features such as automated transcription.

SSA was a co-lead for a recent NPR benchmarking effort on 800 Number operations. The Agency is currently analyzing a number of excellent ideas gleaned from organizations considered the "best in business."

Finally, two REGO II initiatives--payment cycling and increased electronic funds transfer (or "direct deposit") participation--will have a very positive impact on meeting long-term 800 Number objectives. Payment cycling refers to the ability to pay benefits to customers on various dates throughout the month, rather than all on a single day as SSA currently does. Payment cycling will help level out 800 Number demand which is currently overwhelming around payment days. Increased electronic funds transfer of benefits should curb beneficiary problems related to non-receipt of benefits and general payment-related inquiries and therefore lessen demand on the 800 Number.

6. Financial and Program Data/Information

See Item 6 in "KEY PROGRAM: DISABILITY CLAIMS AND APPEALS."