

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
MIKE COHEN

SUBJECT: Proposed Budget Initiatives for Indian Education

Last July, a coalition of education-oriented groups from Indian Country proposed a Comprehensive Federal Indian Education policy statement, which emphasized the importance of Tribal governance of Indian Education, the preservation and revitalization of Native languages and cultures, and the need for equitable access to education resources. The coalition also proposed an Executive Order to implement this policy vision.

This proposal has been under review by DPC staff and the Domestic Policy Council Working Group on American Indians and Alaska Natives. Pending a determination as to whether the proposed Executive Order is desirable and likely to be effective in accomplishing its aims, we have begun to identify steps that can be taken right now to improve education for Native American students in schools controlled by the BIA and Tribes, as well as in the public schools attended by large numbers of Indian students.

The full set of initiatives we have developed summarized below. Most involve ensuring that new education proposals and existing funding streams effectively target resources to schools in Indian Country. In one area -- school construction and maintenance -- we are going further by proposing a significant increase in funds over previous appropriations levels.

Tribal School Construction Proposal

The BIA operates 185 residential and day schools serving 51,000 Native American students, approximately 10% of all Native American students in grades K-12. Enrollment in all BIA schools has increased by 25% since 1987. According to a forthcoming GAO report, BIA schools, compared to schools nationwide, (1) are generally in poorer physical condition; (2) have more "unsatisfactory environmental factors"; (3) more often lack key facilities required for education reform (e.g., science labs); and (4) are less able to support computer and communications technology. Overall, they are in worse condition than even inner-city schools.

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We are recommending an increase of \$32.2 million over the FY 1998 appropriations (and

an increase of \$30 million over the Department of Interior FY 1999 request) for the Bureau of Indian Affairs account for Facilities Improvement and Repairs. This proposal would increase the number of schools undergoing significant repairs from 6 to 22, and would also provide funds for needed portable classrooms, roof replacements, and other repairs. We also support the BIA proposals for two related accounts, which provide modest increases in New School Construction and Annual Operation and Maintenance.

The Tribes would view this proposal as a significant step forward in improving the quality of education for Indian students. Congressional delegations from the affected states also would receive the proposal warmly.

This proposal is especially important if you choose to propose a new school construction initiative on the tax side, because Tribes do not issue bonds for this purpose. Even if you choose to propose a school construction initiative on the spending side, this initiative would be valuable. In the Administration's school construction proposal last year, 2% of the funds were set aside for a direct appropriation for Tribal schools, over and above the accounts discussed here. This funding, however, is contingent on the passage of a school construction proposal, and in any event, is insufficient to meet the Tribes' needs.

We have developed this proposal with the involvement and support of OMB, the Department of the Interior and the Department of Education.

Other Initiatives

We are working to make sure that other education initiatives that are proposed for FY99 include an appropriate set-aside for BIA schools and, where feasible, for public schools that serve a large concentration of Native American students. These include:

- Education Opportunity Zones. A percentage of grant funds will be set aside for administration by the BIA, and the Education Department will be encouraged to provide at least one grant to a rural school district with a large percentage of Native American students.
- Early Intervention College/School Partnerships. We are working to determine the best ways to ensure that Tribal Colleges can effectively participate in this initiative, as well as to fund other college/school partnerships in communities with a large percentage of Native American students.
- Child Care. The Child Care Block Grant already contains a set aside for administration by BIA. Proposed funding increases in this program will automatically benefit programs serving Native Americans on reservations.
- Technology. This year the BIA launched Access Native America, an initiative to implement the four pillars of your technology challenge and to connect all schools, classrooms, and libraries to the Department of Interior's Internet backbone by the year

2000. Within the past month, DPC arranged a meeting between BIA staff and the Schools and Libraries Corporation to help Tribal schools take advantage of the e-rate. As a result, the Corporation has agreed that BIA can apply for the e-rate on behalf of all Tribal schools, and BIA has begun to develop materials and plan training so that schools can complete the necessary applications.

- Teacher Preparation and Recruitment. This initiative, which you announced at the NAACP Convention on July 17, helps to prepare and recruit teachers to serve in high-poverty urban and rural communities. At the time this proposal was developed, we did not target funds to Tribal schools. We are in the process of preparing new legislative language to take care of that omission, and will work with our Congressional allies to incorporate it into our proposal.

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We are recommending an increase of \$51.4 million over the FY 1998 appropriations (and an increase of \$47.6 million over the Department of Interior FY 1999 request) for two Bureau of Indian Affairs accounts for New School Construction, and Facilities Improvement and Repairs.

The proposed increase would double funding for new school construction and for significant improvements and repairs of existing facilities. Compared to the BIA FY 1999 request, this step would increase the number of new schools to be built from 2 to 3, and increase the number of schools undergoing significant improvements or repairs from 6 to 22. The higher budget request would also provide funds for needed portable classrooms, roof replacements, and other repairs.

	FY98 Appropriations	FY99 BIA Request	FY99 DPC Recommendation
New School Construction	\$19.2 million	\$20.8 million	\$38.4 million
Facilities Improvement and Repairs	\$32.2 million	\$34.4 million	\$64.4 million
Total	\$51.4million	\$55.2 million	\$102.8 million

The Tribes would view this proposal as a significant step forward in improving the quality of education for Indian students. Congressional delegations from the affected states also would receive the proposal warmly.

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TREATMENT OF INDIAN SCHOOL DISTRICTS UNDER THE ADMINISTRATION'S IMPACT AID POLICY. IMPLICATIONS FOR FY1999 BUDGET

The purpose of this analysis is to describe the impact of the Administration's current policies for the Impact Aid program, and to discuss the implications of those policies for FY1999 budget decisions.

Problem: The Administration's current budget and formula policies for Impact Aid, if enacted, would result in a major loss of Federal education funds for Indian children

Impact Aid is the largest program in the Department of Education (ED) that provides funds to educate Indians. Basic Support Payments will provide approximately \$320 million for Indian children in 1998¹; by comparison, estimated funding for Indians under Title I Grants to Local Educational Agencies, the Special Education State Grants (Part B) program, and the Indian Education program will be approximately \$193 million, \$83 million, and \$60 million, respectively. If the Administration continues, in FY1999, with its 1998 request level (\$584 million) for Basic Support Payments, newly available estimates from ED indicate that the funding per Indian student will drop from \$2,791 to \$1,840 (34 percent), compared to a decline of 12 percent for the overall program. If OMB approves ED's request of \$626 million for Basic Support Payments and the President's 1999 budget includes the same formula proposed in his 1998 budget, funding per Indian child will still drop, by an average of 29 percent even though the overall Basic Support Payments appropriation would drop by only 5 percent.

For several years, the Administration's broader policy has been to maintain (and, if possible, increase) funds to educate Indian children. The current Impact Aid policies are clearly at odds with this broader policy. There is little chance that such a discrepancy will not be noticed by the Indian community, which closely monitors Administration budget requests for Indian programs and will certainly notice if an Impact Aid reduction overwhelms small increases in other areas.

While school districts receive Basic Support Payments on the basis of their enrollments of children living on Indian lands, they do not have to use those payments solely to serve those

¹The Impact Aid program does not provide support directly for Indians (That is, funds do not flow on the basis of ethnicity or tribal membership.) Rather, under the program, the Federal Government compensates LEAs for the burden of educating children who live on, or whose parents reside on, nontaxable Federal property, including certain Indian trust lands. For the purpose of brevity, the payments on behalf of children living on those Indian lands (most of whom are federally recognized Indians) may be referred to in this paper as "payments for Indian children" or "Indian payments."

children. As with other Basic Support Payments funds, those monies are available for the general operating expenses of recipient districts. The Impact Aid statute, however, requires that:

- Indian children counted under the program participate in education programs and activities on an equal basis with other children; and
- LEAs receiving payments for children living on Indian lands consult and involve parents of Indian children and Indian tribes in developing educational activities and programs.

These provisions help ensure that districts receiving payments for Indian children provide equitable services to those children, and ensure that the program is a significant component of the overall Federal effort in support of Indian education (not just a source of revenue to districts that happen to serve Indians).

Comparison of Current and Proposed Formula Provisions

Two basic features of the law -- (1) the formula for determining LEAs' "maximum payments" and (2) the reduction methodology that is used when appropriations are insufficient to make the maximum payments -- combine to determine how much each LEA receives under the Basic Support Payments program.

Current law -- Under the law, the Basic Support Payments formula calculates each LEA's maximum payment by determining the "local contribution rate" (LCR) the LEA is eligible to receive and multiplying this number by the number of **eligible weighted students** in the LEA.

- The **local contribution rate** used in the statutory formula is the highest of four calculations, each of which is considered to be an LCR: (1) one-half of the U.S. average per pupil expenditure (USAPPE) for education; (2) one-half of the State per-pupil expenditure (SPPE); (3) the LCR of comparable LEAs; and (4) the product of the SPPE and the "local contribution percentage"² (LCP) in the State.
- The count of **eligible weighted students** reflects the different weights assigned to different categories of federally connected students based on their educational need and/or the loss of educational revenue associated with their presence in the district. For example, military "a" children receive a weight of 1.0, children living on Indian lands receive a weight of 1.25, and children living in low-rent housing receive a weight of 0.1.

If appropriations are insufficient to make the maximum payments to all districts, the Department reduces payments using the so-called "Learning Opportunity Threshold." The LOT is the

²The local contribution percentage is the percentage of all public elementary and secondary education expenditures in the State from local and intermediate sources.

sum of (1) the number of federally affected students as a percentage of the LEA's average daily attendance (ADA) and (2) the maximum payment under the Basic Support Payments formula as a percentage of the LEA's total current expenditures, not to exceed 100 percent

Problems with the current provisions -- For several years (going back to the 1994 reauthorization, which established the current payment rules), the Administration has opposed both the provisions for determining maximum payments and the provisions for determining reductions, and has proposed alternative provisions in appropriations language. In brief, our objections to the provisions are as follows:

- Two of the methods that LEAs can select for determining their local contribution rate (the one-half USAPPE option and the one-half the SPPE option) do not accurately reflect the likely amount of funds the LEA would contribute if it were not federally affected. Although the statute refers to all four methods as local contribution rates, these two methods do not truly reflect the rate at which LEAs contribute local funds to education. Those provisions thus conflict with the purposes of the Impact Aid program. The third method (based on the LCR for comparable LEAs) is not as inequitable but is administratively cumbersome.
- The LOT reduction methodology is flawed because it shifts funds to LEAs that make a low level of fiscal effort in support of education; districts can even increase their Impact Aid payment by reducing their expenditures, which clearly contradicts the purpose of the program. Further, because it is based on the sum of two percentages, the LOT can provide a higher percentage of the maximum payment to districts that have lower percentages of federally connected than do other districts, even though logic (and the evidence) would argue that the most heavily affected districts have the greatest needs or at least that (as under the Administration's proposal) all districts should be treated equally.

Administration proposals -- For the past several years, the Administration has put forward proposals that would correct these problems with the current provisions. Briefly, the Administration's provisions would:

- Establish only one method for calculating the local contribution rate: the product of the SPPE and the State's LCP. This calculation produces a payment that does a much better job, than current law, of reflecting the financial impact on school districts of educating federally connected children.
- Jettison the LOT in favor of a much simpler, and more equitable, "ratable reduction" methodology, which would pay all LEAs the same percentage of their maximum payment.

Department staff continue to believe that these provisions, although they have not been accepted by Congress, would provide for a much simpler and more equitable method of distributing limited Impact Aid resources. However, the Administration developed its proposals, four years ago, in absence of a thorough analysis of their impact on payments on behalf of Indian children and on heavily Indian districts.

Implications for Indian Payments -- As noted earlier, the Administration's formula and budget proposals would very significantly reduce per-child payments on behalf of children living on Indian lands. This reduction would have particularly severe consequences for heavily Indian LEAs. For example, Shannon County in South Dakota, which counts 889 students living on Indian lands under the program, would have seen its payment cut from \$3 million in FY 1997 to \$2.5 million in 1998 had the Administration's proposals prevailed. Lame Deer High School District in Montana has 98 students living on Indian lands received \$243 thousand in 1997 and would have received \$202 thousand under the Administration's formula in 1998. (Both Shannon and Lame Deer are extremely poor LEAs.) Part of the problem clearly is attributable to the proposed budget levels; the Administration has not requested enough money for Basic Support Payments to make good on our commitment to maintaining funding on behalf of Indians and military "a" children. But much of the problem stems from the formula proposals. Specifically:

- *Our policies would permit only one method of determining the local contribution rate, and that method relies heavily on SPPE.* However, federally affected Indians are disproportionately located in States with relatively low SPPE. All districts in those States, including Indian districts, are negatively affected by the proposals.
- *The true LCR drives the Administration's formula more heavily than the statutory formula.* LEAs with federally affected Indian students are more likely than to be located in States with relatively low LCRs than are LEAs with federally affected military students.
- *The Administration's ratable reduction proposal does not favor heavily impacted LEAs.* Districts with federally affected Indian students are more likely to have a high concentration of federally affected students than districts with federally affected military students. Thus, methods for reducing payments that benefit districts with a relatively high proportion of federally affected students, which the Administration's formula does not, will benefit Indian students.

Solutions: Increased funding and a formula change are needed to maintain Indian payments at an acceptable level

Clearly the first part of a solution to this problem must be a budget level that provides adequate funding for the education of both Indian and military "a" children. The Department believes that its \$626 million request for Basic Support Payments would be sufficient, although barely so.

Some changes are also needed in the Administration's formula. If we were to retain those proposals, the cost of bringing the average payment per Indian student up to the level of the past five years may be prohibitive. (See attachment 1). For example, it would cost \$766 million to provide funding per Indian child at the inflation-adjusted 1994 level (\$2,414) and \$671 million to bring it to the 1994 level without adjusting for inflation (\$2,113). Both of these amounts are above ED's request of \$626 million.

What follows are a series of options on the maximum payment calculation and the reduction methodology, and commentary on how they would affect payments on behalf of Indian children. The average payment for Indian and military "a's" under each option appears in Attachment 2. The cost of fully funding the formula and, where applicable, the mechanism to reduce payments appears in Attachment 3.

Issue 1 -- Method of calculating maximum payments

The method of calculating maximum payments can be used to increase the average payments to Indians by reducing the penalty on LEAs for being located in a low SPPE State. Options B-F build upon Option A, the Administration's proposed formula over the past few years.

Option A Continue current policy -- calculate the maximum payment as the product of SPPE and the State's LCP

This option has been proposed by the Administration over the past few years, but Congress has declined to adopt it. Although it probably does the best job in terms of overall equity, it penalizes LEAs located in States with relatively low SPPE. An additional problem is that it would significantly reduce funds for Indians when compared to current law.

Option B Bind SPPE by 80 and 120 percent of USAPPE

This option constrains SPPE by applying the same upper and lower bounds used in Title I. But it does not appear to significantly increase the average payment for Indian students.

Option C Bind SPPE by 80 percent of USAPPE

This option may be strategically preferable to Option A because it does not readily identify high SPPE States as losers. However, it does not appear to significantly increase the average payment for Indian students.

Option D Calculate the maximum payment as the higher of (1) the product of SPPE and the State's LCP and (2) the comparable LCR

This option would allow LEAs to use two of the options available under current law (instead of only one). The benefits to using a comparable LCR as a choice are that (1) it will likely increase

the average payment per Indian and (2) it rewards LEAs that have a high level of fiscal effort, which the program should do since it is designed to replace local revenue. The drawbacks to allowing the comparable LCR as a choice are that (1) the effect of allowing the comparable LCR as a choice is difficult to model because we only have data on the comparable LCRs for the few LEAs that use the choice under current law and (2) administering this method consumes a large amount of program staff time. The increase in Indian payments under this option appears to be small.

Option E Calculate the maximum payment as the higher of (1) the product of SPPE and the State's LCP; (2) the comparable LCR; and (3) the product of the State's LCP and USAPPE

This option would enable LEAs to use USAPPE rather than SPPE in calculating their maximum payments. While USAPPE will tend not to reflect the actual revenue lost to LEAs as accurately as SPPE, this option would significantly increase Indian payments.

Option F Calculate the maximum payment using the higher of (1) the product of SPPE and the State's LCP and (2) the product of the State's LCP and USAPPE

This option is similar to Option E but it does not seem to increase the average payment per Indian as much because it does not include the use of a comparable district's local contribution rate as an alternative.

Issue 2 Method of reducing payments when funds are insufficient to pay maximum payments in full

Methods of reducing payments can be used to favor heavily impacted LEAs, which will favor federally affected Indian students since they tend to be concentrated. The Option 2 and 3 build upon Option 1 from the Administration's formula.

Option 1 Continue current policy: Use a standard ratable reduction

The Administration has proposed ratable reduction over the past several years as the most equitable and simple approach. Instead of using ratable reduction, Congress has elected to use LOT to reduce payments. Neither the Administration nor Congress has come close to fully funding their formulas for Basic Support Payments. Since LEAs with relatively high proportions of federally affected students are the most dependent on Basic Support Payments, the means of reducing payments should ideally have the least impact on LEAs with high proportions of federally affected students. Ratable reduction, however, has a neutral effect on heavily impacted LEAs relative to less impacted LEAs.

Option 2 Reduce payments from a base of the product of the maximum payment times the percentage of federally affected students in the district

Reducing payments based on the percentage of federally affected students greatly benefits heavily impacted LEAs and thereby increases Indian payments. However, it severely penalizes LEAs with relatively low percentages of federally affected students. For example, at an appropriation of \$626 million, Broward County Florida would receive \$127,899 under Option 1, \$101,180 under Option 3, but only \$542 under Option 2.

Option 3 Reduce payments from a base of 50 percent plus one-half of the percentage of federally affected students in the district

Reducing payments based on 50 percent plus one-half of the percentage of federally affected students would favor heavily impacted LEAs and thereby favor Indians, without doing grave damage to less impacted LEAs, and (2) would not require extensive changes in the current reduction methodology, which should increase the likelihood that Congress would adopt the change.

Conclusion

ED staff believe that a combination of the local contribution rate option E and reduction methodology 3 would do the best job of redistributing payments to LEAs that educate Indian children. (Staff have not yet shared this analysis with high-level ED officials.) The recommended options would provide average Indian payments of \$2,380 at ED's budget request level -- still a significant reduction from the \$2,791 per student projected for 1998 but markedly better than the \$1,972 level projected under the current budget and formula policies. The only options available that would provide more funds have serious problems. The formula under current law contains provisions that are inconsistent with the purpose of the program, and the two options analyzed that provide higher Indian payments use a method of reducing payments that severely penalizes LEAs with a relatively small percentage of federally affected students. While there would likely still be a decrease in funding per Indian "a" compared to the actual appropriation for 1998, this would be tolerable because it brings the funding per Indian "a" in line with the funding per Indian "a" prior to 1997.

Attachment 1 – Indian and military funding per pupil under basic support payments, 1994 - 1998.				
Year	Funding per Indian "a"	Funding per Military "a"	Appropriation	
1994	\$2,113	\$1,347	\$736,574,000	\1
1995	\$2,483	\$1,701	\$631,707,000	
1996	\$2,116	\$1,384	\$581,707,000	
1997 \2	\$2,600	\$1,400	\$615,500,000	
1998 \3	\$2,800	\$1,500	\$662,000,000	\4
1999 \5	\$2,000	\$2,100	\$626,000,000	\6
\1 combines the payment for Impact Aid "a" children with the payment for Impact Aid "b" children. \2 funds shift dramatically toward Indian districts during 1997 because it is the first year that many districts no longer received their hold harmless payment, which protected their funding from 1994. The hold harmless particularly protected military LEAs, which are more likely than Indian LEAs to have "b" children who received a great deal of funds in 1994. \3 uses the legislated formula rather than the Administration's proposed formula. \4 predicted appropriation level. \5 uses the formula the Administration proposed in fiscal year 1998. \6 ED's fiscal year 1999 request.				

Attachment 2

Funds per Indian and military child

Formula options	\$584 million		\$626,000,000		\$662,000,000	
	\$/Indian	\$/military	\$/Indian	\$/military	\$/Indian	\$/military
Current law	\$2,462	\$1,332	\$2,639	\$1,428	\$2,791	\$1,510
A1	\$1,840	\$1,958	\$1,972	\$2,098	\$2,086	\$2,219
A2	\$2,123	\$1,782	\$2,200	\$1,957	\$2,257	\$2,113
A3	\$2,052	\$1,826	\$2,145	\$1,991	\$2,217	\$2,137
B1	\$1,874	\$1,937	\$2,008	\$2,076	\$2,124	\$2,195
B2	\$2,138	\$1,773	\$2,213	\$1,949	\$2,265	\$2,108
B3	\$2,069	\$1,816	\$2,161	\$1,981	\$2,234	\$2,127
C1	\$1,850	\$1,952	\$1,983	\$2,092	\$2,097	\$2,212
C2	\$2,144	\$1,769	\$2,222	\$1,943	\$2,282	\$2,097
C3	\$2,069	\$1,816	\$2,164	\$1,980	\$2,238	\$2,125
D1	\$1,863	\$1,943	\$1,997	\$2,083	\$2,112	\$2,203
D2	\$2,192	\$1,739	\$2,270	\$1,914	\$2,331	\$2,067
D3	\$2,105	\$1,793	\$2,201	\$1,956	\$2,277	\$2,100
E1	\$1,947	\$1,891	\$2,087	\$2,028	\$2,207	\$2,144
E2	\$2,398	\$1,611	\$2,495	\$1,774	\$2,569	\$1,919
E3	\$2,245	\$1,706	\$2,380	\$1,846	\$2,474	\$1,978 (recommended)
F1	\$1,920	\$1,908	\$2,058	\$2,045	\$2,176	\$2,163
F2	\$2,339	\$1,648	\$2,431	\$1,814	\$2,504	\$1,960
F3	\$2,211	\$1,728	\$2,330	\$1,877	\$2,421	\$2,011

Formula options B-F and 2-3 build on the Administration's proposed formula (A1).

A -- SPPE * State's LCP

B -- binds SPPE by 80 and 120 percent of USAPPE

C -- binds SPPE by 80 percent of USAPPE

D -- Higher of (1) SPPE * State's LCP and (2) comparable LCR

E -- Higher of (1) SPPE * State's LCP; (2) comparable LCR; and (3) State LCP * USAPPE

F -- Higher of (1) SPPE * State's LCP and (2) State LCP * USAPPE

1 -- Standard ratable reduction

2 -- Reduce payment based on the percentage of federally affected students

3 -- Reduce payment based on 50 percent plus one-half of the percentage of federally affected students

Attachment 3

Cost of fully funding variations on the Learning
Opportunity Threshold (LOT) used to reduce payments
and fully funding maximum payments

Formula options	LOT	Maximum payment
Current law	\$679,042,397	\$1,405,551,460
A1	*	\$760,147,789
A2	\$267,024,327	\$760,147,789
A3	\$513,586,058	\$760,147,789
B1	*	\$741,895,675
B2	\$258,697,530	\$741,895,675
B3	\$500,296,603	\$741,895,675
C1	*	\$767,570,918
C2	\$269,354,233	\$767,570,918
C3	\$518,462,576	\$767,570,918
D1	*	\$782,665,234
D2	\$276,658,278	\$782,675,261
D3	\$529,661,755	\$782,665,234
E1	*	\$873,752,381
E2	\$313,842,782	\$873,752,381
E3	\$593,797,581	\$873,752,381 (recommended)
F1	*	\$857,600,214
F2	\$305,339,723	\$857,600,214
F3	\$581,469,968	\$857,600,214

Formula options B-F and 2-3 build on the Administration's proposed formula (A1).

A – SPPE * State's LCP

B – binds SPPE by 80 and 120 percent of USAPPE

C – binds SPPE by 80 percent of USAPPE

D -- Higher of (1) SPPE * State's LCP and (2) comparable LCR

E – Higher of (1) SPPE * State's LCP; (2) comparable LCR; and (3) State LCP * USAPPE

F – Higher of (1) SPPE * State's LCP and (2) State LCP * USAPPE

1 – Standard ratable reduction

2 -- Reduce payment based on the percentage of federally affected students

3 -- Reduce payment based on 50 percent plus one-half of the percentage of federally affected students

TREATMENT OF INDIAN SCHOOL DISTRICTS UNDER THE ADMINISTRATION'S
IMPACT AID POLICY: IMPLICATIONS FOR FY1999 BUDGET

The purpose of this analysis is to describe the impact of the Administration's current policies for the Impact Aid program, and to discuss the implications of those policies for FY1999 budget decisions.

Problem: The Administration's current budget and formula policies for Impact Aid, if enacted, would result in a major loss of Federal education funds for Indian children

Impact Aid is the largest program in the Department of Education (ED) that provides funds to educate Indians. Basic Support Payments will provide approximately \$320 million for Indian children in 1998¹; by comparison, estimated funding for Indians under Title I Grants to Local Educational Agencies, the Special Education State Grants (Part B) program, and the Indian Education program will be approximately \$193 million, \$83 million, and \$60 million, respectively. If the Administration continues, in FY1999, with its 1998 request level (\$584 million) for Basic Support Payments, newly available estimates from ED indicate that the funding per Indian student will drop from \$2,791 to \$1,840 (34 percent), compared to a decline of 12 percent for the overall program. If OMB approves ED's request of \$626 million for Basic Support Payments and the President's 1999 budget includes the same formula proposed in his 1998 budget, funding per Indian child will still drop, by an average of 29 percent even though the overall Basic Support Payments appropriation would drop by only 5 percent.

For several years, the Administration's broader policy has been to maintain (and, if possible, increase) funds to educate Indian children. The current Impact Aid policies are clearly at odds with this broader policy. There is little chance that such a discrepancy will not be noticed by the Indian community, which closely monitors Administration budget requests for Indian programs and will certainly notice if an Impact Aid reduction overwhelms small increases in other areas.

While school districts receive Basic Support Payments on the basis of their enrollments of children living on Indian lands, they do not have to use those payments solely to serve those

¹The Impact Aid program does not provide support directly for Indians. (That is, funds do not flow on the basis of ethnicity or tribal membership.) Rather, under the program, the Federal Government compensates LEAs for the burden of educating children who live on, or whose parents reside on, nontaxable Federal property, including certain Indian trust lands. For the purpose of brevity, the payments on behalf of children living on those Indian lands (most of whom are federally recognized Indians) may be referred to in this paper as "payments for Indian children" or "Indian payments."

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children. As with other Basic Support Payments funds, those monies are available for the general operating expenses of recipient districts. The Impact Aid statute, however, requires that:

- Indian children counted under the program participate in education programs and activities on an equal basis with other children; and
- LEAs receiving payments for children living on Indian lands consult and involve parents of Indian children and Indian tribes in developing educational activities and programs.

These provisions help ensure that districts receiving payments for Indian children provide equitable services to those children, and ensure that the program is a significant component of the overall Federal effort in support of Indian education (not just a source of revenue to districts that happen to serve Indians).

Comparison of Current and Proposed Formula Provisions

Two basic features of the law -- (1) the **formula for determining LEAs' "maximum payments"** and (2) the **reduction methodology** that is used when appropriations are insufficient to make the maximum payments -- combine to determine how much each LEA receives under the Basic Support Payments program.

Current law -- Under the law, the Basic Support Payments formula calculates each LEA's maximum payment by determining the "**local contribution rate**" (LCR) the LEA is eligible to receive and multiplying this number by the number of **eligible weighted students** in the LEA.

- The **local contribution rate** used in the statutory formula is the highest of four calculations, each of which is considered to be an LCR: (1) one-half of the U.S. average per pupil expenditure (USAPPE) for education; (2) one-half of the State per-pupil expenditure (SPPE); (3) the LCR of comparable LEAs; and (4) the product of the SPPE and the "**local contribution percentage**"² (LCP) in the State.
- The count of **eligible weighted students** reflects the different weights assigned to different categories of federally connected students based on their educational need and/or the loss of educational revenue associated with their presence in the district. For example, military "a" children receive a weight of 1.0, children living on Indian lands receive a weight of 1.25, and children living in low-rent housing receive a weight of 0.1.

If appropriations are insufficient to make the maximum payments to all districts, the Department reduces payments using the so-called "**Learning Opportunity Threshold**." The LOT is the

²The local contribution percentage is the percentage of all public elementary and secondary education expenditures in the State from local and intermediate sources.

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sum of (1) the number of federally affected students as a percentage of the LEA's average daily attendance (ADA) and (2) the maximum payment under the Basic Support Payments formula as a percentage of the LEA's total current expenditures, not to exceed 100 percent

Problems with the current provisions -- For several years (going back to the 1994 reauthorization, which established the current payment rules), the Administration has opposed both the provisions for determining maximum payments and the provisions for determining reductions, and has proposed alternative provisions in appropriations language. In brief, our objections to the provisions are as follows:

- Two of the methods that LEAs can select for determining their local contribution rate (the one-half USAPPE option and the one-half the SPPE option) do not accurately reflect the likely amount of funds the LEA would contribute if it were not federally affected. Although the statute refers to all four methods as local contribution rates, these two methods do not truly reflect the rate at which LEAs contribute local funds to education. Those provisions thus conflict with the purposes of the Impact Aid program. The third method (based on the LCR for comparable LEAs) is not as inequitable but is administratively cumbersome.
- The LOT reduction methodology is flawed because it shifts funds to LEAs that make a low level of fiscal effort in support of education; districts can even increase their Impact Aid payment by reducing their expenditures, which clearly contradicts the purpose of the program. Further, because it is based on the sum of two percentages, the LOT can provide a higher percentage of the maximum payment to districts that have lower percentages of federally connected than do other districts, even though logic (and the evidence) would argue that the most heavily affected districts have the greatest needs or at least that (as under the Administration's proposal) all districts should be treated equally.

Administration proposals -- For the past several years, the Administration has put forward proposals that would correct these problems with the current provisions. Briefly, the Administration's provisions would:

- Establish only one method for calculating the local contribution rate: the product of the SPPE and the State's LCP. This calculation produces a payment that does a much better job, than current law, of reflecting the financial impact on school districts of educating federally connected children.
- Jettison the LOT in favor of a much simpler, and more equitable, "ratable reduction" methodology, which would pay all LEAs the same percentage of their maximum payment.

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Department staff continue to believe that these provisions, although they have not been accepted by Congress, would provide for a much simpler and more equitable method of distributing limited Impact Aid resources. However, the Administration developed its proposals, four years ago, in absence of a thorough analysis of their impact on payments on behalf of Indian children and on heavily Indian districts.

Implications for Indian Payments -- As noted earlier, the Administration's formula and budget proposals would very significantly reduce per-child payments on behalf of children living on Indian lands. This reduction would have particularly severe consequences for heavily Indian LEAs. For example, Shannon County in South Dakota, which counts 889 students living on Indian lands under the program, would have seen its payment cut from \$3 million in FY 1997 to \$2.5 million in 1998 had the Administration's proposals prevailed. Lame Deer High School District in Montana has 98 students living on Indian lands received \$243 thousand in 1997 and would have received \$202 thousand under the Administration's formula in 1998. (Both Shannon and Lame Deer are extremely poor LEAs.) Part of the problem clearly is attributable to the proposed budget levels; the Administration has not requested enough money for Basic Support Payments to make good on our commitment to maintaining funding on behalf of Indians and military "a" children. But much of the problem stems from the formula proposals. Specifically:

- *Our policies would permit only one method of determining the local contribution rate, and that method relies heavily on SPPE.* However, federally affected Indians are disproportionately located in States with relatively low SPPE. All districts in those States, including Indian districts, are negatively affected by the proposals.
- *The true LCR drives the Administration's formula more heavily than the statutory formula.* LEAs with federally affected Indian students are more likely than to be located in States with relatively low LCRs than are LEAs with federally affected military students.
- *The Administration's ratable reduction proposal does not favor heavily impacted LEAs.* Districts with federally affected Indian students are more likely to have a high concentration of federally affected students than districts with federally affected military students. Thus, methods for reducing payments that benefit districts with a relatively high proportion of federally affected students, which the Administration's formula does not, will benefit Indian students.

Solutions: Increased funding and a formula change are needed to maintain Indian payments at an acceptable level

Clearly the first part of a solution to this problem must be a budget level that provides adequate funding for the education of both Indian and military "a" children. The Department believes that its \$626 million request for Basic Support Payments would be sufficient, although barely so.

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Some changes are also needed in the Administration's formula. If we were to retain those proposals, the cost of bringing the average payment per Indian student up to the level of the past five years may be prohibitive. (See attachment 1). For example, it would cost \$766 million to provide funding per Indian child at the inflation-adjusted 1994 level (\$2,414) and \$671 million to bring it to the 1994 level without adjusting for inflation (\$2,113). Both of these amounts are above ED's request of \$626 million.

What follows are a series of options on the maximum payment calculation and the reduction methodology, and commentary on how they would affect payments on behalf of Indian children. The average payment for Indian and military "a's" under each option appears in Attachment 2. The cost of fully funding the formula and, where applicable, the mechanism to reduce payments appears in Attachment 3.

Issue 1 -- Method of calculating maximum payments

The method of calculating maximum payments can be used to increase the average payments to Indians by reducing the penalty on LEAs for being located in a low SPPE State. Options B-F build upon Option A, the Administration's proposed formula over the past few years.

Option A Continue current policy -- calculate the maximum payment as the product of SPPE and the State's LCP

This option has been proposed by the Administration over the past few years, but Congress has declined to adopt it. Although it probably does the best job in terms of overall equity, it penalizes LEAs located in States with relatively low SPPE. An additional problem is that it would significantly reduce funds for Indians when compared to current law.

Option B Bind SPPE by 80 and 120 percent of USAPPE

This option constrains SPPE by applying the same upper and lower bounds used in Title I. But it does not appear to significantly increase the average payment for Indian students.

Option C Bind SPPE by 80 percent of USAPPE

This option may be strategically preferable to Option A because it does not readily identify high SPPE States as losers. However, it does not appear to significantly increase the average payment for Indian students.

Option D Calculate the maximum payment as the higher of (1) the product of SPPE and the State's LCP and (2) the comparable LCR

This option would allow LEAs to use two of the options available under current law (instead of only one). The benefits to using a comparable LCR as a choice are that (1) it will likely increase

the average payment per Indian and (2) it rewards LEAs that have a high level of fiscal effort, which the program should do since it is designed to replace local revenue. The drawbacks to allowing the comparable LCR as a choice are that (1) the effect of allowing the comparable LCR as a choice is difficult to model because we only have data on the comparable LCRs for the few LEAs that use the choice under current law and (2) administering this method consumes a large amount of program staff time. The increase in Indian payments under this option appears to be small.

Option E Calculate the maximum payment as the higher of (1) the product of SPPE and the State's LCP; (2) the comparable LCR; and (3) the product of the State's LCP and USAPPE

This option would enable LEAs to use USAPPE rather than SPPE in calculating their maximum payments. While USAPPE will tend not to reflect the actual revenue lost to LEAs as accurately as SPPE, this option would significantly increase Indian payments.

Option F Calculate the maximum payment using the higher of (1) the product of SPPE and the State's LCP and (2) the product of the State's LCP and USAPPE

This option is similar to Option E but it does not seem to increase the average payment per Indian as much because it does not include the use of a comparable district's local contribution rate as an alternative.

Issue 2 Method of reducing payments when funds are insufficient to pay maximum payments in full

Methods of reducing payments can be used to favor heavily impacted LEAs, which will favor federally affected Indian students since they tend to be concentrated. The Option 2 and 3 build upon Option 1 from the Administration's formula.

Option 1 Continue current policy: Use a standard ratable reduction

The Administration has proposed ratable reduction over the past several years as the most equitable and simple approach. Instead of using ratable reduction, Congress has elected to use LOT to reduce payments. Neither the Administration nor Congress has come close to fully funding their formulas for Basic Support Payments. Since LEAs with relatively high proportions of federally affected students are the most dependent on Basic Support Payments, the means of reducing payments should ideally have the least impact on LEAs with high proportions of federally affected students. Ratable reduction, however, has a neutral effect on heavily impacted LEAs relative to less impacted LEAs.

Option 2 Reduce payments from a base of the product of the maximum payment times the percentage of federally affected students in the district

Reducing payments based on the percentage of federally affected students greatly benefits heavily impacted LEAs and thereby increases Indian payments. However, it severely penalizes LEAs with relatively low percentages of federally affected students. For example, at an appropriation of \$626 million, Broward County Florida would receive \$127,899 under Option 1, \$101,180 under Option 3, but only \$542 under Option 2.

Option 3 Reduce payments from a base of 50 percent plus one-half of the percentage of federally affected students in the district

Reducing payments based on 50 percent plus one-half of the percentage of federally affected students would favor heavily impacted LEAs and thereby favor Indians, without doing grave damage to less impacted LEAs, and (2) would not require extensive changes in the current reduction methodology, which should increase the likelihood that Congress would adopt the change.

Conclusion

ED staff believe that a combination of the local contribution rate option E and reduction methodology 3 would do the best job of redistributing payments to LEAs that educate Indian children. (Staff have not yet shared this analysis with high-level ED officials.) The recommended options would provide average Indian payments of \$2,380 at ED's budget request level -- still a significant reduction from the \$2,791 per student projected for 1998 but markedly better than the \$1,972 level projected under the current budget and formula policies. The only options available that would provide more funds have serious problems. The formula under current law contains provisions that are inconsistent with the purpose of the program, and the two options analyzed that provide higher Indian payments use a method of reducing payments that severely penalizes LEAs with a relatively small percentage of federally affected students. While there would likely still be a decrease in funding per Indian "a" compared to the actual appropriation for 1998, this would be tolerable because it brings the funding per Indian "a" in line with the funding per Indian "a" prior to 1997.

Attachment 1 -- Indian and military funding per pupil under basic support payments, 1994 - 1998.					
Year		Funding per Indian "a"	Funding per Military "a"	Appropriation	
1994		\$2,113	\$1,347	\$736,574,000	\1
1995		\$2,483	\$1,701	\$631,707,000	
1996		\$2,116	\$1,384	\$581,707,000	
1997\2		\$2,600	\$1,400	\$615,500,000	
1998\3		\$2,800	\$1,500	\$662,000,000	\4
1999\5		\$2,000	\$2,100	\$626,000,000	\6
\1 combines the payment for Impact Aid "a" children with the payment for Impact Aid "b" children.					
\2 funds shift dramatically toward Indian districts during 1997 because it is the first year that many districts no longer received their hold harmless payment, which protected their funding from 1994. The hold harmless particularly protected military LEAs, which are more likely than Indian LEAs to have "b" children who received a great deal of funds in 1994.					
\3 uses the legislated formula rather than the Administration's proposed formula.					
\4 predicted appropriation level.					
\5 uses the formula the Administration proposed in fiscal year 1998.					
\6 ED's fiscal year 1999 request.					

Attachment 2

Funds per Indian and military child

Formula options	\$584 million		\$626,000,000		\$662,000,000	
	\$/Indian	\$/military	\$/Indian	\$/military	\$/Indian	\$/military
Current law	\$2,462	\$1,332	\$2,639	\$1,428	\$2,791	\$1,510
A1	\$1,840	\$1,958	\$1,972	\$2,098	\$2,086	\$2,219
A2	\$2,123	\$1,782	\$2,200	\$1,957	\$2,257	\$2,113
A3	\$2,052	\$1,826	\$2,145	\$1,991	\$2,217	\$2,137
B1	\$1,874	\$1,937	\$2,008	\$2,076	\$2,124	\$2,195
B2	\$2,138	\$1,773	\$2,213	\$1,949	\$2,265	\$2,108
B3	\$2,069	\$1,816	\$2,161	\$1,981	\$2,234	\$2,127
C1	\$1,850	\$1,952	\$1,983	\$2,092	\$2,097	\$2,212
C2	\$2,144	\$1,769	\$2,222	\$1,943	\$2,282	\$2,097
C3	\$2,069	\$1,816	\$2,164	\$1,980	\$2,238	\$2,125
D1	\$1,863	\$1,943	\$1,997	\$2,083	\$2,112	\$2,203
D2	\$2,192	\$1,739	\$2,270	\$1,914	\$2,331	\$2,067
D3	\$2,105	\$1,793	\$2,201	\$1,956	\$2,277	\$2,100
E1	\$1,947	\$1,891	\$2,087	\$2,028	\$2,207	\$2,144
E2	\$2,398	\$1,611	\$2,495	\$1,774	\$2,569	\$1,919
E3	\$2,245	\$1,706	\$2,380	\$1,846	\$2,474	\$1,978 (recommended)
F1	\$1,920	\$1,908	\$2,058	\$2,045	\$2,176	\$2,163
F2	\$2,339	\$1,648	\$2,431	\$1,814	\$2,504	\$1,960
F3	\$2,211	\$1,728	\$2,330	\$1,877	\$2,421	\$2,011

Formula options B-F and 2-3 build on the Administration's proposed formula (A1).

A -- SPPE * State's LCP

B -- binds SPPE by 80 and 120 percent of USAPPE

C -- binds SPPE by 80 percent of USAPPE

D -- Higher of (1) SPPE * State's LCP and (2) comparable LCR

E -- Higher of (1) SPPE * State's LCP; (2) comparable LCR; and (3) State LCP * USAPPE

F -- Higher of (1) SPPE * State's LCP and (2) State LCP * USAPPE

1 -- Standard ratable reduction

2 -- Reduce payment based on the percentage of federally affected students

3 -- Reduce payment based on 50 percent plus one-half of the percentage of federally affected students

Attachment 3

Cost of fully funding variations on the Learning
Opportunity Threshold (LOT) used to reduce payments
and fully funding maximum payments

Formula options	LOT	Maximum payment
Current law	\$679,042,397	\$1,405,551,460
A1	*	\$760,147,789
A2	\$267,024,327	\$760,147,789
A3	\$513,586,058	\$760,147,789
B1	*	\$741,895,675
B2	\$258,697,530	\$741,895,675
B3	\$500,296,603	\$741,895,675
C1	*	\$767,570,918
C2	\$269,354,233	\$767,570,918
C3	\$518,462,576	\$767,570,918
D1	*	\$782,665,234
D2	\$276,658,278	\$782,675,261
D3	\$529,661,755	\$782,665,234
E1	*	\$873,752,381
E2	\$313,842,782	\$873,752,381
E3	\$593,797,581	\$873,752,381 (recommended)
F1	*	\$857,600,214
F2	\$305,339,723	\$857,600,214
F3	\$581,469,968	\$857,600,214

Formula options B-F and 2-3 build on the Administration's proposed formula (A1).

A -- $SPPE \times \text{State's LCP}$

B -- binds SPPE by 80 and 120 percent of USAPPE

C -- binds SPPE by 80 percent of USAPPE

D -- Higher of (1) $SPPE \times \text{State's LCP}$ and (2) comparable LCR

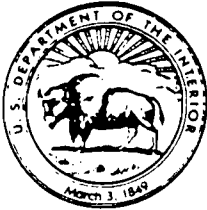
E -- Higher of (1) $SPPE \times \text{State's LCP}$; (2) comparable LCR; and (3) $\text{State LCP} \times \text{USAPPE}$

F -- Higher of (1) $SPPE \times \text{State's LCP}$ and (2) $\text{State LCP} \times \text{USAPPE}$

1 -- Standard ratable reduction

2 -- Reduce payment based on the percentage of federally affected students

3 -- Reduce payment based on 50 percent plus one-half of the percentage of federally affected students



THE SECRETARY OF THE INTERIOR
WASHINGTON

DEC 30 1997

Honorable Albert Gore, Jr.
The Vice President of the
United States
Washington, D.C. 20501

Dear Mr. Vice President:

I am pleased to provide you with our annual report summarizing our reinvention activities at the Department of the Interior. We continue to streamline the way we do business, while fulfilling our land management and resource protection responsibilities. By setting ambitious performance goals and seeking new, cost-effective ways to better serve the American people, we continue our efforts to meet the goals of the National Performance Review and fulfill the requirements of the Government Performance and Results Act.

In January 1997, you published the *Blair House Papers*, giving us our reinvention marching orders for the President's second term. In the foreword, you mention that you "told the Cabinet at Blair House that they would know they had succeeded with reinvention when all the people in their departments understood the goals and values of the organization, and could use them to adjust quickly to changing circumstances." The *Blair House Papers* gave us a useful roadmap for our reinvention activities at Interior. We are taking action to implement the three common-sense themes of the book: delivering great service, fostering partnerships and community solutions, and reinventing to get the job done with less.

For example, the Office of Indian Education Program's Access Native America initiative is providing information technology services to Indian children and families. Since many American Indians on reservations live in isolated, rural areas, there is a critical shortage of occupational, educational, and training opportunities. Receiving information through technology is the tool needed to open doors, strengthen productivity, and increase literacy. By the year 2000, we plan to have all 185 Bureau of Indian Affairs-funded schools connected to the Internet.

We are seeking flexible, innovative new ways to provide accountability and value to the American people. Our bureaus have developed strategic plans that establish long-term goals and measurable performance standards for all of our major programs.

I am proud of the hard work and dedication our employees have shown in reinventing Interior's programs. We have made significant improvements in the services we provide, and we have laid the groundwork for even more impressive accomplishments in the future. The enclosed report provides some outstanding examples of successful management change. I think you will be impressed by the innovative approaches we are using to get results.

Sincerely,

Enclosure

Department of the Interior 1997 Reinvention Report

I. DELIVER GREAT SERVICE

Customers deserve good service, and they've come to expect it. Interior's bureaus have been working hard to identify their customers, seek out what the customers expect from them, and meet their customers' needs.

- **Identify Your Customers and Win Them Over.** One way Interior has committed to delivering great service is through its reinvention laboratories, many of which have received Hammer Awards for their money-saving innovations. One lab that is delivering great service is the Office of Indian Education Program's Access Native America initiative. Through this lab, OIEP is providing information technology services to Indian children and families and Bureau of Indian Affairs staff. Since many American Indians on reservations live in isolated, rural areas, there is a critical shortage of occupational, educational, and training opportunities. Receiving information through technology is the tool needed to open doors, strengthen productivity, and increase literacy. By the year 2000, the plan is to have all 185 BIA-funded schools connected to the Internet, something that the lab is well on its way to accomplishing.
- **Be the Best in the Business.** The Bureau of Reclamation's Power Management Laboratory, a Hammer Award winner, is trying to be the best in the business by redefining the hydropower service provided to the American public. In March 1997, the lab released the most comprehensive analysis ever conducted of Reclamation's hydroelectric power program, concluding that the plants have significantly lower production costs and fewer employees than the hydroelectric industry average. Since each percentage increment of improved power plant efficiency saves customers \$45 million and provides an added 400 million kilowatt hours of electricity annually, the lab used a benchmarking approach to identify 100 areas for improvement and is now working on implementing them.
- **Give Your Customers What They Want and Deserve.** When the Navy closed the Naval Air Facility at Midway Island, the site was transferred to the Fish and Wildlife Service in May 1996 and became the Midway Atoll National Wildlife Refuge. This unincorporated U.S. territory, 1250 miles from Hawaii, boasts one of the world's largest seabird colonies, rare sea creatures, such as the Hawaiian monk seal, and remnants from the Battle of Midway, the decisive naval battle of World War II. Intent on giving the public access to this remote island, but without sufficient funding to build appropriate public infrastructure and operate interpretive, recreational, and educational programs, the FWS formed a private/public partnership with the Midway Phoenix corporation and their subcontractors to develop, manage, and finance the refuge. The results are impressive — taxpayers are saving \$8 million this year in start-up costs and \$4 million in future annual operational costs.

- **Find Out How Things Are Going by Getting Out of Washington, D.C.** The Bureau of Land Management's National Training Center in Denver established a reinvention lab to identify new ways to meet existing and potential training, education, and customer needs. The lab developed recommendations that have resulted in the Training Center moving away from traditional training delivery methods. For example, the Training Center is using distance learning approaches, teaching courses via satellite broadcasts, CD-ROM, and internet. Restructuring has turned the Training Center into a customer-focused operation, reduced the supervisory ratio from 11 to 4, and established a successful partnership and outreach approach.
- **Be Smart About Information Technology.** Interior has embraced technology as a means to save money and provide superior customer service. The Department has an effective presence on the World Wide Web that provides the public free access to maps, park reservations, public land use information, water supply data, and Native American activities. An average of 1,100 people access Interior's site every day, providing current information to our customers and saving administrative costs. This year, Interior finished moving from a limited, unconnected e-mail system to one that now links 57,000 employees and allows them quick and efficient communication around the world. We also have been extensively using telecommunications and video conferencing to communicate internally and with our customers. By eliminating redundant telecommunication circuits, Interior is saving \$1.5 million a year.
- **Consolidate and Integrate Information.** The Innovative Achievements Program of the Minerals Management Service — a two-year agency-wide, staff-driven initiative — recently culminated in a Hammer Award for their streamlining efforts. Most notable is their development of an electronic reporting system for the 500,000 pieces of oil and gas production data collected each month. MMS worked in partnership with industry and State representatives to develop national standards for this data exchange. While reducing wasteful paper processing, MMS is saving \$1.1 million a year in data entry, error correction, mail handling, and file maintenance costs. Customers are happy with the quicker turnaround — the processing time for the Payor Information Form was reduced from 14 days to 3. MMS now boasts a 77 percent rate of electronic processing, and plans to have 100 percent by 1999 except in hardship cases. The agency now boasts error rates of less than 1 percent, as opposed to 6 percent during manual transmissions.
- **Reengineer the Old Technological Process.** The U.S. Geological Survey and five other Federal agencies were using an outmoded process for accessing biological taxonomic reference materials (Taxonomy is the science of animal and plant classification.). The USGS started a collaborative effort, the Integrated Taxonomic Information System Partnership, to develop a new approach that avoids redundancy and fosters multiagency support of a standardized, scientifically credible system. This partnership set aside turf battles and created a comprehensive online database that became fully available on the Internet in July 1997. There are no appropriations for the support of ITIS; rather, it has survived and flourished due to the mutual goal of the participating agencies to have credible

taxonomic information. The system works under a Memorandum of Agreement that is saving the government money and establishing a standard system agreed to by all parties.

II. FOSTER PARTNERSHIP AND COMMUNITY SOLUTIONS

Partnerships are one of the best ways we can improve, reinvent, and reengineer our programs and our business practices to improve our customer service and leverage scarce resources. We are placing more emphasis on coordinated interagency efforts, something of particular importance to Interior bureaus since many of them have often conflicting missions. More often than ever, agencies focus on a model styled on bringing all interested parties together through regional cooperation and consensus among stakeholders, other agencies, businesses, and communities.

- **Create Grassroots Partnerships.** Of the 185 schools funded and operated by the Bureau of Indian Affairs, the Bureau chose eight schools located in the most remote areas to participate in a pilot program called the Four Directions Program. BIA formed a grassroots partnership with local and State agencies and universities in Texas, Kansas, and New Mexico to provide access to computer technology for students, teachers, and surrounding communities. This pilot, a recent Government Technology Leadership Award winner, has been so successful that BIA now plans to extend the same connectivity to the remaining BIA schools, tribal community colleges, and two Indian colleges.
- **Increase Flexibility to Get Results.** The U.S. Geological Survey's National Wetlands Research Center, working with the Louisiana Heritage Program and the Fish and Wildlife Service, partnered with 150 private citizens to conduct the first Breeding Bird Atlas for the State. This project is the most comprehensive bird study ever conducted in Louisiana, and will be used by State and Federal agencies as a source of breeding bird information. Because the agency used volunteers, the study costs were reduced 75 percent, making costs to sponsoring Federal agencies only \$90,000.
- **Help Identify and Solve Problems.** 1997 is the first year of the Canon National Parks Science Scholarship Program. The objective of the program is to attract the best and brightest doctoral students in the United States to conduct research in the national parks. The four organizations involved in the collaboration are the National Park Service, the National Park Foundation, the American Association for the Advancement of Science, and the Canon U.S.A., Inc. A panel of scientists evaluates candidates' proposals and selects winners in categories that include biological, physical, social and cultural sciences. Canon U.S.A., Inc., provides the funding and the NPF administers the funds to support each winning student at \$25,000 per year for up to three years. The doctoral candidate students complete their dissertations, prepare applied articles on their research for park managers, and present lectures for the general public. The program is poised to become one of the most prestigious conservation scholarship programs in the world. This is a great example of corporate responsibility — Canon U.S.A., Inc., is providing significant scholarship funding

(\$2.5 million dollars over five years) and has been an active contributor to the national parks, and Canon's Clean Earth Campaign is a model of sustainable development efforts by a corporation.

- **Remove Barriers So Communities Can Produce Results.** Federal lands belong to all Americans, but for people with disabilities, such simple tasks as using restrooms at recreation sites can be a major obstacle. In order to provide persons with disabilities access to its 300 recreation sites, the Bureau of Reclamation sought Federal, State, and local partners to create the Accessibility Data Management System, a consolidated and standardized approach to managing accessibility. The ADMS program, named a semifinalist for the prestigious Ford Foundation and Harvard University Innovations in American Government Award, provides a toll-free number that reports on accessibility, as well as serving as an engineering reference in the facility development process. ADMS is committed to customer service and results-oriented procedures.
- **Invest in Human Capital.** The Harper's Ferry National Historical Park PARTNERS Project is a wonderful example of helping our communities for the good of the American public. Students, teachers, and natural and cultural resources that are a part of our national heritage are the beneficiaries of this program, a collaborative educational project of four national parks, six county school systems in three States (Virginia, Maryland, and West Virginia), and a State-funded college. PARTNERS has served 4,000 students and trained 200 teachers by using national parks as extensions of the classroom. Recent evaluations show that students who participated in PARTNERS performed better on social studies and science tests than those who received similar training in the classroom, which demonstrates an increased awareness and appreciation of their environment and heritage.
- **Promote Collaborative Problem-Solving.** After an unexpected gate failure at Folsom Dam in California in 1995, the Bureau of Reclamation was able to turn a challenging experience into a successful learning opportunity. During the failure, Reclamation quickly called upon a host of Federal, State and local agencies and private experts to pool their collective expertise and solve the problem. This created a collaborative approach that lent Reclamation increased credibility when communicating the situation to its customers, the community, and the press. Building on this experience, Reclamation has developed benchmark approaches for structure failures, crisis management, and media communication strategies that have been used already by California State agencies and universities.

III. REINVENT TO GET THE JOB DONE WITH LESS

Interior continues to look for more flexible, innovative ways to stretch the taxpayers' dollars. Our bureaus have developed strategic plans that establish measurable performance standards, detail long-term goals, and provide the communication and management tools needed to accomplish their missions. Our employees are working smarter by partnering, streamlining, and embracing technology.

- **Improve Service by Working Together.** For many years, Grand Teton National Park and Bridger-Teton National Forest in Wyoming worked separately fulfilling their missions, although they shared boundaries (the park is completely surrounded by national forest land). Now, the park and the forest are marrying their resources to operate more efficiently and provide better service. One of many recent steps toward more efficient operations is a joint agency telecommunications center. The park and forest have integrated their wildland fire and aviation dispatch operations into one unit to improve coordination and reduce cost and duplication of effort. Fire crews, helicopter rescuers, and emergency medical teams are better able to serve the four million visitors each year.
- **Combine Islands of Excellence.** In Ft. Collins, Colorado, five agencies in three departments (Interior, Health and Human Services, and Agriculture) had been conducting natural resources research in isolation from one another. A reinvention lab was created to pool resources to save money, share scientific information, and avoid duplication. This year, the lab began moving all the agencies onto a mini-campus in Ft. Collins. By working together, the agencies will continue their research and development activities while sharing space, equipment, central services, and a combined administrative support structure. This lab, a Hammer Award winner, is saving more than \$400 million a year in rental space alone (Interior is saving \$1 million annually).
- **Provide One-Stop Shopping.** The doors of the Alaska Resources Library and Information Services Center in Anchorage were opened in November 1997. Due to the tightening of Federal budgets, Alaskan natural resources libraries have been closing or cutting back. Interior created a reinvention lab to consolidate seven Alaska natural resources libraries into a single, integrated library, saving \$200,000 a year in subscription costs, and hundreds of thousands more by eliminating duplication and creating staff efficiencies. This partnership between five Interior agencies and Federal and State agencies is providing the new library with the latest technology and updated networked databases.
- **Reengineer to Reduce Overhead.** A team of Interior employees developed the Electronic Library of Internal Policies, a linked collection of documents accessible on the Internet that replaced the costly and cumbersome paper publications of internal procedures. The annual operating costs of this Hammer Award winner plummeted from \$100,000 to \$25,000, and now these documents are just a mouse click away.

- **Use Common Sense.** The Interior Department's Working Group on Women, recognizing the problems that child-care and dependent-care problems can impose on working parents, developed an innovative pilot program called the Family Support Room. A suite of offices at Interior headquarters was established for employees to take care of dependents who unexpectedly need care while allowing the employees to complete their work assignments. The creators of this Hammer Award-winning program recognized that it was simple common sense to accommodate employees' family needs by instituting a more family-friendly workplace program that addresses sudden, short-term, and unforeseen child-care demands.
- **Expand Competition to Save Money.** Interior has instituted a successful Franchise Fund that leverages administration systems by cross-servicing other Federal and commercial entities. Interior's Administrative Service Center is a fully reimbursable office that competes to process procurement, finance, and other administrative functions for the Department and other Federal agencies. The pilot program allows the ASC to operate as a franchise operation that features competition, full cost recovery, and customer service agreements with performance measures and benchmarks. The Department's Franchise Fund provides customers with low cost, high-added value, state-of-the-art technology, and services tailored for government use.

*Executive Order: American Indian Education**Preamble:*

By this executive order I am making the education of American Indians/Alaska Natives a national priority and affirming my commitment to the enduring special role of the federal government in the education of Indian children and adults. Improving education for Indians is vital to the national goals of preparing every student for responsible citizenship, continued learning, and productive employment yet American Indians/Alaska Natives have the lowest high school completion and college attendance rates. Schools which serve Indian students often lack college preparatory programs and in other ways fail to meet their educational needs. Such conditions must change.

Tribal leaders and native educators have, through the American Indian/Alaska Native Education Summit of 1995, and following my historic April 1994 consultation with tribal leaders, through the March 1997 Comprehensive Federal Indian Education Policy Statement: A Proposal From Indian Country to the White House, advised me as to the education needs of American Indians/Alaska Natives. I share their vision that every American Indian/Alaska Native student will have an intellectually challenging education program which is linguistically, culturally, and developmentally appropriate with dedicated, well-prepared, and effective teachers. I am committed to assuring that Indian students, native communities, and tribes have equitable access to resources to respond to their education needs and to be involved in the development and reform of schools and education systems which serve them. I pledge that the valued contribution and heritage of past and current federal efforts will continue and more effectively respond to these needs.

Indian students attend public, federal, tribal, and other schools and are subject to myriad federal, state, local, and tribal law and regulations. This fragmentation requires a comprehensive federal Indian education policy response, with the overall goal of improved academic achievement, which 1) improves federal interagency cooperation; 2) ensures equity in and access to all available federal resources; 3) improves federal, tribal and state inter government collaboration, and 4) enhances the ability of tribal governments and Indian communities to better meet education needs, including their strong desire to preserve, revitalize, and use native languages and cultural traditions, with the overall goal of improved academic achievement; and 5) responds to the strong desire on the part of American Indian/Alaska Natives to preserve, revitalize and use native languages and cultural traditions.

Authority and Purpose:

By the authority vested in me as President by the Constitution and laws of the United States of America, in affirmation of the unique political and legal relationship of the federal government with American Indian/Alaska Native tribal governments and, in recognition of the special education and culturally related academic needs of American Indian/Alaska Native students, and for the purposes of helping to: a) promote, facilitate and sustain effective federal, tribal, state and local government relations and partnerships in the education of American Indians/Alaska Natives; b) assist Tribal governments to establish and develop Tribal departments of Education, create education standards and objectives, linking Tribal and

- (6) Specific participation by the executive department or agency in the Call to Action for American Education in the 21st century and the national Education Goals on behalf of American Indian/Alaska Native students;
- (7) Strategies for interagency coordination in the department or agency's education-related programs, activities, and resources in which American Indians/Alaska Natives are participating; and
- (8) Strategies for public, private, and tribal partnerships which: a) support education improvement and systematic reform at the school, school district, state, and tribal governmental level; b) develop linkages with schools and other education institutions serving American Indian/Alaska Natives; and c) initiate and improve intergovernmental cooperation supporting educational activities for American Indian/Alaska;
- (9) Strategies for promoting the goal of preserving, revitalizing and using native languages and cultural traditions.

In developing the strategic plan required by this order, executive departments and agencies shall, to the extent permitted by law, shall give full consideration to tribal principles, strategies and practices for Indian education. To the extent permitted by law the plans shall give the highest consideration to the recommendations made in the March 1997 Comprehensive Federal Indian Education policy Statement: A Proposal From Indian Country to The White House.

(b) Submission. Each executive department agency shall submit its strategic plan for American Indian/Alaska Native education to the Secretary of Education within one year of the effective date of this order. The plans shall be revised annually and submitted to the Secretary of Education at the end of each fiscal year beginning in FY 1999.

(c) Annual Performance Reports. Each executive department and agency shall submit an annual performance report to the Secretary of Education at the end of each fiscal year beginning in FY 2000 that shall measure each agency's performance against the objectives set forth in its strategic plan. Each agency shall also report on the resources and the comparative level of effort applied to American Indian/Alaska Native education and related programs. The annual reports shall be made available to American Indian/Alaska Native tribal governments, organizations, and representatives of parents and educators.

Section 3. Executive Order Advisory Council.

(a) National Advisory Council on Indian Education (NACIE). The Presidential National Advisory Council on Indian Education established by Section 9151 Title IX Elementary and Secondary Education Act (ESEA) shall serve as the Executive Order Advisory Council.

(b) Duties. NACIE shall advise the Secretary of Education on the implementation of the order and agency plans and recommendations developed accordingly and shall monitor and report the progress made by federal agencies toward fulfilling the purposes and objectives of this

order. NACIE shall incorporate the recommendations of Federal agencies into a comprehensive Federal Indian Education strategic plan and report at least annually on strategies to: 1) ensure equitable access to all available federal resources for the education of American Indians/Alaska Natives and to identify priorities and unmet needs; 2) improve federal interagency coordination and cooperation in Indian education; 3) improve the federal-tribal consultation process in Indian education; 4) improve federal, tribal, and state inter-governmental collaboration in Indian education; 5) enhance the ability of American Indian/Alaska Native tribal governments to represent and provide for the educational needs of their members; 6) preserve and strengthen native languages and cultural traditions; 7) improve the collection and dissemination of research and accurate data on Indian education; and 8) improve access to information and resources regarding federal programs, resources, and activities available to meet the educational needs of American Indians/Alaska Natives.

The Council shall further identify what it believes to be the principal needs and recommendations for accomplishing the purposes of this order as set forth in its preamble and purpose sections.

(c) Interagency Coordination. NACIE shall coordinate interagency meetings of individuals appointed under section 1 to advise the council and to coordinate the receipt and delivery of reports from, executive departments and agencies and prepare recommendations for consideration by NACIE as required by this order.

(d) Consultation. NACIE shall, in the development of recommendations, consult with American Indian tribes and organizations including but not limited to, the National Indian Education Association and The National Congress of American Indians.

(e) Scheduled Meetings. NACIE shall meet at least semi-annually to provide advice and transmit reports and make recommendations associated with this executive order.

Section 4. Administration. The Department of Education shall provide appropriate administrative and staff for NACIE and the interagency work group as may be required. To the extent permitted by law and regulations, each federal agency shall cooperate in providing resources, including personnel, to meet the objectives of this order.

community goals to National education goals c) ensure that American Indians/Alaska Natives have equitable access to education resources and that innovative approaches to better link federal agencies, programs, and resources to the education of American Indians/Alaska Natives are developed; d) ensure that American Indians/Alaska Natives can effectively participate in my Call to Action for American education in the 21st century; and e) ensure the accessibility of all American Indian/Alaska Native students to high quality educational opportunities afforded other students to high quality educational opportunities afforded other students in America by supporting the National goals (20 USC 5812), it is hereby ordered as follows:

Section 1. Department and Agency Participation. Each executive department and agency shall appoint within 60 days a senior official, who is a full time management official of the federal government and who has the appropriate expertise to serve as a liaison for Indian education activities and advocate for the implementation of this order as it relates to the mission of each agency or executive department. The senior official shall report directly to the agency head or their designate.

Section 2. Strategic Plan for Indian Education

(a) Content. Each executive department and agency shall develop a plan which shall be incorporated into each department or agency's Government Performance Regulatory Act (GPRA) strategic plan. The plan shall address:

- (1) An identification of all education-related programs, activities, and resources within the department or agency's jurisdiction or mission that include American Indian/Alaska Native children or adults or that may benefit such children or adults.
- (2) Strategies for equitable access to the department or agency's education-related programs, activities, and resources in which American Indians/Alaska Natives are eligible to participate;
- (3) Strategies for providing information and technical assistance regarding the department or agency's education-related programs, activities, and resources to American Indian/Alaska Native tribal governments, communities, parents, students, colleges, and educator;
- (4) Strategies for developing improved consultation and agency involvement with American Indians/Alaska Natives; regarding all education related program activities and resources.
- (5) Strategies for identifying and meeting the level of need and for making maximum use of available funding for education-related programs, activities, and resources in which American Indians/Alaska Natives are eligible to participate.

Date: 1/6/98
Sender: Wmehojah <Wmehojah@aol.com>
To: kohlen_j@a1.eop.gov
cc: Joann Morris
Priority: Normal
Subject: Net Day

Jim: I wanted to follow up on the concept we discussed with Jim Kohlmoos and Linda Roberts about doing a net day in Indian country.

We have developed a concept of having NetDay in three locations-New Mexico, Arizona, and South Dakota on the same day. We would network schools in the three locations and have them connected on the same day. We also would do a celebration around Alb at which we would also recognize our private partnerships with Intel, US West, two non profit foundations, BIA, and the state of New Mexico. WE would announce our schools' participation in the E-Rate. We would invite congressional delegation participation such as Mr. Dorgan, Domenici, McCain, Bingaman, etc. as well as our Secretary and Assistant Secretary. We would envision the Vice President talking by computer with the distant schools after they are connected that day.

We have put together a concept paper which we could share with you. The event would be in early May.

Let me know your thoughts.

Bill Mehojah
Deputy Director
Office of Indian Education Programs
Bureau of Indian Affairs
208-6175

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NET Day Concept Paper

*Connecting American Indian Schools to the
Internet*

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Prepared for
by Office of Indian Education Programs

Filename: C:\MyFiles\concept3.wpd

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The Concept

At four o'clock in the afternoon on May 16, 1998 students at 26 Bureau of Indian Affairs schools, the Vice President, the Secretary of the Interior, Assistant Secretary of the Interior for Indian Affairs, the Director of the Office of Indian Education Programs, and members of Congress will sign onto the Bureau of Indian Affairs Internet system, EDNET, and "chat." This virtual conversation will be held at the end of a Net Day, where parents, students, tribal leaders, and community members will have worked together to cable the schools and provide Internet access to classrooms.

Participants from the local communities will have spent the day, pulling cables throughout the buildings into each classroom in the school. These cables will connect classroom computers through a series of servers and routers to the Office of Indian Education Program's EDNET. EDNET is an Internet Service Provider designed to connect all 185 Bureau of Indian Affairs-funded schools to the Department of the Interior's Internet backbone system.

This memorable day will be a celebration of a public-private partnership that shows that government and local communities can overcome the most insurmountable challenges when people work and plan together. The partnership, formed by the Office of Indian Education Programs, brings together the resources of the U.S. Department of the Interior, the Bureau of Indian Affairs, the Fund for The Native American, Net Day, the US Geological Survey, the U. S. Department of Education, Intel, Indian Tribes and the State of New Mexico, the Federal Communications Commission, and the Schools and Libraries Corporation. Each partner will bring to Net Day their skills and resources to provide the nations most isolated and under served schools with the technology they need to prepare their students for the challenges of the 21st century.

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The Partners

The Schools: The schools to be connected include (see Attachment A): thirteen Pueblo Schools in New Mexico; nine Chinle Agency schools on the Navajo Reservation in Arizona; and four schools on the Pine Ridge Reservation in South Dakota. The schools were selected for this project for several reasons: 1) They are part of an already existing technology project, 2) the Technology Literacy Challenge Fund, or 3) they are the remaining few schools on the Pine Ridge Reservation that OIEP has not yet connected to the Internet. Each school will prepare a locally developed plan for the integration of the new technology and the Internet into their curriculum. In addition the schools will

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organize their local community for participation in the Net Day event. This will include recruiting volunteers such as parents, community members, and tribal leaders to string cable throughout the school.

The Office of Indian Education Programs(OIEP): OIEP, the education division of the Bureau of Indian Affairs, has been designated as a reinvention laboratory under Vice President Gore's National Performance Review. This laboratory, Access Native America, is implementing a program to connect all 185 BIA-funded schools to the Department of the Interior's Internet backbone system by the year 2000. OIEP will provide overall coordination for this Net Day Event, conducting site reviews for developing cabling plans and insuring that resources for connectivity are available to the schools.

Net Day: Net Day is a national grassroots organization whose purpose is to organize communities to cable schools so that students have access to the Internet. Net Day will provide tools such as guides and organizational plans to help schools in planning for their own Net Day.

Schools and Libraries Corporation: On May 7, 1997, the Federal Communications Commission (FCC) adopted a Universal Service Order outlining a plan to insure that all eligible schools, libraries and rural health care providers have affordable connections to the global telecommunications network. The plan created a \$2.25 billion fund to provide telecommunications services and wire schools and libraries for Access to the Internet. The FCC has ordered the Schools and Libraries Corporation to administer these funds and conduct the school application process. OIEP will apply for these funds for the schools that it serves and will use the funds to help in paying the costs for wiring and connectivity for its schools.

U. S. Department of Education: The BIA-funded schools receive funds from the U.S. Department of Education under several titles of the Elementary and Secondary Education Act (ESEA) and Goals 2000. Chinle Agency schools received funds from Title III, (ESEA) the Technology Literacy Challenge Fund, through an OIEP administered competitive grant. Chinle schools are using these funds to acquire computers and train teachers.

Foundation for the American Indian: The Foundation for the American Indian will contribute \$5 million over five years to the Pueblo Schools and the Pueblos of New Mexico to foster technology in schools and arrange for the contribution of computers to the schools. The grant will provide for teacher training and student mentorships on technology.

The Annenberg Foundation: The Annenberg Foundation working in concert with the Foundation for the American Indian will contribute additional funds to work in concert

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Congress of the United States
House of Representatives

Washington, DC 20515

December 18, 1997

The Honorable William Jefferson Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Clinton:

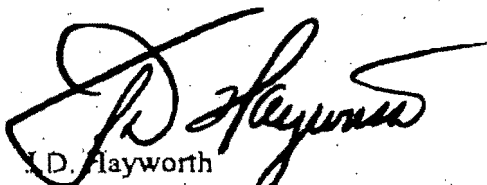
As members of the Congressional Native American Caucus, we are writing to express our support for the proposed Indian education Executive Order that is currently being considered by the Domestic Policy Council's Working Group on American Indian and Alaskan Natives.

We understand that the proposed Indian education Executive Order will come before the Working Group in the near future for final approval before being referred to the Domestic Policy Council. As you know, many Native American groups collaborated on this Executive Order and are in strong support of this proposal. We believe the draft Executive Order makes Indian education a national priority and at the same time reaffirms our nation's commitment to a federal role in the education of Indian children.

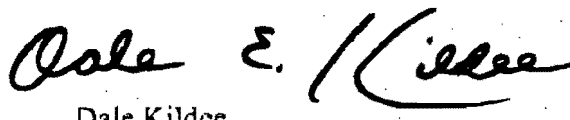
By issuing an Executive Order on Indian education, it is our hope that the federal government's Indian education efforts would be more focused and coordinated. We believe it would establish a uniform method for carrying out the educational concerns of Indian people that were so clearly articulated in the proposed Comprehensive Federal Indian Education Policy Statement (CFIEPS).

Again, we urge your favorable consideration of an Executive Order on Indian education that would honor our country's commitment to the First Americans. We look forward to working with you on this important initiative.

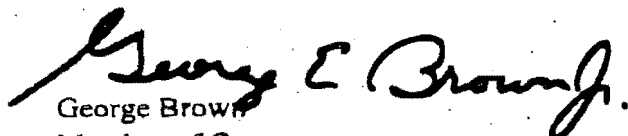
Sincerely,



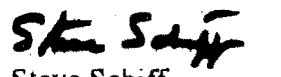
D. Hayworth
Member of Congress



Dale Kildee
Member of Congress



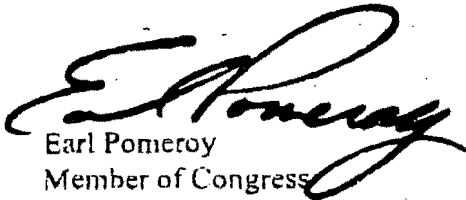
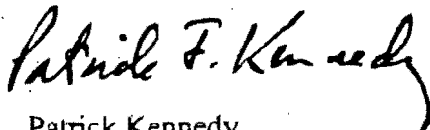
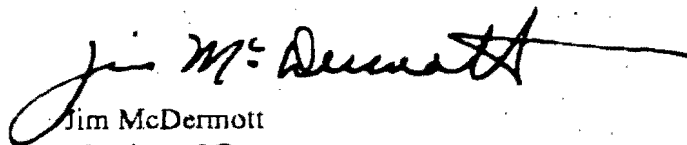
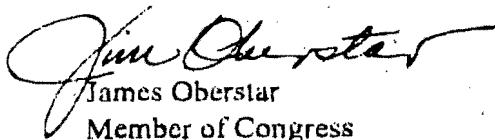
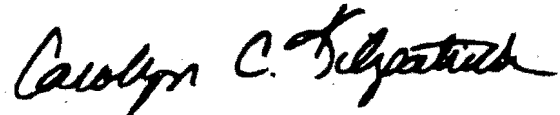
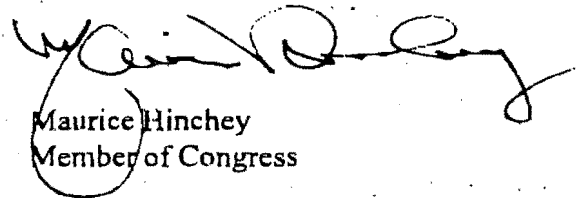
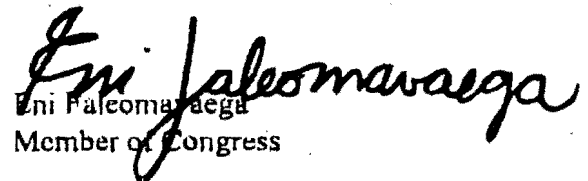
George Brown
Member of Congress



Steve Schiff
Member of Congress

December 18, 1997

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Member of Congress