FORWARD-LOOKING INFORMATION

This section summarizes information pertinent to the Department's future progress and success.

ENTERPRISE RISK MANAGEMENT

The Department's Enterprise Risk Management (ERM) program supports agency-wide efforts to maximize the Department's value to students and taxpayers through achievement of strategic goals and objectives. The Department's ERM program strategically focuses on the complete spectrum of the organization's significant risks and the combined impact of those risks as an interrelated portfolio rather than simply addressing risks within silos. This coordinated approach leverages data and analytical solutions to identify, measure, and assess challenges related to mission delivery and resource management. Through ERM, the Department seeks to embed a systematic and deliberate view of risk into key management practices, ultimately yielding more effective performance and operational outcomes. The Department's implementation of ERM includes three critical strategies that are more fully described under Strategic Objective 4.2, *Identify, assess, monitor and manage enterprise risks*:

1. Creating a risk-aware culture that includes transparent discussions of risks.
2. Implementing an ERM framework and capability that leverages existing risk management activities and governance bodies.
3. Managing risks in a more coordinated and strategic manner.

In FY 2020, the Department took significant steps to further develop the ERM program by establishing the Office of Enterprise Data Analytics and Risk Management (OEDARM), within the Office of Finance and Operations (OFO), to direct the agency's overall ERM strategy and formally align ERM and internal controls processes. OEDARM leadership established a formal Enterprise Risk Management Working Group (ERMWG) with senior representation across the agency to further solidify the Department's ERM governance structure. The ERMWG helped to conduct coordinated risk assessments and incorporated the risks highlighted or exacerbated by the COVID-19 pandemic into short- and long-term risk planning. OEDARM leveraged partnerships with agency leaders to identify, measure, and assess challenges related to mission delivery and develop coordinated, actionable response plans.

OEDARM leadership actively sought to enhance strategic partnerships with ERM colleagues across the government as well as with Department's own Office of Inspector General. To better understand how the Department's ERM program has evolved over time, the Department enrolled in the Office of Management and Budget's Pilot to validate the Federal ERM Maturity Model V1.0, a pilot that will extend through FY 2021. Through the pilot, the Department seeks to 1) test, assess, and validate sections or components of the Model for its iterative refinement; and 2) assess the maturity of the Department's own ERM program. Evaluation will focus on an assessment of the Model's operational viability and the influence of the Model on the Department's risk-informed culture—including executive engagement and resourcing processes—with a goal of identifying potential improvements to the Model.

Throughout FY 2021, the Department plans to further integrate ERM with key management processes to ensure risk indicators and considerations inform budget formulation, strategic planning, and performance management. OEDARM seeks to support a culture of continuous improvement within the Department—where data and awareness of enterprise risk are used to objectively inform strategic and operational decisions and optimize agency performance. To that end, in FY 2021, OEDARM plans to develop and implement a comprehensive ERM training program for all levels of the organization as well as to enhance digital tools for collecting, analyzing, and reporting risk data to promote transparency and accountability across the Department. In light of the current COVID-19 pandemic, the Department has intentionally shifted to an even more comprehensive, strategic approach to risk management—one that seamlessly considers national health emergencies or other significant crises that could adversely impact continuity of operations.

DIRECT LOAN PROGRAM

The Department's largest program, the William D. Ford Federal Direct Loan (Direct Loan) program, provides students and their families with funds to help pay for their postsecondary education costs. The following describes (1) the steps the Department has taken to help make student debt more manageable and (2) the risks inherent in estimating the cost of the program.

Managing Student Loan Debt

Each year, federal student loans help millions of Americans obtain a college education—an investment that, on average, has high returns. While the average return to having a college degree remains high,[1] some students leave school poorly equipped to manage their debt.

Traditionally, federal student loans had fixed-payment 10-year repayment schedules, making it difficult for borrowers to begin repaying at the start of their career when their salaries are low. The recent expansion of income-driven repayment (IDR) plans allows students the opportunity for greater financial flexibility as it pertains to their monthly repayment. For more details on these plans, visit FSA's **How to Repay Your Loans Portal**.

Recent trends in student loan repayment data show that:

- Nearly 70 percent of the Direct Loan portfolio is in administrative forbearance, the suspended payment status provided to students through the *CARES Act*.
- As of June 2020, nearly 8.2 million Direct Loan recipients were enrolled in IDR plans, representing a 7 percent increase from June 2019 and a 16 percent increase from June 2018. Overall, more than 50 percent of Direct Loan dollars and 32 percent of borrowers in repayment are enrolled in an IDR plan.

The Department continues to work relentlessly to make student loan debt more manageable. Looking to the future, the Department will:

- Continue conducting outreach efforts to inform student loan borrowers of their repayment options before the emergency loan relief measures expire on December 31, 2020.
- Work to improve customer service and student aid systems and processes by implementing FSA's Next Generation Federal Student Aid (Next Gen FSA), see page 33.
- Continue to support the development of additional tools, such as the College Scorecard and Financial Aid Shopping Sheet, to increase transparency around higher education costs and outcomes that may help students and families make informed decisions before college enrollment.

[1] **https://libertystreeteconomics.newyorkfed.org/2019/06/despite-rising-costs-college-is-still-a-good-investment.html**

Managing Risks and Uncertainty Facing the Direct Loan Program's Cost Estimates

Direct Loan program costs are estimated consistent with the requirements of the *Federal Credit Reform Act of 1990*. Under the Act, the future disbursements and collections associated with a cohort of loans are estimated for the entire life of the loan, up to 40 years in this case. The actual performance of a loan cohort tends to deviate from the estimated performance during that time, which is not unexpected given the inherent uncertainty involved in developing estimates. There are four types of inherent risk, described below, that make estimating lifetime program costs a difficult task.

Legislative, Regulatory, and Policy Risk

There are inherent risks to estimating future lifetime disbursements and collections for a cohort stemming from legislative, regulatory, or administrative actions. For instance, the cost structure of the Direct Loan program may be significantly altered. In addition, the effects on financial modeling and estimation associated with recent legislative, regulatory, and policy action is difficult to interpret given the lack of actual trend data availability. Some examples of current risks include the following:

CARES Act and Presidential Memorandum ("Memorandum on Continued Student Loan Payment Relief During the COVID-19 Pandemic"): The *CARES Act* provided emergency relief measures in the Direct Loan program, including suspending loan payments, halting collections on defaulted loans, and setting interest rates to 0 percent through September 30, 2020. On August 8, 2020, the President directed the Secretary to continue these measures through December 31, 2020. These actions have largely insulated federal student loan performance from economic disruption caused by the coronavirus pandemic, while at the same time reducing the amount of loan repayments being remitted to the Department of Education. As the pandemic is ongoing, there is great uncertainty regarding cost estimates as future legislative and administrative actions could extend these emergency relief measures past December 31, 2020.

Income-Driven Repayment Plans: Without consideration of impacts from the pandemic, IDR plans tend to be more costly to the government than non-IDR plans. For the 2020 loan cohort, it is estimated that the government will recover 40 percent less for loans in IDR plans as compared to loans in standard plans. It is important to be careful in making such comparisons, however, as the underlying characteristics of borrowers (and the corresponding behavioral dynamics driving selection of plans) also impact the overall cost of loans under each plan. In general, the proliferation of IDR plans has made IDR terms more generous and made the plans available to a greater number of borrowers; however, these plans are traditionally more costly to the government. Also, having more repayment plan options complicates repayment plan selection, since the tradeoff decisions when selecting the plans vary by borrower and may not always be entirely clear. Selected comparisons between projected originations and borrower repayments under the different IDR plans are available on the **Department's website**. Future commitment to market and increased participation in these plans are areas of uncertainty. Future legislative and regulatory activity could also affect the underlying cost of IDR plans.

Public Service Loan Forgiveness: Enacted in 2007, the Public Service Loan Forgiveness (PSLF) program allows a Direct student loan borrower to have the balance of their Direct student loans forgiven after having made 120 qualifying monthly payments under a qualifying repayment plan, while working full time for a qualifying public service employer (such as government or certain types of nonprofit organizations). In general, forgiveness provided via PSLF raises the cost of the Direct Loan program; however, there is still uncertainty as to how many borrowers will take advantage of the program. Much of this uncertainty arises because borrowers are not required to apply for the program or provide any supporting documentation on their employment until after having made the 120 qualifying monthly payments, and data on actual PSLF forgiveness remains rather limited, as borrowers first became eligible in FY 2018.

Data on approved PSLF applications first became available in FY 2018 since borrowers first became eligible for PSLF loan forgiveness starting October 1, 2017, after having made 120 qualifying payments. As of September 30, 2020, the total number of borrowers who received forgiveness totaled 3,469. The value of this forgiveness totaled $260.49 million. Despite the relatively modest numbers of approved applications to date, the number of borrowers who have certified their employment in a public service organization continues to increase. As of September 30, 2020, the number of borrowers with certified employment totaled 1,357,699. The low number of approved PSLF applications in relation to employment certifications may be partially due to the complicated nature of the program, in particular the determination of what constitutes a qualifying payment. In addition, many borrowers who file employment certification forms early in their careers may also move into private sector employment before completing the 10 years of qualifying payments and thus may (a) never apply for forgiveness or (b) apply for forgiveness much later after returning to public service work. The *Consolidated Appropriations Act*, FY 2018, and the *Department of Education Appropriations Act*, FY 2019, each provided $350 million toward Temporary Expanded Public Service Loan Forgiveness (TEPSLF) for borrowers who met eligibility for public service employment but were not enrolled in a qualified repayment plan. The *Consolidated Appropriations Act*, FY 2020, provided $50 million for TEPSLF. Future congressional action that may affect eligibility for PSLF continues to be an area of uncertainty. Lastly, although the Department continues to remain informed on and manage the risk associated with estimating participation in this program, uncertainty remains about further borrower outreach to boost participation in the PSLF program.

Estimation Risk

Actual student loan outcomes may deviate from estimated student loan outcomes, which is not unexpected given the long projection window of up to 40 years. The Direct Loan program is subject to a significantly large number of borrower-level events and future economic factors that heavily impact the ultimate cost of student loans. For example, assumptions that need to be estimated for loans originating in FY 2020 include how long students will remain in school; what repayment plan will be chosen; whether the loan will be consolidated; whether the borrower will die, become disabled, bankrupt, or have another claim for discharge or forgiveness (closed school loan discharge, borrower defense to repayment, etc.); whether the loan will go into deferment or forbearance; whether the loan will go into default and, if so, what collections will be received on the defaulted loan; and, if the loan is in an IDR plan, what the borrower's employment (public sector or not) and income and family status will be over the next 25 years. These projections are generally made based on historical data about borrower characteristics and behavior, which are more difficult to estimate during times of unprecedented uncertainty facing students and borrowers in repayment plans today. Lastly, the Direct student loan portfolio has grown from approximately $356 billion in FY 2011 to more than $1.2 trillion as of the end of FY 2020. This growth naturally results in larger re-estimates, since a re-estimate worth 1 percent of the portfolio today would be more than three times as large as a similar re-estimate in FY 2011.

Macroeconomic Risk

The ultimate amount, timing, and total value of future borrower repayments under the Direct Loan program are heavily affected by certain economic factors, especially since the introduction of IDR plans.

In 2020, the coronavirus pandemic caused widespread disruption to the American economy. The emergency relief measures provided by Congress and the President resulted in flexibilities for federal student loan borrowers, preventing spikes in delinquency and default rates. Involuntary loan collections from wage garnishment, tax refund reductions, and reductions of federal benefits such as Social Security are also suspended. However, the ultimate impact of the pandemic on long-term Direct Loan program costs is subject to significant uncertainty and will depend on, among other things, short and long-term unemployment, economic growth trends, and potential structural changes in the overall economy and job markets. Some types of macroeconomic risk are inherent to student loan cost estimation, and the Department analyzes them regularly—though some of these risks have been exacerbated by the unprecedented worldwide pandemic. New risks have also developed due to the conditions surrounding the pandemic. Specific examples of macroeconomic risk include:

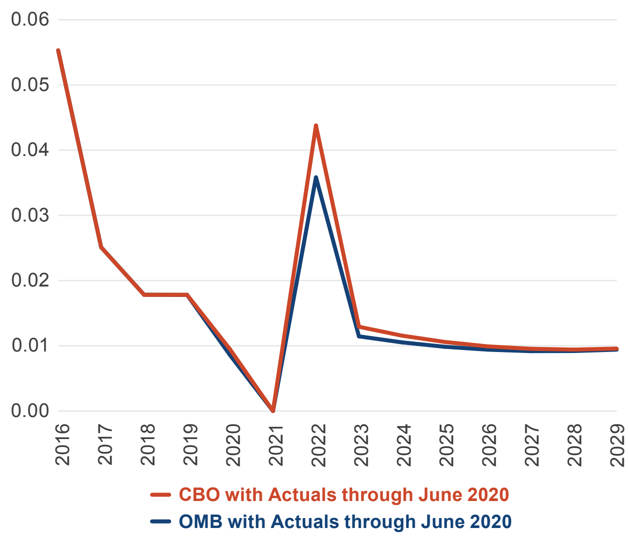
Economic Assumptions: As part of its technical re-estimate process for the financial statement re-estimates, the Department updates economic assumptions used to calculate forecasted borrower cash flows. The Department obtains the information used to update economic assumptions from the OMB. OMB typically provides an economic assumption package for Mid-Session Review (MSR) which updates the economic assumptions used for the President's budget in November of the previous year. The Department historically has used the MSR assumptions for calculation of financial statement re-estimates.

OMB did not release a MSR economic assumptions package in FY 2020, and no official guidance was issued to use alternative assumptions. Consequently, the Department explored the possibility of using economic factors from other sources, including, but not limited to, the Congressional Budget Office (CBO). Ultimately, the Department made the decision after extensive consultations with Education leadership and OMB to calculate the FY 2020 financial statement re-estimate using the President's Budget 2021 assumptions (OMB assumptions). Factors contributing to this decision include the fact that any available economic projections have a high degree of uncertainty due to the uniqueness of the potential economic conditions caused by the pandemic. In addition, there is little historical data comparable to the current crisis that can be used to extrapolate and adjust student loan assumptions. Finally, current legislation and the presidential memorandum (i.e., the *CARES Act*) provided temporary relief to student loan borrowers through December 31, 2020; as a result, there is no meaningful data on the impact of current economic conditions on student loan performance. Alternatively, the Department conducted targeted sensitivity analysis to address potential economic impacts of the pandemic.

The Department conducts sensitivity analyses as one way to assess the degree of uncertainty around the economic assumptions. In the analysis reported here, the Department replaced the most important inputs from the President's Budget 2021 economic assumptions used in the models with the numbers from CBO's July 2020 economic package. The following examples show the projections of cohorts 1994-2019, where one specific assumption is varied from the assumption used in the financial statement re-estimate.

The monthly unemployment rate is an assumption used in the default projection model. For the sensitivity analysis, the CBO projected quarterly unemployment rate assumptions were used after June of 2020. Actual data from the Bureau of Labor Statistics was available for unemployment prior to June 2020; therefore, the rates used in the financial statement re-estimate do not differ from those used in the sensitivity analysis for that timeframe. Changing this assumption resulted in a projected increase to the re-estimate of $3.7 billion. The chart below shows the changes to the default rate for a sub population of loans.

Figure 13. Default Rates Using Different Unemployment Rate Assumptions
(Subsidized Stafford Cohort 2012 Example)
4 Year Junior/Senior Standard Enter Repay=4



The IDR model is used to develop cash flows for Direct Loans being repaid under any of the IDR repayment plans, including the income contingent repayment (ICR) plan, the income based repayment (IBR) plan, the Pay as You Earn (PAYE) plan, and the Revised Pay as You Earn (REPAYE) plan. The IDR model also uses information from the OMB economic package on the Consumer Price Index (CPI-U) as a factor for borrower income inflation, balances, and poverty guidelines. A sensitivity analysis that replaces the CPI-U with the assumptions from the July CBO estimates resulted in a projected increase to the re-estimate of $1.7 billion.

Interest Rates: Direct Loan program cost estimates are very sensitive to changes in interest rates. Under the current program terms, the fixed borrower rates for direct loans are established in advance of the upcoming school year, while the Treasury fixed interest rate on the Department's borrowings to fund those loans is not set until after those awards are fully disbursed, which can be as much as 18 months later. Unexpected changes in interest rates during this time can significantly impact Direct Loan program cost.

Unemployment: Unemployment rates have been shown to affect both student loan volume and student loan repayment decisions and behavior. During periods of economic downturn, displaced workers have tended to pursue higher education opportunities in high numbers as a way to strengthen their credentials, change career paths, or improve future employment opportunities. While the coronavirus pandemic has been accompanied by a spike in unemployment (at least in the short term), the impact on student loan volume has been more mixed, as higher education has struggled to provide students the level of instruction they were receiving pre-pandemic. The exact impact on the cost estimates from the current recession remains a significant area of uncertainty. For instance, higher short-term unemployment rates could have an impact on future collections of already defaulted loans by increasing the risk of fewer collections from wage garnishment and tax refund reductions. A sensitivity analysis examining the impact of a 5 percent reduction in default collections for three years, starting in the second quarter of FY 2021 when the pandemic relief provisions are set to expire, resulted in a projected increase in the re-estimate of $1 billion.

Wage Growth: The estimated costs of IDR plans are largely dependent on trends in observed wage growth. To the extent that future wage growth deviates significantly from prior wage growth, actual costs of IDR plans may deviate from estimated costs. The Department will closely monitor impacts to wage growth as a result of the pandemic. Data is not available for the FY 2020 financial statements, and the ultimate cost may not be known for some time. The estimates are sensitive to slight changes in model assumptions. For instance, a 10 percentage point increase in borrowers reporting zero discretionary income from FY 2020 to FY 2022 and a 5 percentage point increase for FY 2023 to FY 2025 would result in a projected increase to the re-estimate of $2.9 billion. The Department continues to manage risks in this area by building its knowledge about its borrower base and remaining informed of labor market statistics.

Operational Risk

Unforeseen issues in administering and servicing student loans may impact the cost estimates. For example, in December 2019, the President signed the Fostering Undergraduate Talent by Unlocking Resources for Education Act (FUTURE Act), which amends Section 6103 of the Internal Revenue Code to allow the IRS to share taxpayer data directly with the Department. Once implemented, this will make it easier for borrowers to stay enrolled in an IDR plan by allowing automated data sharing between federal agencies and eliminating the need for borrowers to annually recertify their income. A timeline for implementation of the *FUTURE Act* is uncertain, which can make predicting the impact on student loan cost estimates a challenge. The Department invests significant resources to ensure continuous improvements in cybersecurity defenses based on current and emerging threats. Despite this investment, security threats to operations are ongoing and incidents may happen without warning, potentially disrupting student loan administration and ultimately borrower cash flows, which can be impacted by the timing of when collections or disbursements are processed. Hence, there is an inherent risk that future, unpredictable disruptions in the administrative status quo may impact student loan cost estimates.

NEXT GEN FSA

About FSA

As the nation's largest provider of financial aid for education beyond high school, FSA delivers more than $115 billion in aid each year to students and their families. Through programs authorized under the *Higher Education Act of 1965*, as amended, FSA provides grants, loans, and work-study funds for college or career school. FSA also oversees the approximately 5,600 postsecondary institutions that participate in the federal student aid programs. In every interaction with students and their families, FSA strives to be the most trusted and reliable source of student financial aid information and services in the nation.

The Vision

FSA manages one of the largest consumer loan portfolios in the country, valued at $1.6 trillion.[2] It is critical that we provide an environment that provides customers with the services and experiences that they expect and the outcomes that they deserve. The Next Generation Federal Student Aid (Next Gen FSA) initiative is enabling FSA to realize this vision by modernizing the way we connect with our customers and streamlining our student aid systems and processes. This broad effort will deliver an improved customer experience for millions of Americans across the entire student aid life cycle, from fostering greater awareness about the availability of financial aid, to applying for aid, to repaying loans, to improving the participation experiences and oversight of our partners at postsecondary institutions.

Legacy Environment

In the current federal financial aid process, students and families must negotiate a complex and fragmented landscape, interacting with multiple systems, vendors, processes, and interfaces across a multitude of brands and user experiences. Too often, this poor customer experience creates confusion, resulting in borrowers failing to understand how to apply for and maintain their aid eligibility, which repayment options they qualify for, and the financial implications of their student debt. Additionally, operational complexities and out-of-date contracts result in higher administrative costs and hinder effective oversight of our vendors.

[2] Includes lender-held FFEL loans and school-held Perkins loans.

Next Gen FSA Environment

Multiple websites, mobile applications, contact centers, and other customer interfaces have been combined into a simplified, consistent, and engaging customer experience, which will be enhanced by standardized training and tools. Since December 2019, FSA has launched a single front door on the web, Studentaid.gov, and has launched multiple modern self-service and consumer information tools that help our customers understand the aid they have received, their remaining eligibility, and how they can manage loan repayment in a way that meets their goals. While FSA's digital platform helps customers cut through the information clutter and access robust self-service, other components of Next Gen will bring onboard multiple contact centers that provide customers and partners with support across the entire student aid lifecycle, all under the FSA brand.

In addition to an improved customer experience, Next Gen FSA will completely modernize FSA's back-end systems and infrastructure. This transformation will pave the way for improved application and loan processing and management of customer accounts. The contracts that bring onboard these new systems will include objective performance standards and accountability measures to ensure customers receive accurate, timely responses to their inquiries. These new technologies will also integrate modern cybersecurity protections, and a new enterprise-wide data analytics platform will drive improved data and governance standards.

Solicitation and Procurement Process

In January 2019, FSA awarded a major contract for Digital and Customer Care, which provides FSA with new digital, marketing and communications, and customer care platforms that enable the implementation of a modern **StudentAid.gov** and myStudentAid mobile application, as well as improved tools for customer outreach. In June 2020, FSA awarded five Business Process Operations contracts, which bring on board vendors that will eventually provide enterprise-wide contact centers and back-office processing for all of FSA's customers and institutional partners. In October 2020, FSA released a solicitation for the Interim Servicing Solution (ISS) which will provide the core processing system, fulfillment, and labor servicing for the federally managed loan portfolio.

The current Title IV Additional Servicing (TIVAS) and Not-for-Profit indefinite-delivery, indefinite-quantity contracts may be extended through December 2021 and March 2022, respectively. ISS will replace the current TIVAS and Not-for-Profit relationship upon award and migration of borrowers. In the event of a delay in the ISS implementation, the appropriate contractual actions will be taken to ensure continued servicing capabilities are maintained. FSA is taking a similar approach to all legacy contracts that will be impacted by the Next Gen FSA vision to ensure as smooth a transition as possible for our customers and partners.

LEVERAGING DATA AS A STRATEGIC ASSET

The Department is focusing on further leveraging its data as a strategic asset, in part in response to requirements in the *Foundations for Evidence-Based Policymaking Act* (*Evidence Act*; **P.L. 115-435**) and the Federal Data Strategy. This section highlights three initiatives intended to help the Department realize the power of data in daily operations and national policy: (1) the development of an ED Data Strategy; (2) priorities for Open Data; and (3) a new focus for the Evidence Leadership Group in advising the Evaluation Officer and developing the Department's learning agenda.

Data Strategy

The 22020 Action Plan under the Federal Data Strategy calls for agencies to "put in place a data strategy or road map." The Agency-wide Data Governance Board (DGB) has initiated a process to develop the Department's Data Strategy in order to realize the full potential of data to improve education outcomes and to lead the nation in a new era of evidence-based policy insights and data driven operations. This Department-wide effort will include agency-wide discussions about data priorities that will help improve data maturity and will focus on the Department's capabilities to leverage data, operationalize and optimize data governance, and drive cultural change for the benefit of all stakeholders. It will build on strengths, weaknesses, and opportunities within the Department to 1) strengthen agency-wide data governance, 2) build human capacity to leverage data, 3) advance the strategic use of data, and 4) improve data access, transparency, and privacy.

Open Data

The *Evidence Act* requires agencies to make data "open by default." The Department is planning to develop, release, and execute the Act's required open data plan consistent with OMB guidance. The Department will balance privacy and security with the open data mandate and the priority of the Department to enable broader public use of data paid for by its citizens. The Department is also developing an Open Data Platform (ODP), a central repository for its data assets. Recently released in beta, it is a fully featured, robust, and highly scalable data repository that maintains all data assets in a fully searchable catalog. As required by the *Evidence Act*, the Department will build towards a comprehensive data inventory by expanding on the ODP and increasing its catalogued data assets for both externally available open data and internal sources subject to open data priorities, reviewing all data assets for release consistent with *Evidence Act* mandates and exclusions, and incrementally expanding the number of Department open data assets listed in in the Federal Data Catalogue.

Evaluation Officer and Evidence Leadership Group

The *Evidence Act* created a new role, a Department Evaluation Officer (EO), who is responsible for: (a) developing the Department's Learning Agenda by assessing the Department's portfolio of evaluations, policy research, and ongoing evaluation activities; (b) assessing the Department's capacity to support the development and use of evaluation; (c) establishing and implementing the Department's evaluation policy; and (d) coordinating a Department-wide evidence-building plan. IES's Commissioner of the National Center for Education Evaluation and Regional Assistance is the Department's EO.

As required by the *Evidence Act*, the Department submitted its Draft Learning Agenda to OMB at the end of fiscal year 2020. The Learning Agenda was developed in consultation with the Department's Evidence Leadership Group (ELG). The ELG is co-chaired by the EO and the Director of the Department's Grants Policy Office (GPO) and includes members from the Department's primary grant-making offices as well as mission-support units, such as the Department's Budget Service, and Office of General Counsel, and ex-officio representatives from the Office of the Chief Data Officer, the Statistical Official, and the Performance Improvement Officer. Feedback from OMB and consultation with stakeholders across government, education, and the general public will be used to inform the

Department's Final Learning Agenda to be submitted to OMB at the end of fiscal year 2021.

In addition to advising the EO on the development of the Draft Learning Agenda, the ELG advises Department leaders on how to support the capacity of ED staff to make better use of data and evidence. GPO, led by the ELG co-chair, has spearheaded a range of internal training opportunities for Department staff to bolster the use of the Secretary's policy priorities, including the use of evidence in program design, and to consider how the Department's grantmaking activities can build evidence for improvement in the future. This work, done in close collaboration with partners across the Department, will be informed in fiscal year 2021 by the recently-completed Interim Capacity Assessment, which included a systematic effort to collect information about staff members' capacity to use evidence in their day-to-day work.

CONTINUOUS IMPROVEMENT

Improving critical infrastructure, systems and overall capacity, and ensuring sound strategic decision making regarding allocation of resources are essential to the Department's future progress and success. Implementing Technology Business Management Solutions is one of the Department's key initiatives.

Technology Business Management Solutions (TBMS)

The purpose of the TBMS project is to provide greater cost transparency into IT spending. The TBMS project will allow OCIO to communicate the cost drivers and value of IT to senior leadership, improve the efficiency and predictability of the formulation of the IT budget, and optimize IT costs.

Beginning in 2017, OMB required agencies to begin reporting IT spending in alignment with the TBM Framework, including using Cost Pools and IT Towers to classify IT spending. The Department intends to leverage TBM beyond the minimum OMB reporting requirements to encompass the full implementation of the TBM cost accounting framework. The Department of Education is refining the TBM effort to: 1) provide accurate cost analysis and accounting of operations and services to improve tracking cost variances; 2) provide ad hoc reports to stakeholders on IT spending; and 3) contextualize ED's internal resource costs with real world data to inform decisions. Ultimately, the goal is to provide a "bill of IT" to form the basis of a show-back model to drive more informed decision-making around IT.

The objective is to implement an integrated solution that will allow OCIO to:

- Accurately account for and categorize IT spending in IT Cost Towers and Pools.
- Evaluate IT spending using a method that helps identify redundant IT assets (e.g. systems, applications, and licenses).
- Extract cost elements from disparate sources, analyze these elements, and report cost stressors and trends to stakeholders.
- Prepare accurate pricing through a show-back model to client offices for the services provided and consumed by each client office.