

**DEPARTMENTS OF VETERANS AFFAIRS AND
HOUSING AND URBAN DEVELOPMENT AND
INDEPENDENT AGENCIES APPROPRIATIONS
FOR FISCAL YEAR 2005**

THURSDAY, APRIL 8, 2004

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:10 a.m., in room SD-628, Dirksen Senate Office Building, Hon. Christopher S. Bond (chairman) presiding.

Present: Senators Bond and Mikulski.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

STATEMENT OF DAVID EISNER, CHIEF EXECUTIVE OFFICER

ACCOMPANIED BY MICHELLE GUILLERMIN, CHIEF FINANCIAL OFFICER

OPENING STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. The subcommittee will come to order. I apologize for the delay. I had to present to the Judiciary Committee the Missouri Supreme Court Judge who has been nominated by the President for confirmation to the Eighth Circuit Court of Appeals, and I apologize for delaying the start of this hearing. But this is a very important position, as I trust you understand.

This morning the committee completes its budget hearing schedule for the year by hearing from the Corporation for National and Community Service on its fiscal year 2005 budget.

It is a pleasure to welcome the Corporation's new Chief Executive Officer, Mr. David Eisner, who has been on the job for almost 4 months, a real veteran now. And we are also pleased to welcome back the Corporation's Chief Financial Officer and Acting Chief Operating Officer, Ms. Michelle Guillermin.

I congratulate both of you on taking on new responsibilities, especially given the longstanding challenges that face the Corporation.

For fiscal year 2005, the administration is requesting a total of over \$1 billion for CNCS, of which \$642.2 million is for programs under the VA-HUD subcommittee's jurisdiction. The request is \$61.2 million or 10½ percent over the fiscal year 2004 enacted level. Further, the administration proposes some \$452 million for

the AmeriCorps program to support 75,000 new members—the same level of participation supported under the 2004 enacted level.

This is quite a healthy budget recommendation compared to most other domestic programs, including, regrettably, the programs under the VA–HUD jurisdiction. I am pleased that the administration provided such a strong budget for the Corporation and the AmeriCorps program. This year’s budget, however, will probably be the most difficult and challenging we have faced, especially with record shortfalls in the budget request for other compelling and important programs, such as VA medical care, Section 8 housing, and the EPA’s Clean Water State Revolving Fund programs. In fact, to be quite honest, I am not sure that the subcommittee can afford to increase funding for any program or activity until we have adequately funded these and other compelling programs.

To say that the past year for the Corporation and its grantees was frustrating and stressful is, at best, an understatement. While I do not want to belabor the recent past or reopen old wounds, a lot can be learned from it and we must not forget these experiences so that we do not repeat them. The primary lesson is that management and fiscal accountability are important issues and have real consequences when neglected.

Since the inception of the Corporation and the AmeriCorps program, the Corporation’s leadership largely ignored these issues. While the Corporation has made efforts to address management failings and its leaders have made promises that its problems would be resolved, many of these previous efforts were largely window dressing and the promises mostly rhetoric. The sad result was that thousands of well-performing organizations and the communities they served suffered from mismanagement.

Moreover, thousands of caring and compassionate individuals were denied the opportunity to participate in the program. I hope we do not repeat this lesson. I hope the Corporation and its supporters have learned from the history.

But let us be clear. Not all is negative. Some good did result from the painful experiences of the past year. The most notable result was the increased awareness and support for the program among members of Congress and the public, which led to a record budget for the AmeriCorps program. The numerous media reports raised the profile of AmeriCorps volunteers and their very positive impact on the local communities throughout the Nation. Prior to the well-publicized problems of AmeriCorps, only a handful of members expressed any serious concern or attention to the program. Now, the program has the attention of most, if not all, members of Congress.

Nevertheless, this is not the time to relax. Focus and hard work must continue on resolving the continuing management weaknesses of the Corporation. The Corporation must instill a culture of accountability and personal responsibility based on performance which is measured not in just program outcomes but also on sound management. For too long, the Corporation has been overly fixated on public relations and promoting its programs at the expense of management responsibility. To be blunt: the Corporation needs a serious paradigm shift.

Fostering an environment where management and fiscal responsibility is taken more seriously must begin at the top. Mr. Eisner,

your performance thus far has been impressive, and we commend you for the close attention and efforts you have made on management and accountability. I recognize that it helps to have an incredibly bright and hardworking CFO by your side, but I credit you for electing to be involved personally in these issues.

The Corporation's Board of Directors, led by Chairman Steve Goldsmith, has also become actively engaged in the Corporation's management and policies. I especially appreciate the Board's approval of Resolution 2003-05, which directs the CEO to consult with the Board in advance of any Corporation-wide pay adjustments or cash awards. Hopefully, this action will ensure that the Corporation ends the practice of rewarding bad behavior, as demonstrated last year when significant cash awards were provided to senior level staff right after the AmeriCorps over-enrollment problem was uncovered; a problem that was a serious violation of the Anti-Deficiency Act. Certainly, it was not an appropriate time to award staff bonuses.

In general, with Mr. Eisner and Ms. Guillermin's leadership, the Corporation appears to be headed in the right direction in terms of management and accountability and, with a robust budget recommendation for this year, the Corporation has an opportunity to expand significantly the AmeriCorps program. Nevertheless, I believe the Corporation is at a critical crossroads in terms of administering the AmeriCorps program. And I believe the direction the Corporation chooses will have long-term implications for the program.

You have recently begun a major effort to improve the performance of the AmeriCorps programs through a rulemaking process. I think that process is long overdue, since the rules governing the AmeriCorps program lack clarity which contributes to some of the questionable funding decisions. These rules should provide the necessary framework for better oversight, a responsibility the Corporation previously has ignored.

Further, the Corporation in the past has paid little attention to the long-standing concerns of the Congress about sustainability and reducing the costs per member. The Corporation's rulemaking goals are designed to bring a far greater degree of predictability and reliability for its grantees and to make the program more efficient, effective, and accountable. I support these goals and strongly urge the Corporation to complete rulemaking this year. I fear that if the Corporation does not complete it, the Congress may get involved, and that's bad news.

The issue of most interest to me is sustainability. The 2004 VA-HUD conference report directed the Corporation to undertake public notice and comment rulemaking to develop a definition of sustainability. I advocated the inclusion of this directive in the conference report because of my long-standing concern that the Corporation was not adequately compliant with the statutory goal of reducing AmeriCorps grantees' reliance on Federal funds. As noted by the Corporation's Office of Inspector General in 2001, the Corporation lacked a clear definition of sustainability. Accordingly, the OIG recommended that the Corporation establish a means of clearly measuring the grantee's reliance on Federal funding. Further,

the OIG recommended the Corporation consider developing a performance goal for reducing grantees' reliance on Federal funds.

Now, many AmeriCorps groups have expressed concerns about sustainability. And I agree with some of their concerns. For example, I do not believe in a "one size fits all" definition of sustainability. The Corporation should develop a flexible approach to sustainability so that it does not unfairly punish good performers or small, disadvantaged organizations—especially those in rural areas. The Corporation may need to consider a special set of rules for these types of organizations. Nevertheless, I am concerned about the "entitlement" mentality of some groups regarding AmeriCorps funding and believe that under certain circumstances, time limits on funding may be warranted. For example, time limits should be considered for some groups that receive significant funding support from other Federal sources.

The Corporation should consider time limiting some types of organizations so that more organizations can compete for AmeriCorps funds. There are clearly more volunteer groups requesting funds than there are funds available. I strongly believe that the Corporation must ensure that the playing field for AmeriCorps funding is fair and equitable. As Senator Mikulski and I have observed, there are numerous, well-performing organizations that have approached us for AmeriCorps funding. I oppose earmarking the AmeriCorps account.

I sympathize, however, with well-performing organizations that do not receive AmeriCorps funding. And that's why we created the Challenge Grants program. Not surprisingly, the Challenge Grants program has been popular, as demonstrated by the overwhelming demand for the Challenge Grants program. Last year, the Corporation received 52 applications requesting \$31 million out of an available pool of \$6 million. In addition, 31 of those organizations were first-time applicants to the Corporation. Further, the ability of the applicants to meet the program's 2 to 1 match requirement demonstrates that groups can successfully obtain private matching funds.

If we assume flat funding or minor funding increases in the future for AmeriCorps, it is obvious that new groups in the future will have extreme difficulty competing for funds unless the rules are changed. And flat funding may be the reality for the next several years as Congress seeks to balance the budget and control deficit spending.

In this case, funding problems may be especially troubling for up and coming organizations, such as those receiving Next Generation grants from the Corporation. The Next Gen program, as it is called, was created by Senator Mikulski to provide seed money to build the capacity of small volunteer organizations who have innovative ideas. This program has attracted a large number of applicants, as evidenced in the fiscal year 2003 cycle, where some 1,100 organizations applied for the program—more than any previous grant competition in the history of the Corporation. I fear that these groups may not be able to compete for AmeriCorps funds if the Corporation solely continues to fund the same organizations year after year.

The other rulemaking issue of interest to me is reducing the costs of the program on a per member basis. I appreciate the Corporation's attention to this issue since its record on reducing the cost per member has been mixed at best. In the Corporation's budget justifications, it notes that its projected average cost per FTE for its AmeriCorps program is the same level as planned for fiscal year 2004. The Corporation also notes that its 2004 cost per member was 10 percent below the 2002 baseline. It was disappointing, however, to read that this reduction was not attributed to any program reform, but due to an increase in professional corps members whose costs are lower than the typical AmeriCorps grant.

The last issue I raise is on performance measures. Despite millions of extra dollars that this committee has appropriated to address the Corporation's financial accounting and grants management system, the Corporation is still unable to provide data on the actual costs of the AmeriCorps program. Furthermore, the Corporation is unable to provide performance data on the impact of the AmeriCorps program.

According to the administration's own Program Assessment Rating Tool or PART, the AmeriCorps program received an overall weighted score of 36 percent and rating of "results not documented." The PART analysis found that the AmeriCorps program's current goals are neither specific nor measurable. The Corporation has begun a number of initiatives to address performance measures. And I cannot stress enough the importance of having this information for policy makers. And I would urge the Corporation to address this matter immediately.

In closing, I support the President's Call to Service and believe that the Corporation can play an important role in improving the lives of many Americans and the communities it serves. Everywhere I have traveled, people have expressed a strong desire to volunteer and serve their communities and country. I strongly believe that if harnessed in the right fashion, the AmeriCorps program can reach new heights in improving the security and spirit of our citizens and communities.

Mr. Eisner, Ms. Guillermin, I wish you the best and look forward to working with you in resolving the many challenges facing the Corporation.

It is now my pleasure to turn to my colleague and ranking member, a longtime champion and advocate of the AmeriCorps program and the Corporation, Senator Mikulski, for her statement and comments.

Thank you.

STATEMENT OF SENATOR BARBARA A. MIKULSKI

Senator MIKULSKI. Thank you very much, Mr. Chairman. I would like to welcome both Mr. Eisner, our new CEO, and Ms. Guillermin, the CFO of the Corporation.

Last year, there were many things that impacted us. And at this very hearing a year ago, I said it was time to get National Service back on track, restore the shattered confidence of communities, volunteers, the private sector, and the Congress, in AmeriCorps.

I wrote to President Bush and said out loud in the committee hearing that I wanted several things: First, I called for new leader-

ship. I wanted reform of the Board and referred to it as the Enron of Non-Profits. In addition, I called for new accounting rules and procedures, because National Service had over-enrolled almost 30,000 more volunteers than it had money for. And I called for new funding to bridge the gap and also to meet the need, the number of volunteers, both America could use and the President wanted to do.

I am pleased to say that we have made progress. And I wanted to welcome you, Mr. Eisner, and Ms. Guillermin, in a spirit of bipartisan partnership to exactly do that, to make sure that we have AmeriCorps on track and that it really fulfills the objectives of not like a program, but of a social movement.

We really want to express our appreciation to Mr. Goldsmith and the Board. We believe that he did absolutely engage the Board and re-energized the Board. And I know that we have new members who could not be here today, but we look forward to other conversations with them.

We want to alert you to the fact that five nominees for the Board continue to be at the White House. We believe many are ready to be returned to Congress. We would like you to work to expedite that, so Congress could approve the Board and you can have the full complement of the people that are legislatively required again to fulfill our mission, our mandate, and our desire to reform, renew, refresh our AmeriCorps effort.

In addition to that, Senator Bond and I, on the accounting rules and procedures—worked to pass the Strengthen AmeriCorps Program Act, which gave clarification and certainty to accounting rules for the National Service Trust, which pays those education awards that got so complicated and seemed to be so poorly managed.

Also, we called for new funding. And working with Senator Bond, we tried to get funding as part of the emergency supplemental, but we were not successful. We kept trying. And ultimately we did prevail.

The 2004 VA–HUD bill provided the highest funding level for AmeriCorps. We know it is not only about resources. It is about reform. But it is also about re-invigoration. And so we are asking then for the three R's. And we look forward to discussion with those.

We appreciate the fact that there has been more money provided, but as founder of National Service, I want to uphold the original principles that it was based on, of old-fashioned values, which was to recruit people to, No. 1, learn the habits of the heart, which was neighbor helping neighbor; that if they would learn the leadership skills to do that, they and the communities that they help would be forever changed; that we would be working directly hands-on in the community. And at the same time, when they finish their service, they would always have the commitment of service, whether they worked in public service or our private sector.

We now know that there are 300,000 AmeriCorps volunteers, and many are exactly doing that. And I hope to discuss with you how to harness their power for ongoing support, looking at our experience in the Peace Corps as a model; that once an AmeriCorps member or a Civil Conservation Corps member, you are there forever,

which could also provide much needed help out in local communities.

Now that we are back on track, we must need to make sure, though, that we stay the course and stay sentry over the original principles. My goal for this year is two-fold: One, I want to know how the Corporation and Board are moving in terms of management reform. I also want to make sure that the Corporation is doing everything possible to prevent mismanagement and uncertainty, which is what happened last year. And I want to know the progress that is being made and what needs to be done and how we can help.

Second, I want to know how the Corporation is planning to take the Corporation into the new century, meeting new challenges, with the new types of workforce we have, new opportunities for volunteerism. That is why I called for reform, renew, refresh, re-invigorate, and so on.

We will need to take a look at rules. Senator Bond and I mandated that any process to write new rules must be fair and open, with an opportunity for advocates and communities to comment, while goals that all AmeriCorps supporters share to ensure maximum impact in communities and get greatest value for taxpayers' dollars. The Corporation must also acknowledge that conclusions are not foregone and outcomes are not pre-determined.

We look forward to hearing about how you intend to proceed on the rulemaking process. I know that the House has sent a letter to you calling for what they say are reforms. And I will comment about them later on in my questions. I believe that there are some of the things contained their letter that I could be supportive of, but there are others that I think would authorize by proxy through a rulemaking process. But, again, we are in for a spirit of reform. And I know you share that.

Let us then go to the money. The request is for \$642 million for all National Service programs. This is a 10 percent increase, \$61 million over 2004. This is very good news. And we all want to make the wisest, most prudent, most leveraged use of these resources, and will look forward to hearing from you.

At the same time, what we do know, though, is the whole issue of Challenge Grants, the seed money, et cetera, and how you think we should proceed. We know that there are national programs. And when I had spoken to your predecessor, I said, "You know, when we look at National Service, if we use a mutual fund or a market valuation, you have large caps."

These are national programs that operate at the local level, but they have uniform recruiting. They have a way of screening volunteers to make sure they are appropriate in every single level, particularly their ability to be involved with children. They can duplicate and replicate leadership operations and so on.

Then there is mid-cap. That came from the governors and the governors need to be involved, because we believe that ultimately problems and solutions are local. We welcome the Boys and Girls Club. We know what Teach for America is doing, but the governors were mid-cap.

And then I always like to look ahead to what is the next generation of leadership. Where is the Teach for America of the next gen-

eration? Where is the possible concept of a version of a Community Development Corporation that really does transform urban communities or rescue kids that are heading for a dead-end, or a prisoner return program, which I also know the President is interested in. So it was to be in some ways not a reckless set of funding, but a prudent investment in terms of what are some of the ideas to see if they can work at a very small scale before either a governor moved them to a State level or so on.

So that is where we are. And we look forward to discussing it with you. But we do believe it is a new day in AmeriCorps, that it is a new day, it is new leadership, it is a new state of mind, and it is new money. And we look forward to looking for brand new progress. So, we look forward to our conversation with you this morning.

Senator BOND. Thank you very much, Senator Mikulski.

Mr. Eisner, we will accept, for the record, your full statement. We appreciate your giving us that extended discussion, and I would invite you to summarize your testimony for the committee.

Thank you.

STATEMENT OF DAVID EISNER

Mr. EISNER. Thank you, Mr. Chairman and Senator Mikulski. I have submitted the full statement for the record and will summarize in about 5 minutes.

First, let me thank you for the opportunity to discuss President Bush's fiscal year 2005 budget proposal for the Corporation for National——

Senator MIKULSKI. Pull up the microphone.

Mr. EISNER. I want to thank you for the opportunity to discuss the President's budget proposal for the Corporation for National and Community Service and also to talk about the financial and management improvements that the Corporation has made over the past year.

As you mentioned, Mr. Chairman, Steven Goldsmith, our Board Chair, regrets that he cannot join us this morning; however, I have submitted, with my written testimony, a letter from our Chairman, in which he provides information about recent steps taken by the Board to improve its oversight.

Senator BOND. That will be accepted for the record, as well.

Mr. EISNER. Thank you. And let me, finally, by way of thanks, thank this committee for the extra attention that you and your staffs have devoted to the Corporation over the past year. You have our deepest gratitude and appreciation for your leadership and helping us make things right at the Corporation, including your support of the President's 2004 budget request. This year's appropriation will enable us to reach the President's goal of a record 75,000 AmeriCorps members. And that it will also allow us to engage approximately 1.8 million students in service to their communities through service-learning programs supported by Learn and Serve America is greatly appreciated. Those opportunities are critical to foster a culture of citizenship, service, and responsibility in our Nation.

As you have mentioned, last year's budget hearing came in the midst of what could be called a tumultuous year for the Corpora-

tion. There were very serious questions raised by members of this committee and others about our financial management.

And a year later, I am pleased to report that a new level of fiscal and operational integrity today marks the way that the Corporation operates, thanks in part to your leadership, as well as to a number of other factors. We have financial and grants management policies that have been implemented by our CFO and Board of Directors. And I am so grateful to have Michelle Guillermin, our CFO, here beside me to help in this testimony and also grateful for her adoption of the role of Acting Chief Operating Officer.

Another factor was the Strengthen AmeriCorps Program Act, which for the first time set into law a fiscally prudent method for determining how we record obligations in the National Service Trust.

Another factor is the increased oversight role by our Board of Directors in the Corporation's grant-making.

And finally, we have made significant progress in implementing three management priorities that I have stressed since coming to the Corporation in mid-December. These three priorities that all members of the Corporation have invested in are: Restoring trust and credibility among our stakeholders, managing to accountability, and keeping the focus on our customers, which are our grantees in the field, as well as the participants, volunteers, and members in our programs.

Through attention to these priorities, we have been able to reform many elements of our operations. We have reformed our grant-making process, our operational management, our budgeting and forecasting capabilities. We have reformed the Alternative Personnel System. We have reformed our technology and data management systems. And through the rulemaking that you have mentioned, we are also well on our way to reforming the AmeriCorps program.

All of that results in a Corporation today that is in a far stronger position than we were a year ago. The GAO, our Inspector General, and the independent auditing firm, Cotton and Company, despite citing a few remaining management weaknesses, have all issued positive reports. And taken together, those reports reflect that we are in compliance with the requirements of the Strengthen AmeriCorps Program Act; that we are following fundamentally sound management accounting practices; and our ongoing management reforms are effectively addressing the identified weaknesses.

In addition, two recent developments: An Executive Order on National and Community Service, which President Bush signed in February, and the beginning of the AmeriCorps rulemaking process on such issues as sustainability of grantees and Federal share of costs, promise to accelerate the reform process.

The goals of both the Executive Order and rulemaking are to make our programs more efficient, effective, and accountable. And from what I have heard in public meetings on rulemaking in Columbus, Seattle, Boston, Dallas, here in Washington, and on many conference calls, I am confident that we can in fact arrive at fair and equitable solutions to these very difficult problems and that we will be able to make our program more consistent, stable, and predictable.

I should note that as we reform our programs the Corporation is striving to ensure that National Service works more intentionally to broaden, deepen, and strengthen the ability of our Nation's 63 million community volunteers to contribute to their communities and of America to capture that strength of community volunteerism.

As noted in the Executive Order, the Corporation should serve as an engine of volunteer mobilization. And we are finding ways for an increasing number of AmeriCorps members to devote more of their time to helping charities recruit, train, and supervise volunteers.

The President's 2005 budget includes several targeted investments in programs and initiatives that are designed to leverage volunteers and private dollars. It also includes an initiative to increase outreach to new groups and to ensure that the Corporation can provide our grantees with effective assistance and monitoring.

Some, like the Challenge Grants that I know both of you are champions of, accomplish more than one of these objectives and all are described in detail in my written testimony.

Finally, because of the challenges faced by the Corporation over the past year, it is necessary in these comments, and I am sure through a lot of today's testimony, to focus on the financial and management reforms that we have made over the past year. As we strive to strengthen our management, though, we at the Corporation are not losing sight of our main mission of our—and the mission of our programs, which is to engage people of all ages and backgrounds in meaningful service that meets critical local needs, to strengthen community organizations, and to change participants' lives, as well as to promote the ethic of good citizenship across our Nation.

PREPARED STATEMENT

Thank you, Mr. Chairman. This concludes my remarks. And Ms. Guillermin and I are happy to answer any questions you might have.

Senator BOND. Thank you, Mr. Eisner.

[The statement and letter follow:]

PREPARED STATEMENT OF DAVID EISNER

Mr. Chairman and Members of the committee, thank you for the opportunity to discuss President Bush's fiscal year 2005 budget proposal for the Corporation for National and Community Service, as well as the financial and management improvements that our agency has made during the past year.

To begin, I want to thank this committee for all the extra attention you and your staffs have devoted to the Corporation over the past year, and to express my deepest gratitude and appreciation for your leadership in helping to make things right, including your support of the President's 2004 budget request for the Corporation. That appropriation will enable us to support a record 75,000 AmeriCorps members and will allow us to engage approximately 1.8 million students in service to their communities through service-learning programs supported by Learn and Serve America. Those opportunities are critically important in helping to foster a culture of citizenship, service, and responsibility in our Nation.

As you all know, last year's budget hearing came in the midst of a tumultuous year for the Corporation, with serious questions raised by members of this committee and others about our financial and operational management. Twelve months later, I am pleased to report that the Corporation is in a far stronger position, thanks to your leadership and a number of other interrelated factors.

First, the agency's Chief Financial Officer, Michelle Guillermin, who joins me here today, and her expanded financial team have been extremely busy over the past year implementing a comprehensive new set of policies regarding both the awarding of grants and the enrollment of members. The aim is to ensure that last year's problems with the National Service Trust are never repeated, and to foster decision making that is based on timely and credible data. The team has also spent considerable time and effort applying its financial and budgetary expertise to the general finances and operations of the Corporation.

Second, in June, Congress passed the Strengthen AmeriCorps Program Act, which President Bush signed in early July. The legislation establishes for the first time a clear set of budgeting guidelines for the National Service Trust, including when to record an education award obligation and in what amount. It also establishes a reserve fund to protect members in the event that the estimates used to calculate the obligation are incorrect.

Third, our Board of Directors, under Chairman Steve Goldsmith, has taken on a more active role and increased its oversight responsibilities. Last year, the Board's Grants Management Task Force examined the procedures we use to solicit, review, award, and monitor grants and recommended that the Corporation set clearer priorities and eliminate barriers for faith-based and new applicants to receive Corporation funding. The recommendations led to the establishment of a new Office of Grants Policy and Operations to oversee the Corporation's grant-making activities. Last fall, the Board, along with Congress, directed that AmeriCorps undertake rule-making to resolve several key issues, such as sustainability of grantees and Federal share of member costs, that in the past have created inconsistency for grantees—a process that is now under way. Several new directors, including Cynthia Boich Burleson and Henry Lozano, have come on board, adding experience and fresh perspectives. And, to increase its oversight of Corporation operations, the Board has required the CEO to certify that approved grants are consistent with the Board-approved application guidelines.

Unfortunately, Chairman Goldsmith could not be here to testify in person. However, I have submitted with this testimony a letter from him, addressed to Senators Bond and Mikulski, in which he provides additional information about other recent actions taken by the Board.

Finally, since coming to the Corporation in December, I have worked closely with the Board to stress three management priorities to guide the way the Corporation conducts its business, both internally and externally. These management priorities are: (1) restore trust and credibility; (2) manage to accountability; and (3) keep the focus on the customer.

In my 4 months at the agency, we have made significant progress on each of these priorities, and I expect to continue to make significant progress in the months ahead. I never cease to be impressed by the dedication, professionalism, and resourcefulness of the employees at the Corporation, who strive on a daily basis to make our programs and our service opportunities as meaningful—and as accountable—as possible.

As a result of all of these efforts—the actions of the CFO, the Strengthen AmeriCorps Program Act, increased Board oversight, and the commitment of myself and Corporation staff to the management priorities I have just noted—I am proud to report that a new level of fiscal and operational integrity marks the way the Corporation operates. Indeed, a number of recent outside reviews of the Corporation's management—by the GAO, our Inspector General, and the independent auditing firm Cotton and Company—have found that: (1) we are in compliance with the requirements of the Strengthen AmeriCorps Program Act; (2) we are following generally sound business and accounting practices; and (3) management reforms are effectively addressing the identified weaknesses.

On March 12, as directed in the Omnibus Appropriations Act, the Corporation submitted to this committee a comprehensive report detailing implementation of corrective actions and future plans for achieving management reforms and increased accountability. Because these improvements are of considerable interest to the committee, I would like to highlight some of them:

Trust Management

After the problems with the National Service Trust were discovered in late 2002 and before the AmeriCorps enrollment pause was lifted in March 2003, the Corporation instituted a set of strict new procedures regarding the awarding of grants and the enrollment of members, many of which were explained to this committee last year. The Corporation also enhanced its management of the Trust by improving internal communication between departments and by clearly identifying those persons

responsible for Trust operations and oversight. That area was cited in several reports as having been a major weakness in the way the Trust had been managed.

The Strengthen AmeriCorps Program Act of 2003 determined that the National Service Trust obligation should be recorded at the time of approval of an AmeriCorps position. This change provides extensive safeguards against potential difficulties. In addition, as I mentioned earlier, the Act established a reserve fund to serve as a safety net in case actual education award usage varies from our estimates, and specified the accounting practices to be used for determining the liability for education awards. This marks the first time that a detailed procedure for recording Trust obligations has been set into law.

We are institutionalizing broad reforms to ensure that the budgeting, planning, recording, and reporting practices associated with the Trust comply with all legal requirements and meet the highest standards of management. This includes establishing fund control regulations as required by OMB Circular No. A-11. CFO Guillermin and her staff also have developed new certification procedures designed to systematically control the approval of education awards and to monitor enrollments and other indicators related to Trust liabilities.

In addition, under the leadership of a new Chief Information Officer, we have made good progress in upgrading and integrating our technological capabilities. In particular, we have begun to incorporate the capability of our Web-Based Record System (WBRs)—the system that tracks information associated with an enrolled AmeriCorps member—into eGrants, the system through which organizations apply for grants and issue compliance reports. These improvements allow the Corporation to get a much better snapshot of member enrollments at any given time, and prevent grantees from enrolling more members than have been allotted to them in their grant. We will continue to monitor these processes, improve our technological capabilities, and work with our Inspector General, the Office of Management and Budget, and the General Accounting Office to ensure responsible stewardship of the National Service Trust.

Grants Management

The new Office of Grants Policy and Operations is charged with overseeing the daily operations of the grant review process and with improving the Corporation's grant-making activities. A new, streamlined peer review process has been implemented, and the CIO has begun to make improvements to the eGrants system, through which all grant applications funded by this committee are submitted and reviewed.

The Internet-based eGrants system allows our grantees to go to one place to apply for grants, submit progress reports, and complete financial status reports. The applications are evaluated by Corporation staff using the system, and once a grant is awarded, the current status and any changes are also tracked through the system. Use of eGrants has significantly reduced the paperwork and time needed to process a grant. This and other IT enhancements allow the Corporation to make timelier grant awards, monitor grants more effectively (including enrollment and expenditures), and be more responsive to the needs of grantees.

Performance Measurement

Performance measurement is a key area of grantee and program accountability. By fiscal year 2005, the Corporation will have fully implemented an ambitious, multi-year performance measurement program in which we: (1) require each grantee to submit information on performance, documenting the actual impact of the program on the people and communities it serves; (2) provide ongoing training and technical assistance to grantees in establishing and collecting performance-based information; (3) develop national outcome-oriented performance measures and indicators for all our programs; and (4) collect annual performance data from participants, grantees, sub-grantees, and end beneficiaries in all Corporation programs.

Currently, all programs that apply for funding from the Corporation (except in the Challenge Grant category) must submit applications that propose at least three self-nominated performance measures—one output, one intermediate-outcome, and one end-outcome. Learn and Serve America applicants are required to submit performance measures in at least one of four program impact areas: promotion of civic responsibility; improved academic performance; reduction in risky behaviors; and institutionalization of service-learning and civic participation. In 2003 and 2004, AmeriCorps revised its program guidance to require grantees to develop a performance indicator on “volunteer leveraging” (grantees that are unable to incorporate volunteer leveraging activities into their program must provide an explanation.) The measures developed by the grantees must be approved by Corporation staff. All negotiated performance measures are included in grant awards, and grantees must

meet proposed performance measurement targets or explain and address any performance deficiencies. Through performance reporting, the Corporation is committed to rewarding successful programs with continued or increased funding, while holding poor-performing programs accountable for their results.

The Corporation also has worked closely with State service commissions to develop a set of administrative standards by which to assess their performance in overseeing national and community service programs. Commissions have been established in every State except South Dakota. In addition, the District of Columbia, Puerto Rico and American Samoa each have active commissions. Currently, 44 of the 52 commissions have met all administrative standards. Of those outstanding, two are new commissions and will be reviewed for the first time this year. In fiscal year 2005 we expect at least 50 commissions to meet the standards. Our program officers and State administrative standards project manager are providing technical assistance to assist in resolving outstanding issues.

Other Improvements

Our efforts to improve management of the Trust were designed to foster a management culture that relies on credible data in awarding grants and in setting program goals. Through a variety of new systems and procedures, we have also applied this mindset to other operations of the Corporation. For example, we have implemented a new budget process that links financial requests to performance measures, and an expanded staff of budget analysts is supporting our programs while striving to improve financial analysis and implement performance management. In addition, we have increased efficiency and thoroughness and have made great strides toward eliminating a significant backlog of outstanding audit matters and grant closeouts.

The challenges of last year spurred a number of other changes. We have reorganized and flattened the Corporation's management reporting structure and assembled a new executive management team that is responsible for overseeing a broad slate of management reforms in program and personnel management. In addition to the new Office of Grants Policy and Operations, we have added a Senior Advisor on Faith-Based Initiatives, housed in the CEO's office, to conduct outreach to faith-based organizations, especially those with no previous history of Corporation funding. And, after a thorough review and in close consultation with our employees and their union representatives, we are implementing significant changes to the Alternative Personnel System, through which the great majority of our employees serve. Of greatest importance, we are ending the term-appointment system, which worked as a disincentive to creating a stable, high-performing workforce.

To continue this progress, we are contracting with the National Academy of Public Administration to study and make recommendations about our leadership structure, operations, management, and grants programs. In addition, we will be conducting a Business Process Review of several key functions in the effort to become a more efficient and effective organization.

As an indication of the Corporation's commitment to the highest levels of management and financial accountability, the agency obtained an unqualified independent auditors' opinion on our financial statements for fiscal year 2003, with no material weaknesses and only one reportable condition. The development of measures for financial accountability for both internal Corporation operations and our grantees will continue to be a priority in the current and upcoming fiscal years.

EXECUTIVE ORDER AND RULEMAKING

Two recent developments—an Executive Order on National and Community Service Programs and the AmeriCorps rulemaking process, which is currently under way—will help accelerate our management improvements in fiscal years 2004 and 2005.

Executive Order 13331 on National and Community Service Programs, signed by the President on February 27, 2004, directs the Corporation to adhere to four fundamental principles in the administration of its programs: (1) support and encourage greater engagement of Americans in volunteering; (2) respond more effectively to State and local needs; (3) be more accountable and more effective; and (4) increase involvement with grassroots faith-based and community organizations. The Executive Order further directs us to review our policies and programs for consistency with the principles; to change inconsistent policies so that they maximize support from the private sector and leverage Federal resources to build the volunteer infrastructure of faith-based and other community groups; to institute management reforms that comply with all budgetary and fiscal restrictions and that tie employee performance to fiscal responsibility, attainment of management goals, and professional conduct; and to report back to the President within 180 days on the actions the Corporation proposes to undertake to accomplish these objectives.

Many of the above issues are being addressed as part of the rulemaking process, which we currently are undertaking to address a number of issues that have proven to be particularly difficult to resolve, including sustainability, Federal share of costs, match requirements of grants, and volunteer leveraging. Over the past 4 weeks, the Corporation has conducted public meetings on rulemaking in Columbus, Seattle, Boston, Dallas, and here in Washington, as well as having held a number of conference calls. At each of those sessions, we have heard the opinions of the Corporation's various stakeholders in advance of publishing proposed rules for public comment. We have taken this extra step because we understand the complexity of the issues involved and we are committed to building trust and credibility through an open and honest exchange with our stakeholders.

Our grantees, members, State commissions and other partners all have legitimate and varied points of view about the rules governing the future of the program. The issues at hand are complex and do not lend themselves to easy answers. However, these stakeholders also have a wealth of experience, knowledge, and new ideas that we can harness—that we must harness—to get rulemaking right.

The goals of both the Executive Order and rulemaking are: to make our programs more efficient, effective, and accountable; to ensure that national and community service programs add value to traditional volunteering and the nonprofit world; and to bring a far greater degree of consistency, predictability, and reliability for our grantees.

While the rulemaking process continues, the Corporation has taken a number of steps to move AmeriCorps in the direction indicated by the President, Congress, and the Board for the 2004 program year. As we strive to reach 75,000 members, the Corporation has issued grant guidelines for 2004 that call for a lower average cost per member (average cost per FTE includes the Corporation's share of member support, other than the education award and child care costs, and program operating costs). We also expect to increase the percentage of AmeriCorps members participating in the Education Award Program, in which the Corporation is responsible for the education award and a small administrative fee but is not responsible for paying members' stipends or other costs of the program, from 37 percent to 40 percent. And, we are working to increase the number of professional corps grantees within our portfolio.

As a result, we anticipate that the projected average cost per full-time equivalent (FTE) of AmeriCorps*State and National stipend programs for fiscal year 2004, not including EAP Grants, will be about \$9,450—or about 10 percent below the fiscal year 2002 baseline level of \$10,507. This reduction is consistent with the 2004 Omnibus Appropriations Act, which directs the Corporation to reduce the total Federal costs per participant in all programs.

WHAT WE DO

The Corporation's programs are an integral part of President Bush's effort to create a culture of citizenship, service, and responsibility in America.

AmeriCorps members help build the capacity of the nonprofit community and leverage thousands of volunteers to serve with nonprofit organizations, public agencies, and faith-based organizations in rural and urban communities throughout the Nation. AmeriCorps members and volunteers tutor and mentor youth, build affordable housing, help close the digital divide, clean parks and streams, run after-school programs, and help communities respond to disasters. In 2003, AmeriCorps members also focused their efforts on helping to meet the Nation's homeland security needs—a priority that will continue in 2004 and 2005. AmeriCorps*NCCC (National Civilian Community Corps) is a team-based, residential program designed specifically for those between the ages of 18 and 24. Through the program, about 1,250 young men and women serve with nonprofit groups to provide disaster relief, preserve the environment, build homes for low-income families, tutor children, and meet other challenges. In 2003, AmeriCorps*NCCC members responded to 36 requests for emergency relief, including Hurricane Isabel along the mid-Atlantic coast; fires in California, Colorado, Wyoming and Arizona; tornadoes in Kansas, Mississippi, Oklahoma and Missouri; floods in Texas, Kentucky, Alabama and Tennessee; and the recovery of debris from the Space Shuttle Columbia.

Learn and Serve America serves as an "on ramp" to a lifetime of civic engagement for approximately 1.8 million students who participate in service-learning projects supported by the program. Service-learning can bring together many youth development strategies—including character education, civic education, and career education—that schools and other youth-serving organizations use to help young people navigate childhood. It also helps meet local needs, creates community ties, increases academic achievement, and spurs civic awareness.

We have just announced and will soon be issuing Learn and Serve continuation grants for the second year of 3-year grants to schools, colleges, and community organizations in all 50 States. Many of these grants will be awarded to programs that link the teaching of history and civics with service. The grants support educators' efforts to help their students understand the meaning of civic participation in American democracy. This time next year, we will have a full year of progress reports on these programs, and I look forward to giving you a more comprehensive report then.

To a great degree, all our programs are about fostering the ethic of good citizenship and putting into practice the democratic ideals of self-government and service to others. Other initiatives under the Corporation's umbrella include the President's Council on Service and Civic Participation, which sponsors the President's Volunteer Service Award; the National Conference on Community Volunteering and National Service, the premier gathering of those who work in volunteer management and the voluntary sector; Presidential Freedom Scholarships, which provide matched scholarships of \$1,000 to high school students who have demonstrated exemplary leadership in community service; and the Martin Luther King, Jr. Day of Service, which seeks to transform the MLK holiday into a day of community service honoring Dr. King's memory, as exemplified by the United Way of Southeastern Pennsylvania's use of its \$6,500 grant to support a city-wide day of service in Philadelphia involving more than 40,000 volunteers. All these programs have the goal of increasing the numbers of Americans of all ages involved in their communities.

From a Bureau of Labor Statistics survey that the Corporation helped initiate, we know that in 2003, 63.8 million American adults volunteered through formal organizations—up 4 million from a year earlier and still strong some 2 years after September 11. As we reform our programs, the Corporation is striving to ensure that national service intentionally works to broaden, deepen, and strengthen the ability of these 63 million volunteers to contribute effectively to society—and of America to capture this strength.

As I noted earlier, one important role for national service is to serve as an engine of volunteer mobilization, and we are finding ways for more and more of our AmeriCorps members to devote more of their time to helping charities recruit, train, and manage volunteers. The President's Executive Order will facilitate this process.

The value of this volunteer-leveraging role to the nonprofit world is highlighted in a recent comprehensive study of volunteer management capacity at charities and congregational social service outreach programs across the United States commissioned by the Corporation, USA Freedom Corps, and the UPS Foundation. The study found that these groups valued their volunteers for these important reasons:

- they were instrumental in reducing costs;
- they improved the quality of services provided; and
- they raised awareness of the organization in the community.

Moreover, the study also found that the strongest predictor of achieving high value from volunteers was having a person on hand to manage volunteer activities.

Our members can provide an extremely valuable resource to charities, and we are going to continue to strengthen relationships with grantees that use members effectively to recruit and manage episodic volunteers. What is more, we are looking for other ways to use AmeriCorps members to help build the capacity of nonprofit groups, both faith-based and secular. Building capacity broadens charities' reach and helps them to become more efficient, effective, and, ultimately, self-sustaining.

This does not preclude national service participants from continuing to provide direct service. It stresses those areas where national service can add value to the millions upon millions of volunteers who serve their communities every day through traditional volunteer networks and nonprofit organizations.

2005 BUDGET PROPOSAL

In our 2005 budget proposal, the Corporation is asking for a total of \$642.2 million from this committee. This includes \$442 million to support reaching our target of 75,000 AmeriCorps members; \$27 million for the National Civilian Community Corps; and \$46 million for Learn and Serve America.

The President's 2005 budget request largely parallels the 2004 enacted budget, but with a few added investments in targeted programs and initiatives. These new investments are designed specifically to further our goals of leveraging the numbers of volunteers engaged in service activities, increasing outreach to new groups, and ensuring that the Corporation is accountable for results while providing adequate assistance to our grantees. They include:

- A \$3 million increase for Learn and Serve America, specifically to fund a program to educate teachers about service-learning techniques. The training pro-

gram is designed to increase both the quality and the quantity of educators, who will then engage thousands more students in meaningful service to their communities. If passed, this would be the first increase in funding for Learn and Serve America in a decade.

- A \$2 million increase for the AmeriCorps*NCCC program to provide much-needed capital improvements to the five regional campuses across the country, located in Charleston, South Carolina; Denver, Colorado; Perry Point, Maryland; Sacramento, California; and Washington, DC. The capital projects include vitally important roof repairs, accessibility upgrades, and fire safety enhancements.
- A \$7.6 million increase for Challenge Grants, an innovative grant program that requires a two-for-one private match for every Federal dollar offered. For the first Challenge Grant competition in 2003, we received 52 applications requesting a total of \$36.8 million and awarded a total of \$5.9 million in grants to eight nonprofit organizations. The Notice of Funds Available for 2004—for \$2.4 million in grants—is to go out shortly. In fiscal year 2005, the minimum Challenge Grant award will be reduced from \$500,000 to \$100,000, and the maximum will be reduced from \$1 million to \$500,000, enabling us to support many more grantees. We estimate that up to 30,000 citizen volunteers will be supported through this program, that many previously unfunded groups will apply, and that it will serve as a powerful catalyst to bring new private supporters of service to the table in many communities.
- A \$3 million increase for Next Generation Grants. Because prospective grantees in this competition cannot have received prior funding from the Corporation and must have organizational budgets of \$500,000 or less, this program is an important part of our outreach to faith-based and other community organizations. In the first of these competitions, for which a total of \$5 million (\$4 million from fiscal year 2003 and \$1 million from fiscal year 2004) had been appropriated, we received more than 1,150 proposals requesting more than \$280 million. From those, we have asked 23 “finalist” organizations to submit a full application, and we expect to select roughly half for funding by mid-June. We believe that both Challenge Grants and Next Generation Grants will decrease the pressure for earmarked appropriations.
- Twenty million dollars to fund a “Silver Scholarship” program to provide transferable scholarships of \$1,000 each to nearly 10,000 senior volunteers who, through a special grant program run by the Corporation, dedicate 500 or more hours tutoring or mentoring a child over the course of the year. The program will support organizations that help meet President Bush’s goal that every child be able to read by the third grade. Approximately half the request is for program grants, and the other half is for the National Service Trust to fund the scholarships in a model, pioneered through the AmeriCorps program, with tremendous potential to mobilize the aging baby boomer population.
- An increase of \$5 million for training and technical assistance to help grantees successfully manage their programs, including providing necessary assistance for grantees to attract and manage additional volunteers, and to raise funds from other sources. Grantees will receive training in how to build their organizational capacity and become more sustainable.
- An increase of \$3 million for evaluation to help ensure that our programs are efficient and effective, as well as to develop new and more effective tools to measure the impacts and outcomes of our programs. The Corporation currently is in the midst of implementing a leading-edge performance measurement system. These funds will support continued collection and analysis and support scientific evaluations of program impacts, cost-benefit studies, and other projects that inform our program design and management.
- A \$6.7 million increase for program administration to ensure that the Corporation and State service commissions have sufficient operating funds. At a time when the Corporation has been called on to increase effectiveness, performance, accountability, and performance measures and to expand outreach to small community and faith-based organizations—when the AmeriCorps program has grown by 50 percent—we must have resources to continue to maintain a sufficient level of support and oversight. Following a reduction of 18 employee positions in 2003, our request would restore key staff, provide for adjustments to current services, increase employee training, and fund badly needed updates to the material we use to promote national and community service.

CONCLUSION

Because of the challenges faced by the Corporation last year, it has been necessary to focus a good deal of this testimony on the financial and management improvements that we have made over the past year. It has also been necessary to work to rebuild the trust and credibility of the Corporation with many its stakeholders, from grantees and their private supporters to AmeriCorps members and Members of Congress.

In the past 4 months, we have seen significant progress in this area. I am committed to working with all our constituencies in an open, honest, and above-board manner. We are working to be more open and responsive to Congress, informing you in advance of significant developments concerning our agency, including grant awards and the decision to begin the rulemaking process, as well as meeting with your staffs on a regular basis to report on progress. And, embarking on the rule-making process has been very helpful in demonstrating to our grantees and to the field of potential grantees that we are committed to a new level of open and inclusive communication.

Of course, one of the best ways to build trust is to meet expectations—to do what we say we are going to do, and do it well. And that means managing to accountability, one of my management priorities. As noted earlier, we have made significant strides in that direction, and I look forward to working with you to continue to strengthen national and community service in America.

In sum, because of your leadership and our commitment to management excellence, the Corporation for National and Community Service is far stronger than it was last year. We have heard Congress' concerns about our management weaknesses and are committed to achieving the highest levels of accountability, efficiency, and effectiveness in all our operations. Furthermore, we share with Congress the common goals of developing strong, high-quality national service programs; of attracting a diverse set of grantees; and of leveraging taxpayer funds to the greatest extent possible.

Mr. Chairman, this concludes my remarks. I would be happy to answer any questions that you might have.

LETTER FROM STEPHEN GOLDSMITH, CHAIRMAN OF THE BOARD, CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

APRIL 8, 2004.

The Honorable CHRISTOPHER S. BOND,
Chairman,

The Honorable BARBARA A. MIKULSKI,
Ranking Minority Member,
Subcommittee on Veterans Affairs, HUD, and Independent Agencies, Committee on Appropriations, United States Senate, Washington, DC 20510.

DEAR SENATOR BOND AND SENATOR MIKULSKI: I regret that a teaching commitment prevents me from appearing at the Committee's hearing. However, I am pleased that the Corporation's Chief Executive Officer, David Eisner, and our Chief Financial Officer, Michelle Guillermin, will be on hand to answer your questions and to thank you on my behalf for your steadfast support during the 2004 budget process.

Management of the Corporation is far stronger today than it was a year ago. We have instituted a number of significant management reforms in the areas of grant making, grant review, data management, budgeting, organizational structure, and personnel policies. In addition, in a short period of time our new CEO has made great strides in rebuilding trust in the agency, in part by working tirelessly to oversee the first stage of the AmeriCorps rulemaking process, through which we are reforming the AmeriCorps program. Having witnessed his ability to engage Corporation stakeholders in discussion of difficult issues and balance competing points of view, I have complete confidence that he can lead national and community service to the next level.

Despite the progress of the past year, our efforts are far from over. Indeed, we are striving to create a deeply rooted and lasting commitment to accountability and performance-based management throughout the organization. To ensure that the information we use to make decisions is timely, accurate, and reliable and that the Corporation is accountable, we will need to modernize our technological systems, under the direction of our new Chief Information Officer.

Last year, this Committee expressed concern about the Board's oversight of Corporation operations. The Board has taken significant steps over the past year to in-

crease and strengthen our oversight responsibilities, as well as to ensure that we have a more active role in guiding Corporation policy.

The Board now requires that it approve guidelines issued by the Corporation for upcoming grant competitions and that the CEO certify to the Board that grants recommended for funding meet its priorities. The Board also requires that the CEO consult with the Board prior to issuance of cash awards and pay increases. In addition, the Board has developed and submitted to Congress a Comprehensive Management Reform Plan, and we have reorganized the Board's committee structure to more appropriately reflect and provide oversight to the various functions of the Corporation. In short, we have heard your concerns, taken steps to address our shortcomings, and remain committed to the highest levels of organizational accountability and responsible governance.

Please let me know if you require any further information, and I would be happy to provide it to you.

Sincerely,

STEPHEN GOLDSMITH,
Chairman of the Board.

ACCOUNTABILITY AND MANAGEMENT

Senator BOND. I appreciate your responding to some of the points that Senator Mikulski and I raised. I also appreciate your emphasis on leverage, using AmeriCorps volunteers on a wholesale basis. In other words, maximizing their impact by enabling them and directing them to assist in recruiting other retail volunteers, which I think gives a lot more impact to the AmeriCorps program.

Going back to our discussion of the need to change the culture at the Corporation to make management and accountability a top priority, which I think is your biggest challenge, what steps specifically do you intend to take to avoid the mistakes of the past, to hold personnel accountable, and to make the conscious decision not to reward with pay increases or cash awards the ineffective action of those who may not perform to standards in AmeriCorps administration?

Mr. EISNER. Thank you for that question. And let me answer it in a few parts. First, I would like, when I am completed with the rest of the answer, to ask Michelle to spend some time talking specifically about the reforms relating to the Trust that will prevent those kinds of challenges from happening again.

Secondly, I want to talk generally about the accountability measures that we are putting in place in the Corporation. And then specifically I want to talk about how we are changing our personnel management to enforce greater accountability at an individual level.

Across the Corporation, we have been focusing on accountability, which means that no major activity, or even minor activity that is happening in the Corporation, happens without a specific individual being responsible. Across the Corporation, my direct reports, their managers and individuals are now used to within every meeting, asking the question: Who is responsible for this specific outcome?

In a deeper way, we have also flattened the organization. We had many different levels of hierarchy. We have flattened the organization so that the people who are where the rubber meets the road, working with our grantees, working with our State commissions, working with the national direct, are not engaged in our policy-making and our executive-making decisions so that we are no longer making decisions at a high level that do not include the ap-

propriate input from the folks that are engaging in the actual behavior.

And then finally we are working as quickly as we can to begin to use data more effectively to inform our decision-making so that we are specifically looking at the data that we are getting back from our early focus on performance measures that our grantees are now being required to input as means for us to make decisions about how we implement our programs. Upon receiving grant applications now, before we move into the peer review process, we are using the information about the grants that have come in to determine that we are using the right process to compare apples to apples so that we can be accountable for the outcome.

As far as our personnel management system goes, our CHCO, Joyce Edwards, has really, in a few months, done an amazing job of dramatically changing our performance culture. First of all, we are moving from a pass-fail basis—all of the employees of the Corporation used to be measured on literally whether they passed or failed, without deep appreciation for what performance goals they have achieved. We have now moved into a more sophisticated measurement. Prior to each new year, performance measures are being expected from each employee. There are mid-year reviews for each employee. And then, at the end of the year, we are assessing performance against those measurements.

We have also reformed the Alternative Personnel System internally, so that we are moving from an indiscriminate use of term appointments to a more permanent use, which means that we are already seeing as we open positions we are having a higher level of candidate applying, because they are not limited by the terms. And we are seeing internally the beginnings of what we expect will be stronger retention of our key employees.

Let me ask Michelle to quickly talk about the solutions we have made in the area of the Trust.

Ms. GUILLERMIN. Thank you. I will very quickly sum up some of the major changes we have made. For every grant award that is made or any amendment to a grant that is made, a certification process takes place in my office, and I personally certify that funds are available before they are awarded to a new grantee.

We are in the process of implementing funds control regulations. We have modified our systems to better enforce some of the member enrollment controls that were lacking. One of the major changes we have made is we look at the way we plan and execute against plans differently than we have in the past. We have a plan that estimates how our grant cycle will roll out during the year. We not only execute against that plan, but as those estimates now become actual numbers, we re-forecast the full-year plan on a regular basis.

Senator BOND. Thank you very much, Mr. Eisner and Ms. Guillermin.

I will turn now to Senator Mikulski.

CHAIRMAN GOLDSMITH LETTER

Senator MIKULSKI. Thank you, Mr. Chairman.

I am going to pick up on the whole idea of reform. Mr. Eisner and Ms. Guillermin, I appreciate the remarks that you made. I

want to now go to the engagement of the Board and Mr. Goldsmith, which I think is heartening.

In his letter to Senator Bond and myself, Mr. Goldsmith explained he could not be here today, but he is, first of all, complimentary to you, Mr. Eisner, and of course then to your team, about engagement and reform. I think he outlines a roadmap that is part of my reform thinking. He talks about how he wants whatever reform is to be lasting, that this is not a one-shot deal where administrators come and go.

We really appreciate the fact that what you are instituting with your team is going to take root in the part of not only a rule book for an operating plan, but a culture of an agency. We believe there is momentum and really wind at our back.

He also talks about the need to modernize technological systems and having a new Chief Information Officer. I support that while you have a CFO and a COO, we believe in today's modern world you do particularly when you are also managing such a diverse set of grantees, the numbers, volunteers, and so on. So we want to work with you to ensure that we modernize that technological system and that you have the right brain power to do it so we do not have another boondoggle. And the world that you come from, Mr. Eisner, we believe that you will bring that.

In addition, he talks about other reforms that the Board does in terms of the Board insisting that the CEO certify to the Board that grants recommended for funding priorities requires the CEO to consult with the Board prior to the issuing of cash awards and pay increases. And he has a whole set of other issues.

One, that we have Mr. Goldsmith's viewpoint. And then second, I think he has a good roadmap of the Board and working with you, Mr. Eisner, and the leadership.

So we feel this is good news and there is momentum.

I would like to go to the rulemaking. And there were certain principles that I had. First of all, it had to be open, it had to be transparent, and it had to provide the opportunity for timely comment by advocates, grantees, as you would say, sir, the stakeholders and the customers.

Could you tell us, now, what are your mechanisms for rule-making? Then I want to go to the questions of sustainability. And then, third, I want to go to Mr. DeLay's recommendations, some of which I agree with and others I do not.

RULEMAKING

Mr. EISNER. Thank you. Rulemaking is one of the most important activities that we are undertaking this year. And we are just concluding the first public comment period. As you are aware, rule-making normally includes an agency issuing draft regulations, then a comment period on those regulations, and then issuing a final.

We have added a pre-rulemaking comment period so that our agency could capture the ideas and the concerns of folks that have been making this program strong for 10 years. And now upon concluding that, we have received 423 written comments, and they are still coming strong. We have had more than 700 people participate in our five public meetings and four conference calls, more than 140 individuals providing testimony, 23 hours of testimony that I

have personally participated in, not to mention, innumerable meetings.

So I believe that the process has been fair and open. And we—to your point in opening comments have made the point over and over again, that there is no pre-determined outcome here. We know that we are going to meet the requests that we have received from Congress, from our Board, and from the President to build greater efficiency and accountability, to address the issue of sustainability, to address the issue of Federal share and matching requirements, as well as a host of other issues. But how we are doing that has not been pre-determined. And we are only now focusing on which options we are going to pursue.

CRITERIA FOR SUSTAINABILITY

Senator MIKULSKI. Well, we appreciate that. And we want to be kept apprised.

I would like to ask one more question this round, if I could. But could you give me the criteria that you have or the direction that you think you have on the issue about sustainability?

When we created AmeriCorps or National Service, we wanted programs to be sustainable, but in our minds sustainability was both money—in other words, we could not deal with—when I say shaky, I do not mean morally shaky, but from a management or fiscal point, something that made a public investment for no outcome.

But in us it was that it would be—sustainability was that there was a quality of the program, that it could be financially maintained over time, and that it could be also—have the potential for replication, perhaps, in another State or whatever. Could you tell us what you see as sustainability?

Mr. EISNER. Let me start off by noting that one the important things that we are going to do in the context of rulemaking is define sustainability. Sustainability has been used extremely broadly to mean many different things.

Senator MIKULSKI. Yes.

Mr. EISNER. And we received dozens of comments with suggested definitions of sustainability.

Directly to your question, I think that there are many potential aspects to sustainability. There is the sustainability in leverage of our overall programs to ensure that we are not simply taking the same resources each year and plugging different holes. We want to say that over a period of years, as we invest, that investment expands. And so there has to be a sustainability every place that we go that carries these programs forward.

There is an issue of organizational sustainability, which in many ways can be characterized in the negative, that Federal funds should not harm the ability of a program to remain independent and strong, that we should not be fostering over-reliance on Federal funding.

I think there is also an issue of sustainability relating to our members. When an AmeriCorps member serves for a year or 2 years and then leaves the program and continues to be engaged in service—in public service or volunteerism—that is also potentially a strong element to sustainability.

And then finally, sustainability can be measured in leverage. When a program increasingly uses the same amount of Federal funds and becomes more and more productive, more and more impactful, engages more community members and volunteers, and deepens its partnerships with the community, that's another way of thinking of sustainability. And our job is to work through these different definitions and come up with a definition that is responsive to you and that also helps the field understand where they are trying to go in sustainability.

Senator MIKULSKI. Well, I appreciate that, Mr. Eisner. My time is up. I am going to come back to some of the other aspects in a second round.

What I want to be clear about is that sustainability is not only about money and not a desire to be a micro-manager. As you proceed in your rulemaking, which was to go to public comment and therefore it should not be like a conversation with just you and I. I am a public commenter, a heavy public hitter commenter, but nevertheless, that we look at sustainability in a broader sense.

And we look forward then to what you will be arriving at as the criteria.

Thank you, Mr. Chairman.

RULEMAKING TIMELINE

Senator BOND. Thank you, Senator Mikulski.

Mr. Eisner, you have had the same experience now that we in the Senate have, with 23 hours and hundreds of thousands of comments. And we can sympathize with you.

Very quickly, can we get your commitment to complete the rulemaking this year?

Mr. EISNER. You have my and my organization's commitment to do everything we can to do that. We will have draft comment—drafts moving forward. We need to submit it to OMB. And we need to, then, move that forward.

Senator BOND. We understand that things can happen at OMB that take time. I am from the Show-Me State. And I would like to see that rulemaking this year.

Mr. EISNER. We are very focused on it. And your earlier comment that if we do not have it, we are likely to see a challenge in the fall as we deal with our appropriations. We understand very clearly.

PROFESSIONAL CORPS

Senator BOND. Let me move to the Professional Corps. The President has directed the Corporation to develop separate guidelines and recognize the importance of a Professional Corps in the AmeriCorps program and proposed \$10 million for the Challenge Grant program.

Can you describe the types of organizations that would qualify as Professional Corps? For example, would Teach for America be considered a Professional Corps organization. Have any Professional Corps organizations received Challenge Grant funds or AmeriCorps grant funding?

Mr. EISNER. As far as a definition of Professional Corps, Professional Corps have been defined for us as organizations that re-

ceive—where the members receive their stipends or the member support from a third-party organization and where the Corporation provides the education award and a small amount of administrative or program support.

So with that definition, Teach for America certainly does count as a Professional Corps. There are many other organizations that focus on teaching, that focus on health care professionals, that focus on crisis professionals. We are currently considering whether organizations that train and certify volunteer managers might constitute Professional Corps. It will depend on the level of professionalism there.

One of our challenges that—some Professional Corps are actually quite expensive. And those are Professional Corps where the member cost is picked up by the third-party, but where the program expenses are huge. For example, if you have a corps of surgeons that provide service, the oversight and training would be enormous. And we are currently not including that within our internal understanding of Professional Corps.

So we look at Professional Corps as lowering the overall cost by having a small administrative and program cost, having a level of certification that means that these are professionals, and where the third-party is picking up the member cost.

Senator BOND. Given the facts that the Corporation is developing a set of guidelines for Professional Corps and that Professional Corps, such as Teach for America, have successfully competed for Challenge Grant AmeriCorps funding, the administration request for a \$4 million earmark for Teach for America is puzzling.

Further, given the huge earmark demands that the committee receives every year, funding this earmark would open the flood gates to other earmarks, which are opposed by the administration and OMB.

Do you see if we start going down this road, we invite all of those 23 comments and hundreds of contacts to come into our offices? And we think that you are better equipped to handle those, perhaps, than we are.

Let me turn to the Learn and Serve activities. I am a big supporter of child literacy, mentoring and tutoring programs, and appreciate the Corporation's activities in these areas. I notice in your budget justifications that two of the primary activities are mentoring and literacy. I also noticed that conflict resolution and community gardening are two other primary activities.

As a senator, I get involved in conflict resolution almost every day. And I enjoy gardening. It is one of my hobbies but I am a bit puzzled by the Corporation's support for these activities.

Can you explain why the Corporation funds these types of activities? What are the benefits and impacts on a local community and students? Did you fund these activities because local communities identified them as high-priority needs? How did you choose them?

LEARN AND SERVE

Mr. EISNER. Yes. We fund those as local communities identify them as high-priority needs. In many ways, the activities of the Learn and Serve programs are geared to what is the most important set of activities to engage the students. In certain high poverty

areas, conflict resolution can be a lifesaving activity and can help students achieve an understanding of service that is different than what you might find in a suburban community. And it is very important.

As far as gardening goes, that is the—it is more likely to be a focus on environment and a focus on the importance of serving one's broader community. I visited a program in Seattle where Learn and Serve participants were doing gardening, but what they were in fact doing was refurbishing a community park that had lain fallow for two decades. And by engaging the students in revitalizing that park, the students were learning about biology. They were learning about botany at the same time that they were experiencing the importance of supporting their community and building something that was destroyed into something beautiful.

Senator BOND. I hope they have greener thumbs than I do. My efforts are not always successful.

Senator Mikulski.

PROFESSIONAL CORPS AND RULEMAKING LETTER

Senator MIKULSKI. Thank you. Mr. Chairman, I just want to make a comment about the Professional Corps. We encouraged the concept in the 2004 appropriations.

I would like to share with you what I had in mind as I again continue the bipartisan efforts with Senator Bond, that the Professional Corps wasn't for every profession. It was to be in those areas where there is a workforce shortage and where there are other, as you indicated, third-party groups that would be able to work on this.

One, of course, was in the area of education. The flagship one we are all familiar with is Teach for America. The other was where there were workforce shortages or where there would be a community crisis of some kind, almost like a reserve Professional Corps.

That is all a work in progress, but it was initially around where there was a workforce shortage. It was not to create a legal aid program. It was not in that category or a surgeon's program, as wonderful as that might be. We have physicians in this own institution who volunteer, and we salute their efforts. But that is not what the Professional Corps was all about.

And when we originally created AmeriCorps, one of the things we talked about was people had to do hands-on work in the community, that it was not to be an accountant sitting in doing accounting for a non-profit. It had to be hands-on or direct engagement with the community. AmeriCorps volunteers were not to be bureaucrats. They were to be community people.

So I just offer that as a comment and an insight as you are fleshing this out.

Let me come back, though, to the rulemaking. And I would like to go to Congressman DeLay's letter to you. First of all, in his letter, he encourages to preserve the right in faith-based organizations to retain their religious identity and their character while participating in national community service. I want to be on the record that I really support faith-based initiatives. I believe what they bring in our society is just unique to the American society.

Church and State should be separated, but should not be divided or adversarial.

I would encourage you, though, as you look at how to involve faith-based organizations, that we make sure we are constitutionally compliant. We have precedents in other areas where faith-based groups have been used so that we stay in the community volunteer business and we do not end up in the lawsuit business. We do not want to see you or our grantees all tied up in lawsuits.

So as you look at this, let us really see how we can involve faith-based organizations, but let us stay constitutionally compliant. That is No. 1.

No. 2, the aspect of controlling Federal costs. Of course we need to be stewards of the taxpayers' dollar, maintain fiscal controls, but I am concerned that our colleague, in his zeal for cost, is talking about reducing grants to volunteers, cutting daycare, and pursuing those kinds of things that I think are really authorizing by proxy.

When we talk about what should be the level of funding for what a volunteer gets in a stipend, what should be the appropriate level for daycare, I believe is part of an authorizing process and not rule-making. So I am ready to do authorizing, and I know you are ready to do rulemaking. And I do not want to see them confused.

I wish we were being as hard as corporate potentates as we are being on our volunteers. I did not like the attitude there. This whole idea of limiting the living stipend, limiting the child care costs, limiting the number of volunteers, years a grantee may receive funds for full-time, we believe, is a function of authorizing.

Sustainability, we have already talked about. Where we do agree with our House colleagues, though, is strengthening the financial management to ensure the effectiveness. We have gone over this. And establish accounting measures. And our colleague, Senator Bond, has really been the father of the Strengthen AmeriCorps accounting, and we fully support him 100 percent.

So know where our flashing yellow lights would be one criteria for sustainability. Second, involving faith-based organizations but be constitutionally compliant. But when we get into how much you should get for daycare and how long you can get a stipend and what that should be, we think that is a function of authorizing.

So do you have any comments?

Mr. EISNER. Thank you for laying those out. I do not disagree with any of the guidelines you are asking us to use as we make decisions.

I would also note that you are correct that the Professional Corps should be about where there are workforce shortages that impact the communities. And that is where we are focusing Professional Corps.

Senator MIKULSKI. Two other things. And perhaps we can talk about it when we do authorizing. Not to break new ground today. Today the ground is the momentum of reform and renewal. And then the other, how do we harvest the ability of these 300,000 alumni?

Well, we look forward to your creative and fiscally prudent ideas on that.

Mr. Chairman.

AMERICORPS EDUCATION AWARD PROGRAM

Senator BOND. Thank you very much, Senator Mikulski. I appreciate being able to share parentage with part of the AmeriCorps program with you, because you are recognized as the godmother of the AmeriCorps program.

Mr. Eisner, the Education Award program has many advantages over regular AmeriCorps because of lower costs, broad reach, broad network of program sponsors, and its simplified application process, and perhaps greater program flexibility. Obviously, there is a huge demand for it.

What is your opinion of this program? Is it accurate to say that you could find more members than originally estimated? And do you believe that the program should be expanded?

Mr. EISNER. The Education Award program is a very strong and innovative element of the overall AmeriCorps program. We were delighted to see that in our first tranche of 2004 funding, that we had very, very high numbers of requests for Education Awards. We have set the target for Ed Awards at 40 percent of our members this year. And we believe that not only are we not going to have a problem reaching that, but it is going to be a very competitive process.

So we anticipate that we could—we could go even higher. I think what we need to stay cognizant of is what that will do to the nature of the volunteers. We have seen that a higher percentage of the Ed Award programs tend to be more part-time than full-time members. So one question is: Are they getting the same amounts of things done as the full-time members?

Another aspect that we need to look at is what happens to the demographics of memberships. It seems that with the stipended programs we seem to be having greater success at having economic diversity and racial and ethnic diversity than with the Education Award program. Although we are going to be watching that very closely.

And so I think it is a very useful question, because it is such a cost-effective program, about whether it can be extended. But I think we need to—before I would say that I am in favor of that, I would really want to look to see what that is doing to the make up of the participants.

ALTERNATIVE PERSONNEL SYSTEM

Senator BOND. Well, thank you. That is what we ask you to do. And I appreciate that.

I have a concern. This is going to be my last question. I will submit the rest for the record. But I want to focus on the recent changes you have made to the Corporation's Alternative Personnel System by converting most term-appointed employees to a general or permanent appointment system. It does seem like the decision came out of left field. We received a document on March 12 that laid out some general goals. I would be interested in knowing how you came to your decision. What options did you review? And whom did you consult? Did the Board review and approve this decision? I will ask the second part of that question. Let me let you address that first one.

Mr. EISNER. As you are aware, there have been several studies that have pointed out the deficiencies of the current—of the recent past Alternative Personnel System, with one of the most glaring deficiencies was the use of the term appointments. And both the Office of Personnel Management and our IG asked us specifically to study what our options and alternatives were, and specifically to consider whether that program had outlived its usefulness.

Our CHCO, who is one of the—

Senator BOND. CHCO being—just for the record—

Mr. EISNER. Chief Human Capital Officer.

Senator BOND. Thank you. That might be helpful for the record.

Mr. EISNER. And we—and we hired the CHCO as—in response to a direct recommendation from our Inspector General, who believed that we needed it. And we were very fortunate to be able to retain the services of Joyce Edwards, who is one of the Nation's experts in government personnel systems and with a deep and close relationship with the Office of Personnel Management.

She reviewed the challenges and options—and frankly, upon my arriving at the Corporation, looking at the challenges that she had outlined and speaking to many of our employees, I realized that this was an absolutely urgent and essential first step in rebuilding—rebuilding our employee performance. And employees were from—everything from morale to the general sense of equity and fairness. These were Federal employees that were not considered by other Federal agencies to be non-competitive applicants. What it meant was that as we set out to recruit additional employees, because we were term-limiting them, we were not getting the highest quality of applicants.

And as—you know, I am constantly impressed with the creativity and professionalism of our employees, even under the terribly adverse circumstances of the last couple of years. But the most oppressive thing that we were doing to them was this term system. And so I accelerated the process of removing it.

However, in accelerating that, we did—we looked at probably seven different alternatives of ways that we could parse the term system, the time frame for changing the term system, and we picked the one that we thought would be most effective and the least costly to implement.

Senator BOND. But we would like to see those options, if you will submit those for the record. Is it correct to assume that the Board approved this change?

Mr. EISNER. Yes.

[The information follows:]

REASSESSING THE CORPORATION'S USE OF APS TERM APPOINTMENTS

Issue.—In order to build a diverse, high-performing workforce, how should the Corporation change its current policies and practices on the use of APS appointments?

BACKGROUND

The APS Handbook (the primary Corporation guidance on personnel issues) authorizes 5 types of appointments: Temporary, Discretionary, Term, Indefinite, and General. Although no policy directive has been issued, it has generally been the Corporation's practice to use the term appointment authority to hire new employees.

Type of Appointment	Supervisors/Managers	Non-Supervisory Employees
APS Discretionary	15	10
APS Temporary	0	2
APS General	13	64
APS Term	57	299
General Schedule	25	73
TOTAL	110	448

Many Corporation employees and several independent studies have urged the Corporation to rethink its current practices on the use of term appointment.

—The 2003 OIG/Deloitte & Touche report recommended that the Corporation re-examine and reconsider its use of term appointments. The report found: “Term appointments, even though nearly 90 percent are renewed, promote a short-term mentality among employees and managers. Many employees begin thinking about leaving 12–24 months before their appointments expire. Term appointments also deter some candidates from joining the Corporation, particularly those with competitive Federal status.”

—The 2003 OPM report recommended that the Corporation reexamine its current use of term appointments. OPM’s report noted that use of term appointments has a negative impact on employee morale, contributes to a high turnover rate and loss of institutional knowledge, and appears to be used as a tool for dealing with poor performers. OPM also states that unless we change our current practice on term appointments, the Corporation does not meet a fundamental criteria for approval of an Interchange Agreement—a Union and MIT priority.

—NAPA’s 1999 report recommended continued use of term appointments, but with exceptions for career candidates from within the Federal sector, and in lieu of recruitment bonuses to non-Federal candidates.

—The MIT Human Resources Committee has identified reassessment of our use of term appointments as a priority.

—At the January 6th “Talk to Your CHCO” session, employees again expressed their frustration and disappointment with the current practice. Among the problems highlighted were: misrepresentation of the features of the APS system, job insecurity, inability to transfer to other Federal positions, the absence of policies on how appointment decisions are made, and inconsistency and lack of transparency in the management decision making process.

The preliminary Strategic Human Capital Plan provides that, by the end of February, the Corporation will reassess our current practices on the use of term appointments and issue policies.

Options.—These options are presented in an effort to stimulate discussion and facilitate decision making. They are not intended as a summary of all the possible alternatives. In fact, the Executive Team, employees, and their Union representatives are encouraged to suggest other options.

—(1) Continue current practice, but clarify policy. (Specifically, continue to use term appointments for all new hires, but clarify policy so that there is consistency and transparency in the length of terms and on the conditions under which the term appointments will be extended or terminated.)

—(2) Continue to use term appointments for most new hires, but permit the use of general appointments for career Federal employees and to attract high-quality people from the private and non-profit sectors.

—(3) Use a 2-year term appointment for all new employees (paralleling the probationary period). At the end of that period, convert high-performing employees to general appointments. Phase in the conversion of current term appointees to general appointments.

—(4) Discontinue the use of term appointments for on-going positions and phase in the conversion of current term appointees to general appointments. (NOTE: Term appointments would continue to be used to appoint individuals to positions of a project nature or in other circumstances where it is expected that the employee would leave the position after a specified period of time.)

—(5) Discontinue the use of term appointments for on-going positions and seek OPM approval to convert all term appointees who occupy on-going positions to general appointments.

Senator BOND. And will the employees under the new general appointment system be treated the same as under the GS system, or

will you still have the ability to hold them accountable, as you did under the term—

Mr. EISNER. The term—these employees will continue to be under the Alternative Personnel System. And moreover, we believe that as a result of removing the term system, more of our employees will be willing to leave the GS system and move to the Alternative Personnel System.

The fact that in order to move they had to embrace a term was one of the biggest impediments to converting our employees from the GS system to the Alternative Personnel System.

Senator BOND. Thank you very much, Mr. Eisner.
Senator Mikulski.

CHALLENGE GRANTS

Senator MIKULSKI. Thank you. This, too, will go to my last round of questions. I know we will have ongoing conversation.

I would like to go to page 9 and 10 of your written testimony, in which you talk about the 2005 budget proposals. First of all, I am so pleased that you are going to allow \$2 million to upgrade some of the facilities at the NCCC Training programs. We did it a long time ago. And now they are worn.

I would like to go to the discussion, though, that you had with both the Challenge Grants, as well as the Next Generation Grants. With Challenge Grants, you talk about the tremendous number that you have gotten for requests, but it is your intent to reduce them. The minimum Challenge Grant would be reduced from \$500,000 to \$100,000, and the maximum reduced from \$1 million to \$500,000. Your rationale, as I understand it, is to serve more grantees.

Here then is my question: In doing that, could we end up with more grantees, but giving them money that really did not do anything to help them out. Are we spreading the money so thin that it does not have the traction with the groups, where the Federal resources are also in the partnership for leveraging and getting greater productivity from them? Do you see where I am going?

Mr. EISNER. I do see where you are going. And I understand the concern. I think that a greater challenge for us is—particularly, as we are more focused on building sustainability—identifying the operational and business models that are capable of attracting the kind of 2 for 1 match that we are achieving in the Challenge Grant models.

We would hope that the Challenge Grants spawn innovation. And we are concerned that if we simply are able to do eight grants, as we were able to do in the 2003 cycle, that we are not accelerating the innovation of those models sufficiently. And we think that we can achieve many—we can have many more grantees and explore more models with the lower minimum and maximum.

Senator MIKULSKI. We understand, in the Challenge Grants—then I want to get to the Next Generation Grants—that you received about \$36 million worth of requests. From your initial purview or looking at them, if you had the money, would these be the people desperate for money at the local level. There has been a cut-back because of the economy; this is why we are being deluged

with earmarks. I mean, it is an unprecedented year of requests for money.

My question to you is: Is the \$36 million you have gotten in requests, are these real organizations that could use real help for which we have modest resources and we are going to try to do our best by them? Or do you think, “Boy, if we could do this, this would really help these programs that do such phenomenal work across the Nation?”

Mr. EISNER. Certainly, a lot more of them are real and powerful than we were able to fund in 2003. I would not want to say that the right number is \$36 million. But in 2005, we are looking at going to \$10 million and think that that would be a really strong and powerful number, especially as we look at that \$10 million would generate \$20 million in private investment.

Senator MIKULSKI. Actually, \$30 million, isn't it, 2 to 1?

Mr. EISNER. Yes. It would be \$10 million Federal, \$20 million private, for a total of \$30 million.

Senator MIKULSKI. Well, that would be pretty phenomenal. Well, we want to watch this and see how you go as you then deal with this, because this is only the second or third year of the Challenge Grant?

Mr. EISNER. That is right.

NEXT GENERATION GRANTS

Senator MIKULSKI. Well, let us go to Next Generation Grants. And I understand that you got over 1,000 requests. And it came to \$280 million. Bingo. Or it is MegaBall. I mean, this is bigger than those West Virginia lottery winners there. Now if I were one, you could see where I would be spending my money.

Are we on to something, or are these just desperate little organizations that have practically no viability, or are there all of these wonderful organizations out there just really out of oxygen—they have a lot of oxygen, but not a lot of resources?

Mr. EISNER. I think it is a combination of all of the above. We have in this country more than 1.5 million 501(c)(3) organizations, and about 300,000 of them are fairly strong operationally. And we are in an economic environment where their foundation funding, their corporate support, and their community funding is in a low ebb.

So clearly——

Senator MIKULSKI. Because that is why we are worried about some of the matching funds.

Mr. EISNER. I think that is right. At the same time, I am extremely heartened to see so many organizations coming up with new models that can drive our AmeriCorps——

Senator MIKULSKI. Were you surprised by this number?

Mr. EISNER. I was surprised.

Senator MIKULSKI. Well, first of all, we know that you are only going to get down to about 23, because this was not meant to be a new pot of gold at the end of somebody's rainbow, as desirable as that is.

We hope that as you distribute these first rounds that you are looking also on how to leverage the Challenge Grants, recognize what we will call the large caps. Really, the lessons that will be

learned as you go through this to see how we can then do this in other budget cycles and whether we are really onto something to do that.

In addition, and I will close by this: I was really pleased to see that you want to spend an additional \$5 million on training and technical assistance to recruit the volunteers and money. In other words, capacity-building at the local level. This is something really to be encouraged, and I think will pay long-term dividends.

In addition, your increase to help with personnel, particularly for the State Commissions. We have a former governor here. We believe in the State programs. We believe that ultimately while we look at these wonderful new programs, the large ones, that ultimately the heart and soul of AmeriCorps is what goes on at the local level and goes on through the State Commissions, where the Utah programs are different than the Maryland programs, but the habits of the heart are the same.

So we look forward to making sure that our State Commissions and the resources to be able to do what we ask them to do are really out there, because we are very enthusiastic about the creativity and applicability at a more State or regional level.

So thank you.

TRAINING AND TECHNICAL ASSISTANCE TO STATE COMMISSIONS

Mr. EISNER. I will quickly respond to that. I agree. And one of my biggest enjoyments over the past 3 months has been getting to know the State Commissions, which are the heart and soul and which are the brilliance of this system and how it devolves responsibility into the States to meet local and community needs, but underscores, for me, the absolutely imperative nature of our ability to train those State Commissions.

I think 23 of those State Commissions are new. Because of the changes in the governor's office, those Commissions come in new. If we do not have the capacity to train them, we are missing—the whole program does not work right. And I would note also that our training needs for next year are going to be extremely urgent, because we are now putting out 75,000 AmeriCorps members this year, which means that there are going to be a whole lot of new programs operating next year. If we are not able to train these new programs—we know that training is synonymous with their ability to succeed. If we cannot get the funding to train these new programs, then I am worried we will have a very high rate of failure among those programs.

Senator BOND. Thank you very much, Mr. Eisner. I associate myself with the comments of Senator Mikulski. As one who has done a lot of work with volunteer organizations, I can tell you that volunteers are great, providing they have the right kind of direction, support, and coordination. Without very thoughtful leadership, volunteers can spend a lot of time and not accomplish much.

I would just note for the record, when we are talking about the NCCC program, you have got regional campuses—three on the East Coast, one on the West Coast, and one in Denver—to serve what we in the heartland call the Fly-Over Country. People will go to California and come to the East Coast. We do do volunteer work

and other good work in the heartland, as well. So we hope this does not reflect any bias towards the coasts.

ADDITIONAL COMMITTEE QUESTIONS

I thank you very much, Mr. Eisner and Ms. Guillermin. We wish you the very best. To say that you have a challenging job is an understatement, but that is what makes it interesting. And we look forward to your leadership and working with you, and assure you that we will be available when you have comments. We will have questions for the record. And we have already made some requests and look forward to hearing your response.

[The following questions were not asked at the hearing, but were submitted to the Corporation for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER S. BOND

FUNDING PRIORITIES

Question. Given the funding constraints and competing needs under the VA-HUD Subcommittee, what are your top three funding priorities for the Corporation?

Answer. My first priority is to effectively manage the growth of the AmeriCorps program. AmeriCorps grants for 2004, which are under review in preparation for an early summer announcement, represent a major increase over 2003. In 2004, we project that we will award grants for 67,000 State and National members, compared to about 22,000 in the 2003 grant cycle. The majority of 2004's grantees will be new or re-competing. When added to our VISTA and NCCC awards, we project that we will award grants for a total of 75,000 AmeriCorps members. With so many new grantees, oversight, training and technical assistance, and evaluation are critical.

Our budget request includes a \$7 million (18 percent) increase over fiscal year 2004 for Program Administration, including support for State Commissions. With 50 percent growth in the AmeriCorps program, we have increasing staffing needs in order to meet customer service standards and accountability requirements.

Our budget also includes restoration of the training and technical assistance funds cut from the Subtitle H appropriation in fiscal year 2004. Our experience tells us that without this assistance from the Corporation, new grantees, particularly small, community based organizations, are at risk of failing to meet program requirements and performance goals.

One of the Corporation's strengths is its evaluation program, but the funding cuts of the past 2 years to this part of our program are beginning to take a toll. Our fiscal year 2005 request of \$6 million for evaluations would allow us to support grantee performance measurement, collect national-level performance information, and rigorously study the impact of our programs on participants, communities, and beneficiaries.

My second priority is to strengthen the national service pipeline by expanding Learn and Serve America. Despite a growing body of research showing the value of service-learning both to academic achievement and to strengthening America's culture of service and volunteering, LSA remains funded at \$43 million, the same level since fiscal year 1996. We have proposed a \$3 million initiative to teach educators how to incorporate service-learning in their classrooms. Each teacher could encourage hundreds of young people to participate in community service and contribute to renewing the service ethic in America.

My third priority is to make badly needed repairs and upgrades to NCCC campuses. We have requested \$27 million for NCCC, \$2 million above fiscal year 2004, to fix roofs, enhance fire safety, improve accessibility for persons with disabilities, install more reliable computer networks, and perform other major maintenance (e.g., heating and air conditioning, repaving and plumbing). These projects have been deferred for too long.

MANAGEMENT—ACCOUNTABILITY

Question. Mr. Eisner, I appreciate your attention to changing the culture at the Corporation so that management and accountability are taken more seriously. I am especially concerned about “rewarding bad behavior” as evidenced by the last year’s cash bonuses and salary increases given to employees.

How will you hold Corporation personnel accountable for their actions? For poor performers, are you willing to prohibit pay increases or cash awards or take serious administrative actions such as firing or suspending personnel? What specific performance measures will be used in determining cash awards, bonuses, and salary increases?

Answer. We are committed to building a performance culture within the Corporation—a culture where managers and employees know what is expected and are evaluated on their accomplishments. In a performance culture, only employees who significantly contribute to organizational success will be rewarded. Employees who do not deliver would receive appropriate training, be moved to a more appropriate position, or separated.

To build this performance culture, we must revamp the Corporation’s current “Pass/Fail” performance appraisal system. Under new leadership, our Human Capital Office has already designed a new performance appraisal system for managers and supervisors. The proposed new policy strengthens the link between organizational results and individual employee performance, and reinforces our commitment to customer service and employee involvement.

Our plan is to implement the new system by June 30 and use it to evaluate all managers and supervisors when the appraisal period ends at the end of September. We are also working with our Union to design a new appraisal system that will increase accountability among non-managerial employees.

Even as we work to improve our performance appraisal systems, we are working within our current system to make sure that exceptional employees (and only exceptional employees) receive cash awards and pay increases. We are also working hard to deal assertively with “poor performers.”

In accordance with guidance developed by our Compensation Committee, 2003 cash awards and pay increases will be reserved for employees whose performance had a significant impact on accomplishment of the organization’s goals and objectives: These exceptional employees must demonstrate performance that regularly goes “above and beyond” expectations, and is recognized outside their operating sphere. Award winners must always be willing to take the initiative to seek ways to improve themselves and organizational operations.

COST PER FTE/MEMBER

Question. I remain very concerned that the Corporation continues to pay too much for the volunteer members in the AmeriCorps programs. I know the average cost per FTE is \$9,450 and does not include education award or the cost of child care. It may not include health care costs; I do not know. The payments seem to exceed minimum wage.

I would like a breakdown of the maximum Federal benefits a typical member is eligible to receive. How much does a member receive on a per hour basis and what is the annual payment to a member who is in the program full-time? In addition, how is healthcare provided—what is the cost to the government and what is the cost to the person? What does the government pay for childcare and is this cost shared? How are these costs determined since costs differ from community to community? What other expenses are covered by the Federal Government?

Answer. Here is a breakdown of the maximum member benefits funded by the Corporation:

Living Allowance.—\$8,415 (85 percent of the minimum living allowance of \$9,900 for 2003 grants). The grantee must provide at least 15 percent (\$1,485) with non-Federal cash match. The grantee may pay a higher living allowance than \$9,900, but the Corporation will not pay any more than \$8,415 of the cost.

The AmeriCorps minimum living allowance is tied to the AmeriCorps*VISTA stipend, which is defined by statute as 95 percent of the poverty line for an individual (as determined by the Census Bureau). The allowance is not paid on a per hour basis; it is paid in equal increments over the course of the term of service, a minimum of 1,700 hours for full-time members (some programs require more). If the living allowance were paid on an hourly basis, the minimum would be \$5.82 per hour (Federal share \$4.95 per hour). The Federal minimum wage is currently \$5.15 per hour.

The living allowance is treated as income to the member and is therefore taxable (both Federal and State). The member is responsible for reporting the amount re-

ceived on his or her taxes for the year in which it is received. Grantees are also required to deduct appropriate Social Security contributions from a member's living allowance.

Health Care Coverage.—Grantees secure health insurance locally and are only required to provide it for members who serve full-time. The maximum Federal share is 85 percent of the cost of a policy if the policy provides minimum benefits as stated in guidelines. The maximum cost per member per month is \$150 per month unless there are unusual circumstances. The average cost is \$95 per month. The Corporation requires justification for any amount over the maximum.

Grantees are required to provide health insurance only if the member is not already covered by a policy that provides the minimum benefits. The Corporation does not pay any of the cost of a policy that does not include these minimum benefits. Federal payments cover only the member, no other person. Minimum benefits are:

—*Covered Services.*—Physician services for illness or injury, hospital room and board, emergency room, x-ray and laboratory, prescription drugs.

—*Limited Coverage.*—Mental/nervous disorders and substance abuse.

—*Annual Limits.*—Deductible: not more than \$250 per individual; Out-of-pocket: not more than \$1,000 per individual; Maximum Benefit: At least \$50,000.

—*Coinurance.*—May require a co-pay from member, not to exceed 20 percent or alternatively, a comparable fixed fee. An exception: mental illness and substance abuse coverage may require a 50 percent co-payment.

Health care costs are included in the Corporation's cost per FTE projection.

FICA and Worker's Comp, or other State requirements, may be matched by the Corporation if requested in the grant, and are included in the cost per FTE calculation.

Child Care (2002 figures).—The typical AmeriCorps member does not use the childcare benefit. Childcare is only provided to members who meet specific income limits and serve full-time. In 2002, 1,834 members (3 percent of the total) qualified for the childcare benefit. If qualified, the Corporation pays 100 percent of the authorized cost. The Corporation manages the childcare benefit through a contractor, who pays the childcare provider directly.

In 2002, the average annual child care payment per qualifying member was \$3,420 (\$2,047 per child). The payments are determined using the Child Care and Development Block Grant (CCDBG) authorized rates, which vary by State. Where the actual cost exceeds the authorized amount, the member pays the difference.

Education Award.—Full time members, upon completion of 1,700 hours, become eligible to receive a \$4,725 award; part time members are eligible to receive a prorated award. The award is payable only to qualified educational institutions or lenders and is taxable to the member upon redemption.

BENEFITS FOR FULL-TIME AMERICORPS*STATE AND NATIONAL MEMBER WITH CHILDCARE

Benefit	Total	Federal Share	Notes
Living Allowance	\$9,900	\$8,415	Fed. share limited to 85 percent of minimum allowance
FICA, Workers Comp., Other	757	644	FICA employer share @ 7.65 percent
Health Care	830	706	Based on 2002 State Competitive grants
Child Care	3,420	3,420	Authorized costs vary by State
Education Award	4,725	4,725	Full value of full-time award
TOTAL	19,632	17,909	

APS

Question. Mr. Eisner, you recently made some major changes to the Corporation's Alternative Personnel System by converting most term-appointed employees to a General or permanent appointment system.

Will employees under the new General appointment system be treated the same as employees under the GS system or will you still have the same ability as you did under the term appointment system to hold employees accountable?

Answer. We strongly believe in maintaining and strengthening the APS system, which gives us more flexibility than the GS system to promote accountability and deal with poor performers. Whether term or general appointments, the APS system gives the Corporation the same increased flexibility and streamlined procedures for separating poor performers. Under our new system, managers will have a revamped performance appraisal system and will be expected to deal with problem employees as soon as performance problems are identified.

The revision of our appraisal systems and our appointment policies are both part of a strategic reassessment of our human capital policies. These policy changes are designed to promote employee accountability. In addition, we have observed or anticipate that the change in our appointment policies will produce several other important benefits:

- We have already noted an increase in the caliber of applicants for several key vacancies.
- We will be able to invest in long-term employee development—an impracticality when employees were hired for 2-, 3-, or 5-year terms.
- Employee productivity and morale has already improved, and we expect this to have a positive impact on our ability to keep our best employees.
- We expect the change in the appointments policies to result in a greater percentage of the workforce participating in the APS system.

As you requested in the hearing, I am submitting for the record the discussion document on Options in the use of APS term appointments, dated January 17, 2004, that was widely shared in the Corporation. On page 2 of the document are the five options I referenced during the hearing in response to your questions.

I want to take this opportunity to thank the architect of our new human capital strategy, Joyce Edwards, whose detail to the Corporation from OPM ends in August. Joyce is truly one of the best human capital professionals I have ever worked with, and clearly deserves her stellar reputation at OPM and in the field more broadly.

Question. Your new policy maintains term appointments for senior-level managers to provide a “periodic infusion of fresh leadership.” Why aren’t mid-level positions subject to term appointments?

Answer. We will continue to use term appointments in a smart, strategic way at every level. Our goal is to have a workforce that combines fresh, energetic leadership with strong institutional knowledge and continuity.

Question. The Peace Corps also utilizes a term appointment system for its employees. Did you look at the Peace Corps system prior to your decision in changing the Corporation’s personnel system? What did you learn from the Peace Corps? Did you talk with former Corporation personnel that currently work at the Peace Corps to obtain information on the differences between the two agencies? Do they have the same or similar morale problems as the Corporation?

Answer. We did look at the Peace Corps system prior to changing Corporation policy on the use of term appointments. We discussed the change with the Peace Corps’ Human Resources Director and many Corporation employees who were formerly at the Peace Corps.

Term appointments are valuable if their use can be aligned with an agency’s strategic management priorities. What we learned from the Peace Corps reinforced our own experience that while term appointments are a valuable management tool, their mandatory or indiscriminate use limits management’s ability to align its workforce with its strategic objectives as well as creating structural barriers to effective workforce training, succession strategies, quality improvement and performance management.

PUBLIC AFFAIRS

Question. The Corporation’s budget includes \$3.4 million for public affairs—a \$2.25 million or 197 percent increase over the fiscal year 2004 enacted level. The Corporation justifies this increase to help grantees achieve rising recruitment goals and to support them in their efforts to attract more private support. The Corporation plans to use these funds to produce and distribute bilingual public service messages for television, radio, newspapers, magazines, and the web to more than 40,000 media outlets. The Corporation also plans to spend these funds to build up the inventory of service gear and identity items used by members and volunteers.

First, I did not think attracting members was a problem given the over-enrollment of AmeriCorps volunteers during the past 2 years. What am I missing?

Answer. The 2004 appropriation supports 75,000 AmeriCorps positions, a 50 percent increase over last year. Achieving this target will require a significantly higher number of qualified applicants. Challenges include overcoming lingering hesitation among potential applicants resulting from the events of the 2003 program year and assisting the many new organizations—especially small, faith-based and community groups—that will need additional recruitment help because of their inexperience with the program. The volume of online applications for the first two quarters of fiscal year 2004 was 23 percent lower than the same time period in fiscal year 2003. While online applications represent a small part of overall applications, and many positions are not yet advertised online, we are closely monitoring this indicator. In addition to increasing volume, we are at the same time always seeking high-quality

applicants. Increasing awareness of available opportunities drives competition which leads to better matching between applicants and programs. Finally, we want AmeriCorps to reflect the vast diversity of America's population, and this requires targeted outreach to under-represented populations, including producing bilingual materials.

Attracting a large, diverse, and high-quality applicant pool requires investing in promotional materials to assist our programs and grantees in their recruitment efforts, including public service advertising that can be adapted with local taglines. State service commissions and small community and faith-based programs cannot afford broadcast-quality campaigns and rely on the Corporation for these products. The last AmeriCorps PSA campaign, which leveraged more than \$35 million in donated media support, expired more than 2 years ago, and funds are needed for a new effort. In years past, the costs have often been spread over 2 fiscal years, but given recent operational budget cuts, the 2005 budget seeks funds for both creative development and distribution. This investment will leverage many times its cost in donated airtime and will assist local programs in reaching their recruitment goals. Such materials have an added benefit of helping grantees build partnerships, raise private sector support, and become more sustainable in their operations.

Question. In terms of funding level, how does the fiscal year 2005 request level for public affairs compare to the last 5 year's funding levels?

Answer. Following is the budget history including payroll and operations for the past 5 fiscal years. Note that the Office of Public Affairs and the Office of Public Liaison, which had independent directors, staffs and budget were merged in fiscal year 2004 (that process began in fiscal year 2002). More importantly, the Office of Public Affairs has taken on significant new responsibilities in light of the many levels of program and management reform the Corporation is undertaking. If we are to succeed in driving greater accountability for performance measurement and management through our personnel management, grantmaking procedures, grantee oversight, member recruitment and development, training activities and overall operations, we must build a far greater alignment in communications on priorities and expectations to all of our employees, partners, grantees, vendors and program participants. This responsibility for communications agenda-setting and consistency falls to the Office of Public Affairs, which will manage the communications priority-setting and consistency for all of our program divisions and manage the production of materials and online information for all of our constituencies so that they are aligned with Corporation priorities and consistent with each other. These functions are particularly important in light of programmatic reforms that are being implemented. These functions underlie the increase in budget for the Office of Public Affairs in 2005.

FIVE YEAR BUDGET (INCLUDES SALARY, OPERATIONS, AND PROGRAM SUPPORT)

	Public Liaison	Public Affairs	Total
2000	\$866,800	\$628,000	\$1,494,800
2001	720,500	395,100	1,115,600
2002	667,522	407,000	1,074,522
2003	678,500	127,400	805,900
2004 .....	.....	1,090,600	1,090,600
2005 .....	.....	3,400,000	3,400,000

Question. Second, while the main catalyst for last year's media attention was the over-enrollment fiasco, it also provided a major outlet for publicizing the benefits of the AmeriCorps program. Further, the AmeriCorps community facilitated a lot of the PR by mobilizing letters to the media and through an active outreach effort through the web and other means. I also understand that some of these organizations continue to advertise such as television ads by City Year. Given those facts, why does the Corporation feel the need to fund such a massive public relations effort? Who is paying for City Year's advertisements? Can grantees use Corporation funds for advertisements?

Answer. Please see the prior two responses as to the need for this increase in funding. It should be noted, however, that the vast bulk of the Corporation's Public Affairs funding does not go to public relations, but to production of documents and publications, to recruitment, training, grantee materials, and to managing multiple online and offline information streams.

No Corporation funds are being used to pay for placement of City Year's public service advertisements as they are being donated by a cable television station. Likewise, the 2005 Public Affairs budget, like previous budgets, does not contemplate

nor request funds for paid placement of recruitment ads. Unlike some Federal agencies, the Corporation only places its television and radio ads through donated airtime, and we have had considerable success in doing so.

With regards to grantees, development of brochures and other materials to support recruitment is an allowable grant cost. Very few local programs, however, have the capacity to produce a television or radio campaign, which is why the Corporation produces spots that can be adapted for local programs.

Question. Third, since grant applicants are required by program rules to bring private matching funds to the table in order to compete for Corporation funds, why should the Corporation assist organizations in meeting the program requirements?

Answer. The Corporation has a long history of providing training and technical assistance to support grantees in their efforts to be compliant with Corporation rules. The reason for matching requirements is to ensure that programs maximize their leverage of Federal dollars and to help achieve and maintain grantee independence and sustainability in spite of receiving Federal funds. These objectives are well worth the relatively small investment we must make to help programs succeed at achieving the match.

Helping local programs increase their match furthers several Corporation goals—improving quality, reducing reliance on Federal funding, and allowing more organizations to have access to Corporation funds. The match requirements are minimums. Most grantees provide higher levels than what is required because they find it beneficial and often necessary to raise more than the minimum match to support training, insurance, transportation, and other costs related to operating a high-quality program. As the Corporation moves to reduce the Federal cost per member, programs will have to raise an increasing share of costs if they are to maintain the characteristics of their programs. By helping grantees not only meet and exceed their minimum requirements but also raise as much as possible from private sources, we are helping them to create effective programs that satisfy the many and varied purposes of national and community service programs.

Question. Lastly, can you explain the need for the Corporation to expand service gear and identity items? What are these items—hats, t-shirts, uniforms? Do AmeriCorps volunteers pay to acquire these items?

Answer. In October 2002, the Corporation revised its logos to highlight the agency's mission of service to community and Nation, show the connections between its three programs, demonstrate that service is a patriotic duty and an obligation of citizenship, and allow States and programs to localize the national logo. Since this change, the Corporation has not had dollars sufficient to update items that carry the logo.

The Corporation purchases an initial quantity of items and makes them available for purchase by programs and members through the Mississippi Industries for the Blind and Disabled. After initial inventory purchases, dollars from sales of these items are utilized to replenish the stock of available items. Expected increases in AmeriCorps enrollment point to the need for a larger investment in initial stocks, particularly of service gear.

AmeriCorps members are encouraged but not required to wear official AmeriCorps service gear. AmeriCorps members can purchase these service gear items, or programs are allowed to allocate from \$35 to \$70 per member for official gear. A standard gear package would include a \$7 t-shirt, a \$7 baseball cap and a \$20 sweatshirt.

LEARN AND SERVE ACTIVITIES

Question. I am a big supporter of child literacy mentoring and tutoring programs and appreciate the Corporation's efforts in these areas. I noticed in your budget justifications that two of the primary service activities for the Learn and Serve program are mentoring and literacy.

Given that AmeriCorps members also participate in mentoring and tutoring activities, how are you coordinating those activities with the Learn and Serve mentoring and tutoring activities? How do you know if these two programs are overlapping or duplicating each other's efforts? What steps do you take to verify independently whether duplication is occurring?

Answer. Most Learn and Serve America (LSA) mentoring and tutoring activities engage older students in service to younger ones. In these programs, high school students, for example, after receiving training, read with elementary school students on a regular basis. The older students may provide support in phonics, letter or word recognition, and provide encouragement for reading through their own example. These mentoring and tutoring programs, therefore, are supplementary to services offered by AmeriCorps or other adult tutoring programs if such programs operate at the same sites.

LSA Higher Education programs provide college-age tutors, who provide primary tutoring support. During the application process, programs are asked about their organizational capacity to leverage resources. In this section they note any efforts to work with other CNCS programs. All LSA programs are asked to inform State Service Commissions about their programs in order to avoid duplication of effort. In addition, both AmeriCorps and LSA programs are coordinated with the schools and afterschool programs they serve. The service-learning or volunteer coordinators at the sites served by both programs work to ensure that the greatest number of children in need is reached. The need for literacy and mentoring services is widespread; the demand for these services is far greater than AmeriCorps and LSA programs can meet; few local sites are served by both programs.

The Corporation is currently developing web-based local performance measurement systems that will give us the ability at the national level to determine local sites where both AmeriCorps and LSA programs are serving.

PROFESSIONAL CORPS

Question. Both this Committee and the President in his Executive Order directed the Corporation to develop separate guidelines that recognize the importance of professional corps under the AmeriCorps program.

How much money have professional corps organizations received from the Corporation's programs (AmeriCorps, challenge grants, etc.)?

Answer. I have provided lists of the fiscal year 2003 and fiscal year 2004 grants for Professional Corps programs, including announcements from October 1, 2002 through May 7, 2004.

Professional Corps models are eligible to apply in all of our competitions. Therefore, there may be additional Professional Corps programs announced as we announce the results of competitions throughout the spring and summer. We will soon issue a Notice of Funds Availability (NOFA) for a 2004 Professional Corps competition, with the goal of awarding grants for at nearly 3,000 members.

Professional Corps Fiscal Year 2003 Competitions	Funds Awarded/ Approved	FTE Awarded	Positions Awarded
Teach for America—National Challenge Grant	\$2,000,000	(¹)	(¹)
Teach for America Maryland—AmeriCorps State	\$311,383	175	175
Teach for America North Carolina—AmeriCorps State/EAP	\$40,000	100	100
Teach for America Rio Grande Valley TX—AmeriCorps State	\$155,901	71	71
Teach for America New York—AmeriCorps State/EAP	\$120,000	300	300
Teach for America Atlanta—AmeriCorps State/EAP	\$92,000	230	230
Milwaukee Teacher Education Center—AmeriCorps State/EAP	\$50,000	125	125
Marquette University Compton Fellows Program Wisconsin—AmeriCorps Direct EAP	\$16,000	40	40
Mount Mary College Urban Education Fellows Program Milwaukee—AmeriCorps Direct EAP	\$16,000	40	40
University of San Francisco TEAMS Program—AmeriCorps Direct EAP	\$210,000	525	525
University of Notre Dame—ACE AmeriCorps Direct EAP	\$61,600	154	154
TOTAL	\$3,072,844	1,760	1,760

¹ Not applicable.

Professional Corps Fiscal Year 2004 Competitions	Funds Awarded/ Approved	FTE Awarded	Positions Awarded
Teach For America—AmeriCorps Direct EAP	\$264,300	660.75	2,060
City University of New York NYC Teaching Fellows (balance of 2003–2004 school year)—AmeriCorps Direct EAP	\$703,000	1757.5	3,215
City University of New York NYC Teaching Fellows (for 2004–2005 school year)—AmeriCorps Direct EAP	\$500,000	2,000	2,000
Mount Mary College Urban Education Fellows Program Milwaukee—AmeriCorps Direct EAP	\$16,000	40	40
Teacher's College Columbia University, NY—AmeriCorps Direct EAP	\$37,200	93	93
Milwaukee Teacher Education Center (MTEC)—AmeriCorps State EAP	\$70,000	175	175
Teach For America Atlanta—AmeriCorps State EAP	\$78,000	195	195
Teach for America North Carolina—AmeriCorps State EAP	\$40,000	100	100
University of Notre Dame ACE—AmeriCorps Direct EAP	\$65,600	164	164
University of San Francisco School TEAMS Program—AmeriCorps Direct EAP	\$250,000	625	625
TOTAL	\$2,024,100	5,810.25	8,667

RULEMAKING—SUSTAINABILITY

Question. I commend the Corporation for its rulemaking efforts and especially appreciate its efforts to define sustainability as instructed by the Congress. My overriding concern about sustainability is that we need to ensure that the playing field for AmeriCorps funding is level and fair. It appears that year after year, the same organizations receive the lion's share of AmeriCorps funding, leaving few opportunities for new organizations. This problem is exacerbated by the Corporation's mixed record on reducing the Federal share of the costs of the program.

On average, how many new organizations receive AmeriCorps funding every year? In terms of percentage and dollars of AmeriCorps funding, how much money does this represent?

Answer. Within the AmeriCorps*National Direct Program, about 40 grants are awarded every year, and a little over 10 percent of these grants are awarded to organizations that have never served as a National Direct grantee. Within the Education Award Program, about 22 grants are directly awarded to organizations through AmeriCorps each year; about 31 percent of these grants go to new organizations.

Among organizations that receive subgrants indirectly from the Corporation through grantees, the percentage of new organizations is higher. Here are the average percentages of new subgrantee organizations by program:

- AmeriCorps*State (1995–2003): 24 percent.
- AmeriCorps*National (1995–2003): 38 percent.
- Education Award Program (1998–2003): 44 percent.

The attached tables give year-by-year breakdowns for all AmeriCorps grantees (except for State Commissions) and subgrantees. Table 6 gives averages for the major years in the Corporation's recent grantmaking cycles. Every third year after 1994–1997, 2000, and 2003—marks the beginning of a new grant period for many grantees. In the off-years, much of the awarded money goes to existing grantees who apply for continuations, which reduces the number of new organizations that receive money. (The first year of each program's existence—1994 for State and National, 1997 for EAP—is left out of all calculated averages, since virtually every grantee was "new.")

The Corporation is currently engaged in the process of validating the organizational records in its historical grantmaking database. Until then, aggregate data on awarded dollars to "new" organizations will not be available for all grantees and subgrantees over the period 1994–2004.

TABLE 1.—AMERICORPS*STATE SUBGRANTEES

Year	Total Number of Subgrantees	Number of New Subgrantees	Percent New
1994	378	378	100.00
1995	392	163	41.58
1996	431	86	19.95
1997	518	185	35.71
1998	530	65	12.26
1999	501	63	12.57
2000	588	211	35.88
2001	625	96	15.36
2002	612	59	9.64
2003	442	163	36.88
2004 .....	.....	.....	.....
Average, 1995–2003	515.4	121.2	23.52

TABLE 2.—AMERICORPS*NATIONAL SUBGRANTEES

Year	Total Number of Subgrantees	Number of New Subgrantees	Percent New
1994	717	716	99.86
1995	754	492	65.25
1996	308	65	21.10
1997	234	51	21.79
1998	246	31	12.60
1999	251	51	20.32
2000	279	132	47.31

TABLE 2.—AMERICORPS*NATIONAL SUBGRANTEES—Continued

Year	Total Number of Subgrantees	Number of New Subgrantees	Percent New
2001	296	74	25.00
2002	298	61	20.47
2003	211	125	59.24
2004 .....	.....	.....	.....
Average, 1995–2003	319.7	120.2	37.61

TABLE 3.—EDUCATION AWARD PROGRAM: DIRECT GRANTEEES

Year	Total Number of Subgrantees	Number of New Subgrantees	Percent New
1994 .....	.....	.....	.....
1995 .....	.....	.....	.....
1996 .....	.....	.....	.....
1997	22	22	100.00
1998	22	16	72.73
1999	23	5	21.74
2000	24	10	41.67
2001	25	5	20.00
2002	38	7	18.42
2003	19	3	15.79
2004 .....	.....	.....	.....
Average, 1998–2003	25.2	7.7	30.46

TABLE 4.—EDUCATION AWARD PROGRAM: COMMISSION SUBGRANTEES

Year	Total Number of Subgrantees	Number of New Subgrantees	Percent New
1994 .....	.....	.....	.....
1995 .....	.....	.....	.....
1996	1	1	100.00
1997	54	54	100.00
1998	55	35	63.64
1999	56	22	39.29
2000	55	33	60.00
2001	44	15	34.09
2002	36	5	13.89
2003	10	3	30.00
2004 .....	.....	.....	.....
Average, 1998–2003	42.7	18.8	44.14

TABLE 5.—AMERICORPS*NATIONAL GRANTEEES

Year	Total Number of Subgrantees	Number of New Subgrantees	Percent New
1994	42	42	100.00
1995	44	7	15.91
1996	45	7	15.56
1997	42	4	9.52
1998	39	1	2.56
1999	37	.....	.....
2000	40	8	20.00
2001	41	4	9.76
2002	41	4	9.76
2003	27	2	7.41
2004 .....	.....	.....	.....
Average, 1995–2003	39.6	4.1	10.39

TABLE 6.—AVERAGES BY PROGRAM, MAJOR GRANT AWARD YEARS (1997, 2000, 2003, EXCEPT FOR EAP)

Program	Percent New Grantees
AC*State	36.11
AC*National: Grantees	12.84
AC*National: Subgrantees	42.54
EAP—Direct (2000 and 2003)	30.23
EAP—Commission (2000 and 2003)	55.38

Notes

(1) Some organizations receive more than one grant or subgrant per year within an AmeriCorps funding source. These organizations are listed once for each year within each table, regardless of how many programs they are operating.

(2) Organizations can be new in more than 1 year, if they receive grants or subgrants from more than one AmeriCorps funding source. For instance, an organization got a subgrant to operate a National Direct site in 1996, and got a State formula subgrant in 1997. The organization will be listed as a “new” subgrantee for AC*National in 1996, and a “new” State subgrantee in 1997.

(3) Organizations that changed their names may have multiple entries in the Corporation database.

Question. I am also concerned about future AmeriCorps applicants such as those supported under Senator Mikulski’s Next Generation program. This program has obviously been a huge success in terms of the number of applications applying for funding under the program.

At some point in the future, do you expect these organizations to compete for AmeriCorps funding?

Answer. We certainly hope so.

As you know, the Next Generation Grants competition is geared toward providing seed money for a small number of organizations that propose innovative service programs and have the potential to become part of one of the Corporation’s regular grant programs (i.e. AmeriCorps*National and Learn and Serve Community-Based). Since Next Generation organizations are new to the Corporation (many have not managed a Federal grant before) and they are generally proposing start-up activities, they represent high-risk grantees. We are working to provide them with technical assistance that should help them be more competitive in the future.

Question. Assuming relative flat-funding for the AmeriCorps program into the future and the continued practice of funding most of the same organizations year after year, are new organizations going to have difficulty competing for funds? If you do not ensure opportunities for these new organizations to compete for AmeriCorps funding, then will you be setting them up for disappointment?

Answer. We are contemplating several options to address the issue you highlight. One option is a portfolio approach where certain grant money would be set aside for new programs.

With our current funds for the Next Generation competition, we will likely award a small number of grants (approximately 10–20 grants). We feel confident that our current program budgets would allow all grantees to be absorbed into one of our regular grant programs if each demonstrated a great degree of success operating their proposed program. Moreover, we are careful about the types of expectations we convey to Next Generation grantees by noting that it is likely that some grantees will gradually join our regular portfolio and others may not.

PERFORMANCE MEASURES

Question. One of my long-standing concerns with the Corporation is its inability to measure the performance of its programs—primarily the AmeriCorps program. I appreciate the Corporation’s recent efforts to address this matter but I would like the Corporation to respond to three questions.

One, when will the Corporation be able to provide us with performance measure data on the AmeriCorps program?

Answer. Data for our new, outcome-oriented performance measures will be collected this summer, depending upon the timing of OMB approval. We are hopeful that we will then be able to report results in the fiscal year 2004 performance report to Congress, and include them in the fiscal year 2006 budget submission. We also plan to conduct these performance surveys every year, which will provide year to year comparison.

In 2002, the Urban Institute conducted a review of our existing performance measurement systems and made recommendations to correct performance measurement systems weaknesses, including a recommendation to modify indicators to measure more intermediate and end outcomes, rather than outputs. As part of a multi-year intensive effort to measure the impact of its community service programs upon the individuals and communities they serve, in fiscal year 2003 the Corporation awarded three performance measurement contracts, which will strengthen outcome reporting for AmeriCorps, Senior Corps, and Learn and Serve America. This action marks the second phase of the Corporation's performance measurement initiative and will allow the Corporation to shift its annual performance reporting from process-oriented accomplishments to results-oriented outcome reporting.

A key component of this performance measurement initiative is surveys of members, organizations and institutions receiving Corporation funding, and individuals who receive services from national and community service programs. This initiative will: (1) provide an ongoing assessment of the short- and long-term effects of community service on volunteers, host organizations, individual beneficiaries and communities; and (2) use data on program performance and results to inform the Corporation's budgeting process. More specifically, the surveys will help measure the following (Note: specific indicators will be in the next draft):

Members

- The change in members' level of volunteer service and community involvement during and following their service experience; and
- The change in members' life skills—such as leadership, teamwork, communications, time management, and decision-making, and thus their ability to achieve their personal goals.

Organizations

- Organizations' contribution to helping improve individuals, communities, and organizations;
- Organizations' ability to achieve their goals; and
- The change in organizations' ability to provide and sustain needed services to communities.

End Beneficiaries

- AmeriCorps' impact on improving communities' ability to respond to disaster;
- Volunteers' perception that their personal and the programs' efforts contributed to helping individuals, communities, and organizations;
- AmeriCorps' impact on improving the life of youth; and
- AmeriCorps' impact on improving students' academic performance.

The performance measurement survey initiative is complemented by a cross-program requirement that applicants for Corporation funding nominate at least three performance measures for their program. As part of its continuous improvement, the Corporation will continue to assist programs in adopting performance measures that help ensure accountability for performance and results while helping to effectively address community needs.

Presently, applicants seeking competitive funds must negotiate their final measures with Corporation staff who then monitor grantees' progress toward achieving those proposed results. Program accomplishments and proposed measures are both taken into consideration when making funding decisions. In addition, the Corporation requires grantees to submit in their funding proposal at least one performance measure on volunteer leveraging and to track their progress toward meeting their targets. (Grantees must provide an explanation if they are unable to incorporate volunteer leveraging activities into their program).

Question. Two, how will the Corporation verify the accuracy and reliability of the performance data it collects?

Answer. For the AmeriCorps performance measurement surveys, the Corporation and the Urban Institute have taken various measures to ensure we receive reliable and accurate data. Surveys of members and organizations will involve random samples and will be appropriately weighted. The Urban Institute will directly collect data from respondents about their experiences with AmeriCorps and ensure respondents that their responses to a survey will be kept confidential. To ensure candor and protect privacy, Urban Institute will not provide to the Corporation the name of respondents, nor the organization they serve with, received services from or represent. Urban Institute's subcontractor, Princeton Survey Research Associates, utilizes the latest methodological and technical developments for conducting surveys. Princeton's Computer Assisted Telephone Interviewing (CATI) system is designed to ensure total flexibility in questionnaire administration as well as to pro-

vide data quality and accuracy checks. By collecting performance data through telephone, we will ensure a high response rate and a low likelihood of data fraud.

For the Learn and Serve performance surveys, the Corporation and Abt Associates expect to receive reliable and accurate data because it will be a census: all institutions receiving LSA funds, including grantees, subgrantees, and sub-subgrantees, will complete a survey of their activities, experiences, and outcomes. In accordance with the Learn and Serve program reporting requirements, these surveys are now required to be submitted at the end of each program year. Data collection will take place through an on-line, web-based system that will include a data entry interface, reporting management tools for use by the Corporation and grantees in tracking data collection, and the capacity to generate on-line reports that provide aggregated results to all users of the system.

The Corporation also receives self-reported data and reports from grantees and programs about their performance and volunteer leveraging accomplishments. The data reported by the Corporation is compiled from data and reports submitted by non-Corporation entities (grantees, sponsoring organizations, and service sites) in response to the Corporation's reporting requirements. The focus of the Corporation's data quality efforts has been on assessing the internal data system controls and their effect on the accuracy of the performance information. The Corporation's programs do not independently verify or validate data they receive from outside sources. As a result, the Corporation may have reservations about the accuracy of some data that are self-reported.

For each accomplishment (or code), there is considerable variation in the units that subgrantees use to report their outcomes. For example, for any given activity, some programs count volunteer hours, some count items produced, some count people involved, and some do not indicate what units their numerical reports reflect. Additionally, several programs used "miles" as their way of measuring river cleanup, but many others may have used other measurement units such as hours of cleanup, acres of cleanup, or number of people involved in the cleanup, etc. Since only similar measurement units can be aggregated, the results of an analysis would likely represent just a fraction of all programs actually reporting outputs in that accomplishment field and would understate the true output and accomplishments of AmeriCorps programs.

To address future data accuracy concerns, the Corporation, with the input of its grantees and other stakeholders, is renewing its attempt to develop uniform volunteer leveraging measures and develop stronger and more consistent performance measurement criteria. The Corporation, at a minimum, would like to provide advisory standards for calculating volunteers and their impact.

To assist grantees in fulfilling requirements for performance measurement, the Corporation, through the Office of Leadership Development and Training, has also shifted the focus of its training and technical assistance from the identification of objectives to identifying and measuring program outputs and outcomes. Written materials, such as performance measurement tool kits, have been developed and made available to programs to assist them in this transition. Technical assistance is provided through one-on-one or small group consultations.

Each of the steps will lead to an outcome-based performance measurement system, allow the Corporation to report on and aggregate verifiable program outcomes and outputs, and will provide information to foster a culture of continuous program improvement.

Question. Three, will performance-based budgeting be used in future budget submissions? Does this mean that if the AmeriCorps program is not performing adequately, we can expect to see budget decreases in future requests?

Answer. For the fiscal year 2006 budget submission, the Corporation plans to use logic models as a planning tool. Logic models show how resource requests support Corporation outcome goals through program activities, outputs, and intermediate outcomes. We will continue to organize our budget presentation around the existing account structure, but we will be able to demonstrate more clearly than before how resources (or inputs) are turned into measurable results.

If any program consistently fails to achieve its performance targets, our logic models should help us to determine if the failure is related to management, program design, resources, or some other cause. Once we understand the causes of the problem, we can take appropriate action, which could include budget reductions.

NATIONAL SERVICE TRUST

Question. It appears that the Corporation has made some significant strides in addressing the problems associated with the National Service Trust so that we do not repeat last year's fiasco with the over-enrollment of AmeriCorps members. Never-

theless, I remain troubled because of the GAO's recent findings in its January 2004 report—especially GAO's finding on the 170 AmeriCorps participants who were listed as deceased in the Social Security death master file. GAO also found that 4,400 data entries had discrepancies that could affect estimates of future expenditures of the Trust.

What steps has the Corporation taken in response to GAO's findings? For example, have you developed a plan that would perform data verification? When will you conduct the next data verification process? Will these steps prevent the types of discrepancies found by the GAO?

Answer. The Corporation is taking action to address each of the recommendations made by GAO. As noted in its report, the majority of the discrepancies found by GAO involved members who had exited a program without an award (and thus have no impact on trust balances) but their status had not been updated in electronic System for Programs, Agreements, and National Service Participants (eSPAN), the Corporation's database and system of record for all national Service Participants. In the short term, the Corporation is reviewing these records and will update eSPAN to reflect the proper status. In the longer term, the Corporation plans to integrate the functionality of its Web Based Reporting System (WBRs) into eSPAN, eliminating the need to reconcile between the two systems and enable the Corporation to produce more timely information.

The Corporation is also revising the compliance testing requirements for the AmeriCorps programs contained in OMB Circular A-133 to include testing of data submitted by grantees to the National Service Trust database and will submit the changes for inclusion in the next update to the Circular later this year.

The Corporation transmitted all member enrollment records covering fiscal years 2001, 2002, and 2003 to the Social Security Administration (SSA) for comparison and certification. SSA completed its review and provided the results to the Corporation on April 26, 2004. The Corporation has begun its analysis and research of the discrepancies to determine the required corrections to eSPAN data. The Corporation has also incorporated the SSA verification into its Quality Assurance Review process, which will be conducted annually and cover all new enrollees. In addition, the Corporation is building an automated edit check into eSPAN system to compare Trust data to the SSA's valid number list at the time data is input into the system by grantees and State offices. This process is being performed on an ad hoc basis until the automated check can be placed into service. While it is not possible to eliminate all errors, these controls should significantly reduce the number of data entry errors being made.

Out of approximately 158,000 member records reviewed, GAO identified 169 member records (147 AmeriCorps*State and National and 22 AmeriCorps*VISTA), or .11 percent, as having Social Security Numbers (SSNs) for persons listed in SSA's death master file, the Corporation's research shows that for the 147 exceptions related to AmeriCorps*State and National records:

- 21 were a sample error, that is, the record had been counted twice in the sample, the SSN was not in the eSPAN database, or the death date used by GAO was not valid (00010000). No follow up action is needed for these records.
- 11 related to members whose name and SSN in SPAN matched the GAO sample but the member had exited the program prior to the date of death in SSA's records (no follow up action needed; database record to be flagged noting status);
- 7 related to members whose name and SSN in eSPAN matched the GAO sample and who are in a still serving/not exited status (the Corporation is following up with program on status; database record to be flagged noting discrepancy);
- 4 related to members whose name and SSN in eSPAN matched the GAO sample and the date of death listed in the SSA death master file was prior to the exit date recorded in SPAN (3 earned an award and 1 did not, the Corporation froze the Trust accounts for the members earning an award and forwarded the discrepancies to OIG for review);
- 104 related to members whose name and SSN do not match the GAO sample indicating that there was an input error. Thirteen of these members are in a still serving/not exited status, 43 have earned an award, and 48 exited without earning an award (the Corporation is following up to verify SSN, database record to be flagged with status).

For the 22 VISTA exceptions:

- 16 were related to members who had left the program prior to the date of death indicated in SSA's records (no follow up action needed; database record to be flagged noting status).
- 3 were input errors which have been corrected.

- 2 related to members whose name and SSN do not match the GAO sample indicating that there was a input error (the Corporation is following up to verify SSN, database record to be flagged with status).
- 1 related to a member whose name and SSN match the GAO sample and the date of death was prior to the exit date recorded in eSPAN (the member did not earn an award, the Corporation has flagged the file and forwarded this discrepancy to OIG for review).
- The Corporation has uncovered no instances where either the member or the grantee organization substituted other SSN's to generate inappropriate revenues.

REAUTHORIZATION

Question. Does the Corporation support reauthorization of its programs? If so, will the administration submit a reauthorization bill to the Congress this year?

Answer. The President continues to support reauthorization of the Corporation and has mentioned it publicly several times. The document entitled Principles and Reforms for a Citizen Service Act, introduced by the President on April 9, 2002, continues to serve as a guide for reauthorization. Additionally, on February 27, 2004, the President signed an Executive Order implementing many of the key reforms proposed in the Citizen Service Act through administrative action.

GRANTEE OVERSIGHT

Question. To the Corporation's credit, it has done a better job of reducing its backlog of overdue grantee audit resolutions. Nevertheless, the independent auditors continue to cite the Corporation's monitoring of grantee activities as a reportable condition. As recommended in previous years, the auditors recommended the creation of a risk-based monitoring system to address its grantee monitoring problems.

What is the status of developing a risk-based monitoring system? Have you identified any grantees that were in noncompliance with Corporation rules? What kind of actions have you taken to discipline grantees that were noncompliant? For example, have you ever suspended, debarred, or recovered funds?

Answer. The Corporation is implementing risk-based systems for all three of its program streams: AmeriCorps, Learn and Serve America, and Senior Corps. The new policies will be reflected in the Corporation's Grants Management Handbook, which is currently under revision.

We identify grantees that are not in compliance with Corporation rules both through audits and monitoring activities. In program year 2003, we disallowed a total of \$508,951 through the audit resolution process.

When we find grantees are not in compliance, we either suspend their access to grant funds or withhold issuing new funds until we receive the delinquent reports. In 2003, we suspended two accounts until we received overdue financial reports. Currently, one grantee's account is suspended. No grantee has had to be debarred. We have terminated three grants for failure to comply with grant requirements or for poor performance.

PEER REVIEW PROCESS

Question. Last year, many applicants to AmeriCorps complained about the arbitrariness of the peer review process. It appears that the process may need to be fixed.

Do you agree with the complaints that the peer review process is not working properly? If so, can you tell us what you are doing to repair the process and whether you see fixing peer review as a part of rulemaking?

Answer. The peer review process needed major changes. Specifics on the needed improvements were gathered from public complaints, findings of the Inspector General Audit of June 28, 2001, the board of directors' grants management task force report issued May 12, 2003, and the Management Improvement Team (MIT).

The recommendations of the MIT resulted in the development of the new Office of Grants Policy and Operations (March 2004) and the elevation of this office to a senior management status. This signaled to the Corporation staff, as well as the service community, the importance of the work of grantmaking and the need to invest resources in the operations that manage up to 20 grant review processes annually.

Specific changes I have approved in the process include: securing a more selective and higher quality group of reviewers; instituting quality controls in the peer review process; greater emphasis on peer review scores; enhanced training of peer review and staff in preparation for the grant reviews; and streamlined internal processes that enabled us to meet tighter deadlines this year (earlier notification of grantees

and shorter time between announcements and funds distribution). Last month we provided your staff with an approximate timetable for all of our 2004 grants. I am pleased to report that these changes have already been effectively implemented in the 2004 peer reviews that took place last month, and that the results exceeded expectations. I remain committed to further improving our customer service as well as the transparency of this process.

SILVER SCHOLARSHIPS

Question. The administration is proposing again the Silver Scholarships program. This program was originally proposed in the fiscal year 2002 budget but rejected by the Congress.

I have no objections to assisting senior volunteers but this program seems duplicative of the Senior Corps program funded out of the Labor-HHS Subcommittee. Can you explain the differences?

Answer. The service requirements for the Silver Scholarship Program are more rigorous than RSVP. The minimum 500 annual hours to be served will require volunteers to serve an average of 10 hours a week. While many RSVP volunteer serve this intensively, the current average is 4 hours per week.

Foster Grandparents also tutor and mentor children and serve 15–20 hours per week. However, the FGP is a means tested program with an average Federal cost per volunteer service year of \$4,500.

The President is very committed to both expanding service opportunities and to providing caring mentors and tutors for children and youth. He has stated “Today’s elderly are the healthiest, most energetic, best-educated generation . . . They have more free time and want to use it. They have the wisdom of years, and they want to share it.”

Well run tutoring and mentoring programs have proven to be very effective in changing youth’s life trajectories, reducing drug and alcohol use, and improving academic behaviors. Estimates of the current number of mentors in the country are less than 500,000. There are several million youth who would accept and benefit from adult mentoring.

Findings and results of a number of senior service demonstrations over the past several years provide strong evidence that seniors in retirement will commit to serving 10 hours per week if:

- There is a structure through which individuals can participate;
- Projects are well run and are providing many services in communities;
- There is some modest incentive to recognize that the activity has value and to cover out-of-pocket costs; and
- There is flexibility so that seniors can participate in a variety of activities and in different amounts and blocks of time.

We believe that the structure and focus of the Silver Scholarship Program will be appealing to Baby Boomers and is an important part of our strategy to involve large numbers of this group in service during the third stage of life.

Question. Under what existing legal authority does the Corporation have in implementing this program? Is this program authorized or permissible under the existing authorizing statute?

Answer. This program, as proposed, is not authorized in the current statute; however, we have proposed appropriations language in the budget justification that would provide the authority necessary to fund the program grants under Subtitle C and pay the scholarships from the National Service Trust.

Silver Scholarships will work just like the AmeriCorps education awards. Upon completion of the required 500 hours, the Silver Scholarship grantee will submit a Silver Scholarship Beneficiary Designation Form to the Corporation on behalf of the volunteer. The beneficiary will then be entitled to \$1,000 to be paid from the National Service Trust directly to a lender or an education institution for eligible higher education expenses, including loan repayment. There will be no direct payment from the trust to an individual.

Question. In its original proposal in fiscal year 2002, the administration proposed splitting the funding for the Silver Scholarships program between the VA–HUD and Labor-HHS Subcommittees. However, for fiscal year 2005, the budget request only includes funding out of VA–HUD. Please explain.

Answer. We proposed the grant and Trust funding to one appropriations subcommittee because both are necessary for the program to work; we were concerned that working through two subcommittees created the possibility of only one piece being funded. We chose the VA–HUD subcommittee because it oversees the National Service Trust.

Question. Given the Corporation's ongoing management challenges with its current program responsibilities, does the Corporation have the resources to administer a new program?

Answer. Existing staff in Senior Corps will administer the program. We are confident that they are up to the challenge. Enrollment in the National Service Trust will follow the strict guidelines and procedures for the Trust that are overseen by our Chief Financial Officer.

COST ACCOUNTING

Question. Past GAO reports have indicated that the Corporation lacks reliable cost information for some of its programs, which hampers analysis of the true cost of its programs. Further, a PriceWaterhouseCoopers (PWC) assessment of the Corporation's implementation of a cost accounting system indicated that the Corporation's cost accounting model should be able to calculate actual costs per program, but that the model needs to be refined to calculate cost per grant or cost per grant dollar.

Can the Corporation now provide information on a cost per grant or cost per grant dollar basis as recommended by PWC? What steps is the Corporation taking to ensure that the cost data is reliable?

Answer. During fiscal 2001 the Corporation contracted with PriceWaterhouseCoopers to assess its cost model. PriceWaterhouseCoopers concluded that the methodology was in conformance with the applicable Federal accounting standards and provided several recommendations to enhance the methodology. Specifically, PriceWaterhouseCoopers recommended that we add functionality to calculate "administrative cost per grant" or "administrative cost per grant dollar" that can be monitored over time to measure improvements in administrative cost management. To implement this recommendation the Corporation added a performance measure reporting the administrative cost per grant dollar awarded to its fiscal 2003 Performance and Accountability Report to Congress as follows:

- AmeriCorps—15.5 cents and 15.9 cents per dollar, for fiscal 2002 and 2003, respectively.
- National Senior Service Corps—5.5 cents and 6.6 cents per dollar, for fiscal 2002 and 2003, respectively.
- Learn and Serve America—9.0 cents and 8.1 cents per dollar, for fiscal 2002 and 2003, respectively.

We are currently developing an administrative cost per grant measure that will give a more meaningful indication of our efficiency.

Beginning with the fiscal 2004 Performance and Accountability Report to Congress, the Corporation will break down costs at the subprogram level. For example, rather than reporting costs associated with the AmeriCorps responsibility segment, the schedule will have individual amounts for the National Direct, State, VISTA, and NCCC programs. The Corporation also reviews the cost accounting methodology and makes adjustments (such as further isolating costs by program) when necessary to ensure that the information is reliable and reflects the results of its operations. The cost accounting information used in developing the performance metric is derived from footnote 12 in the Corporation financial statements. The Office of Inspector General audits this information as part of annual financial statement audit which provides additional assurance to the Corporation and Congress on its reliability.

QUESTIONS SUBMITTED TO THE BOARD OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

QUESTIONS SUBMITTED BY SENATOR CHRISTOPHER S. BOND

ED AWARD ONLY PROGRAM

Question. The "education award only" program has many advantages over the regular AmeriCorps program because of its lower costs, its broad reach to more communities, its broad network of program sponsors and strategies, its simplified application process, and its greater program flexibility. Based on your most recent data, there is obviously a huge demand for the program.

What is your opinion about this program? Do you believe this program should be expanded?

Answer. The Education Award Program (EAP) has an enormous number of strengths and offers several flexibilities over the AmeriCorps State and National program. Clearly the program is highly cost effective, limited to \$400 in administra-

tive dollars and the cost of the education award. The simplified application process offers successful programs greater flexibility and makes these funds available to a broader pool of program sponsors. It is overall a more flexible program for the Corporation. EAP has expanded dramatically over a short period of time and I am excited about the opportunities it offers for the State commissions and for the National Direct grantees. It is one of many innovative, low-cost models that may make it possible to expand national service without a large increase in Federal spending. We need to continue to explore this option. However, we also must ensure the proper mix of low cost and traditional awards, to strengthen national service programs and maximize participation and results. There may be differing views on the optimum mix of traditional and lower cost program options, but we are striving to develop a broader continuum of options that includes EAP and low cost stipends for a better blend that produces more volunteers per Federal dollar spent.

APS

Question. The Corporation recently made some major changes to the Corporation's Alternative Personnel System by converting most term-appointed employees to a General or permanent appointment system.

In my opinion, this decision came out of left field. Prior to the announcement of the decision, we had only received a draft document on March 12 titled the "Preliminary Strategic Human Capital Plan" that laid out some general goals but not much analysis or discussion on term appointments.

Did the Board review and formally approve this decision? What was the vote? What kind of analysis was provided to the Board? Did the Corporation provide options for the Board's review? What was the Board's opinion(s) of this decision?

Answer. The Alternative Personnel System (APS) authority provides a well-managed organization with the ability to perform at exceptionally high levels on behalf of the public and to the advantage of its employees. APS allows good managers to do better. Unfortunately, in my short tenure it seemed to me generally that APS was used badly; it neither rewarded the right conduct nor properly reassured employees. I was sufficiently concerned that I requested a study of the APS by the Corporation's Inspector General in 2003. The results of the IG study and a report prepared by OPM specifically identified many shortcomings with the then-current APS appointment system. And both OPM and the IG recommended that the Corporation reevaluate APS and ensure its alignment with the Corporation's strategic objectives. The statute governing the Corporation clearly authorizes the CEO to:

- establish an APS;
- appoint and determine compensation in the APS; and
- determine whether to utilize term appointments in the APS.

The identified problems needed to be corrected by executive management promptly. The Board of Directors encouraged the Corporation to select a Chief Human Capital Officer (CHCO), a position which the Corporation filled with an individual who is highly regarded by OPM. The CHCO was tasked with, among other things, going about the detailed business of making the enterprise work better. The Board was generally informed that changes were occurring, though it took no vote since the issues fell under the statutory authority of the CEO. I believe that the CEO and his executive team are well on the way to building an effective, performance management culture at the Corporation and that their change to the term appointments policy is consistent with that progress.

The board is pleased that the CEO is taking action so quickly to address these urgent and widely-discussed issues.

QUESTION SUBMITTED TO THE OFFICE OF INSPECTOR GENERAL

QUESTION SUBMITTED BY SENATOR CHRISTOPHER S. BOND

ILLEGAL LOBBYING

Question. The enacted fiscal year 2004 appropriations bill contained a provision that required the IG to conduct random audits of AmeriCorps grantees to determine if there have been any substantial violations of the program rules, including any illegal lobbying efforts.

Mr. George, what is the status of your review and when do you expect to complete it? Have you found any improprieties thus far?

Answer. In response to the Consolidated Appropriations Act of 2004, we expanded our audit plan for fiscal year 2004. The fiscal year 2004 audit plan includes audits of nine State commissions and audits of 10–15 AmeriCorps National Direct grant-

ees. We are also auditing a cooperative agreement awarded under Subtitle H of the National and Community Service Trust Act of 1993, an area of prior Congressional interest, with regard to program advocacy.

Each of these audits focuses on examining whether AmeriCorps grantees are complying with applicable laws, program rules, and grant provisions, including whether grantees have engaged in prohibited political advocacy or lobbying efforts. Each audit also focuses on whether costs charged to the Corporation's grant are allowable. If an audit identifies prohibited lobbying costs charged to a grant, these costs are referred for investigation to determine whether a violation of law has occurred. In addition, the OIG continues to analyze the results of all of our audits to identify systemic or programmatic issues regarding grantee compliance.

Our work in this area is ongoing. We continually update our audit plan, replacing examinations of recently audited grantees with audits of other grantees.

As for improprieties found thus far, an ongoing review of a cooperative agreement awarded under Subtitle H has raised concerns about the use of Corporation funding for the organization's advocacy initiatives. This review is currently underway and involves both audit and investigative staff. We will keep you apprised of this review as the facts warrant.

CONCLUSION OF HEARINGS

Mr. EISNER. Thank you very much, Mr. Chairman.

Senator BOND. No further business to come before the subcommittee today. The subcommittee is recessed.

[Whereupon, at 11:28 a.m., Thursday, April 8, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]