

April 2005

DOD SCHOOLS

Limitations in DOD-Sponsored Study on Transfer Alternatives Underscore Need for Additional Assessment



G A O

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Highlights of [GAO-05-469](#), a report to congressional committees

Why GAO Did This Study

The Department of Defense (DOD) operates 59 elementary and secondary schools serving over a dozen military bases in the continental United States. Periodically, questions have been raised concerning the continuing need for such schools. In 2002, DOD commissioned the Donahue Institute of the University of Massachusetts to examine the potential for transferring these schools to local education agencies (LEAs). GAO's assessment focused on (1) the extent to which DOD has established a school closure policy and the effect such policies have on quality-of-life issues for servicemembers and their dependents; and (2) the transfer study, including the clarity of the basis for conclusions reached, the overall financial impact, and issues identified but not resolved by the study. GAO's report also identifies issues not addressed in the transfer study that could impact the future of DOD's domestic schools.

What GAO Recommends

GAO is making recommendations to the Secretary of Defense to ensure DOD schools are properly accounted for in real property records and if a transfer decision is made, to undertake a more complete assessment of impending changes in U.S. basing levels and their impact on educational facility requirements to foster appropriate facility planning by DOD and/or LEAs. In commenting on a draft of this report, DOD concurred with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-469.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barry W. Holman at (202) 512-5581 or holmanb@gao.gov.

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Limitations in DOD-Sponsored Study on Transfer Alternatives Underscore Need for Additional Assessment

What GAO Found

Officials in the DOD Education Activity, which administers the DOD school program, said that neither DOD nor Department of Defense Education Activity has specific policy guidance related to closing domestic dependent elementary and secondary schools. While some expansion and contraction of the number of domestic schools operated by DOD occurred between the 1950s and early 1970s, relatively few have been closed or transferred since then, and most of those have been related to base closure activities. For affected military families, the retention of these schools is seen as an important quality-of-life issue.

The basis for the expert panel recommendations to transfer selected DOD schools to LEAs is difficult to ascertain. Specifically, it is often unclear how various analytical factors examined led to recommendations being made. For example, in one instance the panel recommended transfer of educational responsibilities to the neighboring LEA even though the LEA's per pupil costs were higher than DOD's and the LEA schools were cited as mostly "underperforming." Moreover, the study data indicate that DOD could incur an estimated \$125 million to repair and upgrade existing schools. Under the panel's recommendations, DOD would also have a continuing obligation to maintain the schools even after program transfers to the LEAs. Some long-term savings in operating costs could accrue to DOD, but many of these costs would need to be absorbed by LEAs or other federal programs. The transfer study also indicates that various legal restrictions in some states would need to be resolved. Finally, ownership of the schools DOD operates needs to be clarified in order to ensure that it is properly reflected in property records.

There are other factors, most not present when the transfer study began, that could further complicate school transfer decisions, including ongoing DOD plans to relocate about 70,000 military personnel and approximately 100,000 family members currently stationed overseas to bases in the United States within the next few years; Army efforts to reorganize its force structure, with the potential for increased numbers of personnel assigned to selected military bases in the United States; and the impact of the 2005 base realignment and closure round. Likewise, current DOD efforts to privatize housing on its military bases could also impact future requirements for schools serving military dependents. DOD has appropriately said that it is postponing decision making on the results of the transfer study until after base closure decisions are finalized later this year. However, the impact of troop redeployments and other force structure changes on schools has not yet been fully assessed. Given the expected increase of school age military dependents on various stateside military bases over the next few years, a clear decision on school transfer issues should be made after the results of the base closure process and overseas rebasing plans are known to ensure adequate planning for facilities by DOD and LEAs.

Contents

Letter		1
	Results in Brief	4
	Background	7
	DOD Does Not Have Specific Criteria for Closing Schools	11
	Expert Panel Recommends Program Transfers to LEAs in Most Instances, but Basis for Decisions Are Not Always Clear, and Many Issues Remain to be Addressed	14
	Other Issues Could Impact Decision Making	19
	Conclusions	21
	Recommendations for Executive Action	21
	Agency Comments and Our Evaluation	22

Appendixes		
	Appendix I: Expert Panel Members	25
	Appendix II: Department of Defense Elementary and Secondary (DDESS) Schools in the Continental United States	26
	Appendix III: Prior Studies on Transferring DDESS Schools to LEAs	27
	Appendix IV: Transfer Study Rules and Alternatives	29
	Appendix V: Differing Perspectives on Selected DDESS and LEA Schools Contained in Various Transfer Study Report Documents	31
	Appendix VI: Comments from the Department of Defense	36

Table	Table 1: Expert Panel's Recommendations	15
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United States Government Accountability Office
Washington, D.C. 20548

April 26, 2005

The Honorable John W. Warner
Chairman
The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Duncan L. Hunter
Chairman
The Honorable Ike Skelton
Ranking Minority Member
Committee on Armed Services
House of Representatives

Historically, public elementary and secondary education has been a state and local responsibility. However, for many years, the Department of Defense (DOD) has also operated a number of such schools (currently 59) serving over a dozen military bases in the continental United States.¹ Periodically, questions have been raised within the Congress concerning the continuing need for such schools, and various studies were commissioned in the 1980s and early 1990s to study the potential for transferring responsibility for educating students served by these schools to local public school districts—otherwise referred to in this report as local education agencies (LEAs). Prior studies identified multiple issues that would have to be addressed if a transfer of responsibilities were to be attempted, and such transfers were not considered feasible. Furthermore, military members served by these schools and related support groups have voiced strong support for retention of these DOD schools based on quality-of-life considerations.

In 2002, the department's attention once again turned to studying the potential for transferring DOD's domestic elementary and secondary education program over to LEAs. Officials in the Department of Defense

¹DOD also operates 165 elementary and secondary schools overseas.

Education Activity (DODEA),² which administers this program, have indicated that the new effort was the result of questions raised by the then chairman of the House Appropriations Military Construction Subcommittee regarding whether there was a need for continued operation of these schools by DOD arising from a request for funding for a school-related project on a military base. Additionally, in 2002, as part of its focus on improving management of the department, DOD's senior leadership endorsed examining departmental functions to determine whether they were core to the department's warfighting mission, with expectations that needed products or services associated with non-core functions should be obtained from other government agencies or the private sector. In announcing that it would begin a new study of elementary and secondary schools operated by DOD on 14 installation areas in seven states including Alabama, Georgia, Kentucky, North Carolina, South Carolina, New York, and Virginia, Department of Defense Domestic Dependent Elementary and Secondary Schools' (DDESS) press release indicated that the study would "focus largely on the ability and willingness of LEAs to assume educational responsibility for the students currently enrolled in DOD's domestic schools." The transfer study effort, apart from a facilities analysis phase by Parkhill, Smith, and Cooper Inc., was completed under contract by the Donahue Institute of the University of Massachusetts.³

The Donahue Institute retained an independent panel of education experts⁴ which developed recommendations based on the Institute's data and the facility data obtained under the Corps of Engineers contract. The panel of experts recommended transferring educational responsibilities at 10 of 14 installation areas studied from DDESS schools to LEAs. DOD does not plan to make a decision regarding the recommendations until after decisions on the upcoming base realignment and closure round are completed later this year.

²DODEA, the umbrella agency created in 1994 to oversee the DOD school systems, operates under the direction of the Deputy Under Secretary of Defense, Military Community and Family Policy, and the Under Secretary of Defense, Personnel and Readiness. Subordinate organizations within DODEA are the Department of Defense Domestic Dependent Elementary and Secondary Schools (DDESS) system, which operates schools in the continental United States, Puerto Rico and Guam, and the Department of Defense Dependents Schools (DODDS) system, which operates schools on military bases overseas.

³The Donahue Institute is the public service, outreach, and economic development unit of the University of Massachusetts President's Office.

⁴See appendix I for biographical information on the panel members.

Section 597 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005,⁵ which was signed into law on October 28, 2004, required the Comptroller General to prepare a report containing:

- (1) an assessment of the policy of the Department of Defense, and the criteria utilized by the department, regarding the closure of Department of Defense dependent elementary and secondary schools, including whether or not such policy and criteria are consistent with department policies and procedures on the preservation of the quality-of-life of members of the Armed Forces and their dependents; and
- (2) an assessment of any current or on-going studies or assessments of the department with respect to any of the schools.

The legislation required that the report be submitted to the Senate and House Armed Services committees not later than 180 days after the date of the enactment of the legislation.

Our assessment focused on (1) the extent to which DOD has established a school closure policy and the effect such a policy has on quality-of-life issues for servicemembers and their dependents; and (2) the transfer study conducted by the Donahue Institute, including the clarity of the basis for conclusions reached, the overall financial impact, and issues identified but not resolved by the study. While conducting this work, we also noted other issues not addressed in the transfer study that could impact decision making regarding the future of DOD's domestic elementary and secondary schools.

In completing this engagement, we interviewed DODEA officials regarding their policy guidance related to closing schools and reviewed the results of the recent study dealing with the potential transfer of DDESS schools to LEAs. We discussed the study design and methodology with officials of DODEA, DDESS, the Donahue Institute and two of the three members of the panel of experts employed by the institute to review its data and to develop study recommendations. We examined the various study summary documents to try to gauge the basis for the study's recommendations and determine how clearly the recommendations were linked to the summary information provided. We also reviewed summaries of interviews completed by the institute with leaders in affected DDESS schools and

⁵Pub. L. No. 108-375.

local education agencies to confirm and better understand the range of issues associated with the issue of potential transfer of the schools to LEAs. Likewise, we also discussed relevant issues concerning federal impact aid and experience in transferring federally owned schools to LEAs with officials at the U.S. Department of Education. Given time constraints, we did not attempt to validate data included in DOD's transfer study, but we did review the steps taken by the Donahue Institute to verify its data and analysis and to compare key data against other available data sets to corroborate its relative accuracy. We obtained other relevant statistical data concerning data about DDESS schools from DODEA and made limited checks to assure ourselves that the data was sufficiently accurate for the purposes of our review.

We conducted this review from January to April 2005 in accordance with generally accepted government auditing standards. Further details about our scope and methodology appear at the end of this report.

Results in Brief

While DOD has previously urged its components to examine for potential divestiture or outsourcing to the private sector functions not core to warfighting efforts, DODEA officials told us that neither DOD nor DODEA has specific policy guidance related to closing dependent elementary and secondary schools, the retention of which under DOD are seen by some servicemembers and their dependents as important to their quality of life. The officials noted the elimination of only three domestic schools in the past few years; one in 2001 in Georgia as the result of military housing privatization when the school transferred to an LEA, and two others in 2004 as the result of a base closure in Puerto Rico. Survey data from the recent and previous transfer studies clearly indicate that for military families, whose dependents attend DDESS schools, retention of those schools is an important quality-of-life issue. While their children represent a very small percentage of the dependent school-age population, affected servicemembers' views of the quality of education and related services provided by the dependent schools makes the retention of these schools very important to them. The importance of these schools has been affirmed in departmental guidance concerning what functions could be performed by the private sector. That guidance currently permits principals and faculty at DOD Dependent Schools to be exempted from outsourcing consideration recognizing these functions could be performed by the private sector (but without the same effect—i.e., military performance of these activities carries special meaning for military

personnel and their families).⁶ Nonetheless, the future of these schools has been subject to some uncertainty in recent years due to congressional concerns and as DOD began emphasizing the assessment of functions not core to warfighting missions for potential outsourcing which resulted in the initiation of the recent transfer study.

While the recent study sought to complete a more comprehensive assessment of the transfer issue than prior studies, the basis for the panel of experts recommendations is difficult to ascertain where transfers of DDESS' educational responsibilities are recommended. In addition to costs that would be incurred by DOD, legal and other issues could complicate the implementation of the panel's recommended school transfers to LEAs. The panel's recommendations report does not always provide a clear or concise indication of the key factors supporting the transfer of educational programs from DDESS to LEAs. Specifically, it is often unclear how the panel of experts evaluated various analytical factors leading to its recommendations based on information provided in the various study documents. Two expert panel members we contacted acknowledged that the panel's recommendations were subjective but based on all the members' collective expertise and experiences. However, information provided in the various study report documents sometimes raised more questions than it answered. For example, the panel in two of three instances where there was more than one affected LEA recommended transferring educational responsibilities to one of the LEAs even though the local school district was considered to be "underperforming" when another "overperforming" LEA was available with lower per pupil costs. In addition, the panel recommended a LEA over DDESS even though the LEA's per pupil costs were higher and its schools were cited as mostly "underperforming."⁷ The study data indicate that DOD could incur an estimated \$125 million to repair and upgrade existing DDESS schools. In addition, DOD would have a continuing obligation to

⁶Enclosure 6, Manpower Mix Criteria Codes, Office of the Secretary of Defense memo, "2003 Commercial and Inherently Governmental Activities Inventory Data Call" (Dec. 16, 2003).

⁷The Donahue Institute used student performance on statewide/DDESS system-wide academic tests to measure school performance. The institute developed a performance index that took into account the socio-demographic effect of the percentage of students receiving free or reduced price lunches on a school's performance. It used a regression approach to estimate this effect on schools in each state by subject and grade. The institute was then able to categorize each school's performance as "overperforming" or "underperforming" relative to the school's predicted performance given its percentage of students receiving free or reduced price lunches.

maintain the school facilities even after transfer of educational responsibility to the LEAs, under the transfer alternative recommended by the panel. Long-term savings in operating costs could accrue to DOD but many of these costs would need to be absorbed by LEAs and would, to some extent, create an additional burden for the U.S. Department of Education as it distributes available resources to LEAs that become eligible for increased impact aid as a result of educating more military-connected students.⁸ At the same time, numerous other issues would arise if efforts were made to implement the transfers, such as clarifying current ownership of the schools between DOD and the U.S. Department of Education and differences in their relative legislative authorities for transferring federally owned schools to LEAs.⁹ Other legal restrictions in some states would likely prohibit LEAs from readily taking possession of facilities located on federal lands. The panel of experts recognized that any transfers would need to be done on an individual, negotiated basis.

Apart from the issues identified in the transfer study, there are other factors/issues not addressed in the study, most of which were not present when the study began, that could impact DDESS and LEA schools, and further complicate school transfer decisions. The study does not recognize such ongoing DOD plans as:

- the restationing of about 70,000 military personnel and approximately 100,000 family members currently stationed overseas to bases in the United States within the next few years;
- Army efforts to reorganize its force structure, with the potential for increased numbers of personnel assigned to selected military bases in the United States; and
- the impact of the 2005 base realignment and closure round.

DOD has appropriately said that it is postponing decision making on the results of the transfer study until after base closure decisions are finalized

⁸LEAs receive federal payments to compensate for the loss in tax revenues due to the presence of tax-exempt federal property and increased school enrollments due to federal activities.

⁹Resolution of this issue is important toward ensuring proper accounting for property in the appropriate agency's property records and limiting the government's exposure to legal liabilities.

later this year. Likewise, current DOD efforts to privatize housing on its military bases, combined with rebasing efforts noted previously could also impact future requirements for on-base dependent schools. However, the impact of these housing factors has not yet been fully assessed. Nevertheless, given the expected increase of school age military dependents on stateside military bases over the next few years, a clear decision on school transfer issues made sooner rather than later would help to ensure adequate planning for facilities by DOD and LEAs.

GAO recommends that the Secretary of Defense resolve continuing uncertainty regarding the school transfer issue to foster appropriate facility planning by DOD and/or LEAs.

Background

Notwithstanding that public elementary and secondary education historically has been a state and local responsibility, DOD has also operated such schools at selected U.S. and overseas locations to educate military dependents residing on military bases. Collectively, the domestic and overseas programs operate over 200 dependent schools in the United States, U.S. territories, and overseas,¹⁰ with 59 schools operated in the continental United States. (See appendix II for a listing of these DDESS school locations.) Approximately 105,000 students are enrolled in these combined programs, with approximately 24,000 students attending the 59 schools in the continental United States. DDESS schools mostly serve elementary school-aged students in the United States, with older students attending public schools off the installations. The overseas DODDS system has approximately 12,000 employees while the DDESS system has approximately 5,700 employees. The combined operating budget for both systems and headquarters in fiscal year 2005 is about \$1.49 billion of which approximately \$367 million is for operating DDESS schools.¹¹

As we have previously reported, the federal government's operation of elementary schools in the continental United States to educate military dependents residing on military bases traces its history back many years and to locations where a suitable free public education was not available.¹²

¹⁰Overseas schools were added following World War II when the military established schools for the children of its servicemembers stationed in Europe and the Pacific.

¹¹These are operations and maintenance funds, and do not include procurement and military construction funding.

There were a variety of reasons for establishing schools on military bases, including military installations that were located in sparsely populated areas and efforts to avoid racial segregation at the neighboring school districts.

From 1951 to 1981, funding responsibility for the domestic schools resided with the Department of Health, Education, and Welfare, and subsequently with the Department of Education. The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) transferred funding responsibility to DOD. Today, DODEA, the umbrella agency created in 1994 to administer the overseas (DODDS) and domestic (DDESS) systems, operates under the direction of the Deputy Under Secretary of Defense, Military Community and Family Policy, and the Under Secretary of Defense, Personnel and Readiness.

The DDESS model is but one of several approaches to providing elementary and secondary education to dependents of military personnel residing on military bases in the United States. There are 33 Department of Education-owned schools located on military bases but operated by LEAs, providing education for military dependents residing on those bases. The Department of Education has been gradually transferring these schools to LEAs as funds are available to upgrade the condition of the schools to encourage acceptance of the schools by LEAs.¹³ In other instances, LEAs own and operate schools located on military bases. Finally, in a limited number of instances, DOD directly funds LEAs to educate military dependents at schools operated on military bases.

Periodically, questions have arisen within the Congress concerning the continuing need for such schools within the continental United States, and various studies were commissioned in the 1980s and early 1990s to evaluate the potential for transferring the schools to LEAs.¹⁴ In December 1986 we examined three methods to educate military dependents, then in selected use, which were viewed as alternatives to the DOD-funded and operated

¹²See GAO, *DOD Schools: Funding and Operating Alternatives for Education of Dependents*, GAO/HRD-87-16 (Washington, D.C.: Dec. 10, 1986).

¹³This represents some reduction in such schools from an available listing of such schools contained in a previous transfer study conducted 10 years ago. Some reductions occurred because of base closure, demolition, or transfers to LEAs.

¹⁴Appendix III provides a list and summary of relevant previous reports that examined the potential for transferring schools from DOD to LEAs.

schools. They included: (1) operation by local school districts, with funding from federal, state, and local governments; (2) DOD contracting with local school districts for educational services; and (3) coterminous operation, whereby dependents' schools operated as local school districts whose boundaries were the same as the military installations' boundaries, and where funding for those districts was shared by the Department of Education (through the federal impact aid program) and the responsible state government. We reported in December 1986 that creation of school districts coterminous with military installations appeared to be the best of the three alternatives, in part because such an approach would likely minimize the transfer of students from existing schools and eliminate costs to DOD. However, according to a DODEA official, most states have since passed laws that prohibit the creation of new school districts, which eliminates the coterminous option from consideration. We also reported that jurisdictional, legal, and other issues could impede consideration of all three alternatives. Subsequent studies by others offered varying degrees of insights regarding these alternatives and difficulties likely to be encountered in trying to implement them, and often identified multiple issues that would have to be addressed—including legal and financial issues, and strong opposition from affected military families—if a transfer of responsibilities were to be attempted. As a result, school transfers were not considered feasible. (See app. III for a synopsis of each of the prior studies.)

In 2002, DOD's attention again turned to studying the potential for transferring DOD's domestic elementary and secondary education program over to LEAs. DODEA officials have indicated that the new effort was the result of questions raised by the then chairman of the House Appropriations Military Construction Subcommittee regarding whether there was a continuing need for DOD to operate these schools triggered by a request for funding for a school-related project on a military base. We also note that in 2002, as part of its focus on improving management of the department, DOD's Senior Executive Council¹⁵ endorsed a core competency-based approach for DOD sourcing decisions—that is, the decision to use a public or private sector source to perform a necessary

¹⁵ The Senior Executive Council, a high-level management committee, was established in 2001 to (1) help guide efforts across the department to transform and improve the department's business practices, and (2) to function as a board of directors for DOD. The Council, chaired by the Secretary of Defense, also included the Deputy Secretary of Defense, the service secretaries, and the Under Secretary of Defense for Acquisition, Technology and Logistics.

agency function or activity was based on whether the function or activity was core to the agency's mission. The Senior Executive Council believed that the department should focus its energies and talents on those functions that were core or directly linked to its warfighting mission. These core functions must be performed by the agency, with the expectation that necessary products or services associated with non-core functions should be obtained from other government agencies or the private sector.¹⁶

A DDESS press release, announcing the planned transfer study in 2002, indicated that the study would “focus largely on the ability and willingness of LEAs to assume educational responsibility for the students currently enrolled in DOD’s domestic schools.” This transfer study was performed in multiple phases that included:

- A facility condition assessment performed by Parkhill, Smith, and Cooper, Inc., and contracted through the Army Corps of Engineers. Field observer site visits were made to document the current physical condition of each school, estimate probable costs for remediation, and assess whether renovation or replacement was needed. This assessment identified about \$125 million in remediation costs for all 58 DDESS schools surveyed and about \$33 million to replace 4 of the schools.¹⁷
- A data collection and analysis phase conducted by the Donahue Institute of the University of Massachusetts to examine the feasibility of transferring 58¹⁸ DDESS schools operating in the continental United States to local school districts. A set of transfer alternatives was developed and analyzed for each of the DDESS schools.
- Use of a three-person expert panel, approved by DOD and contracted by the Donahue Institute to independently assess the Institute’s data and analysis and make recommendations regarding transfer alternatives.

¹⁶See GAO, *Defense Management: DOD Faces Challenges Implementing Its Core Competency Approach and A-76 Competitions*, [GAO-03-818](#) (Washington, D.C.: July 15, 2003).

¹⁷DOD’s Fiscal Year 2006 budget request is for \$34.7 million in military construction for a new DDESS elementary school at Fort Stewart, Ga., and a new elementary/junior high school addition at Fort Bragg, N.C.

¹⁸While DDESS currently operates 59 domestic elementary and secondary schools in the United States, only 58 were in operation at the time of the study.

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- A quality-of-life assessment, based on an October 2003 meeting in Peachtree City, Georgia, with representatives of the domestic DDESS schools and installations where their views were solicited and documented. Participants included installation commanders, students, parents, union leaders, and special interest groups.

The recommendations of the panel of experts were submitted to DODEA in December 2003, but remained closely held without widespread dissemination inside the department and without public dissemination until February 2005. At the time we completed our work, DOD had not made a decision regarding adoption of the panel's recommendations, postponing such a decision until later this year after decisions related to the 2005 base realignment and closure round are completed.

DOD Does Not Have Specific Criteria for Closing Schools

While DOD has previously urged its components to examine for potential divestiture or outsourcing of functions not core to warfighting efforts to the private sector, neither DODEA nor DOD has policy guidance related to closing the dependent elementary and secondary schools operated by the department. While expansion and contraction of the number of domestic schools operated by DOD occurred between the 1950s and early 1970s, relatively few have been closed or transferred since then, and most of these have been related to base closure activities. For affected military families, the retention of these schools is seen as a quality-of-life issue, but there are varying perspectives on this issue within DOD.

DOD Has Eliminated Few Domestic Schools in Recent Years

DODEA officials told us they had eliminated only three domestic schools in the past few years; one in 2001 in Georgia as the result of military housing privatization initiative, and two others in 2004 as the result of a base closure in Puerto Rico.¹⁹ This contrasts with an earlier period between the 1950s and 1970s when there was a more robust expansion and contraction in such schools.

Per the 2004 defense appropriations act, the Roosevelt Roads Naval Station in Puerto Rico was closed in 2004 and, as part of that closure, the DDESS

¹⁹A few additional schools were closed during prior base closure rounds because of domestic base closure rounds conducted from 1988 through 1995. Any additional dependent school closures related to the 2005 base closure process will not be known until later this year when base closure decisions will be finalized.

schools on that base also closed. The only other instance of a DDESS school being eliminated in recent years occurred in 2001 as a result of the department's housing privatization efforts. In that instance, land associated with on-base housing at Warner Robins Air Force Base, Georgia, was transferred to a contractor and the land transferred included one of the base's two schools. As a result, the school was subsequently transferred to the LEA, which became responsible for educating students at that school. DOD housing privatization officials indicated they do not currently anticipate similar transfers of schools in the future.

Earlier transfer studies point to expansion and contraction of DOD operated schools on military bases between 1950 and 1970. Schools were added to the DDESS system as a result of the racial integration of the military during the time when the schools in the neighboring LEAs remained segregated. At one point, about 100 military installations reportedly had schools that belonged to what is now the DDESS system. Various studies report a subsequent contraction in the number of these schools due to a variety of factors including successful implementation of integration policies in many instances that allowed base schools to rejoin their former LEAs, pressure from the U.S. Department of Education on states and localities to acknowledge responsibility for the education of military dependents, and commercial and residential development adjacent to some bases that enabled the LEA to provide a viable educational program.

Retention of Domestic Dependent Schools Is Seen as a Quality-of-Life Issue

Survey and other data from the current and earlier studies on transfer issues clearly indicate that affected military families, whose dependents attend DDESS schools, view their retention as a quality-of-life issue. While their children represent a very small percentage of the dependent school-aged population, affected servicemembers' views of the quality of education and related services provided by the dependent schools makes clear that the retention of these schools is very important to them. An October 1997 Defense Manpower Data Center study noted that "the loss of the DDESS schools would undoubtedly be viewed as another loss of a military quality-of-life benefit. But unlike many other benefit cuts... that affect all or most military servicemembers, the loss of this benefit would affect a small proportion of military servicemembers."

The Defense Manpower Data Center report also indicated that DDESS students comprised only three percent of all school-aged children of active-duty servicemembers. DODEA provided us with data that indicate that

figure remains current today. Moreover, only 23 percent of all school-aged dependents of military members assigned to the installations served by DOD's domestic dependent schools in the continental United States attend the schools. This can be attributed to the fact that many military families reside in local communities—that is, not on the base—and thus are not eligible to attend DDESS schools, and the fact that relatively few DDESS schools provide education for high school students.

DOD's guidance for deciding what functions the department performs that could be considered commercial in nature and readily available in the private sector, has exempted DOD schools from outsourcing consideration. DOD's guidance stipulates that principals and faculty at DOD dependent schools perform functions that could be performed by the private sector "but without the same effect—i.e., military performance of these activities carries special meaning for military personnel, and their families." The guidance also notes that principals and faculty at DOD Dependent Schools demonstrate family support, promote quality-of- life and foster camaraderie for recruitment and retention purposes. Accordingly, DOD dependent schools were exempt from private sector performance comparisons. In addition, in recent years, DOD has sought a more aggressive look at whether various functions are core to the department's warfighting mission, and to increase the number of functions that might be performed by the private sector. Dependent schools are one such function that has sometimes been questioned regarding its connection to DOD's core mission.

Conversely, in July 2002, DOD published *A New Social Compact: A Reciprocal Partnership Between The Department of Defense, Servicemembers and Families*. The document was issued under the auspices of the Deputy Assistant Secretary of Defense (Military Community and Family Policy). It noted that in 2001, the President had issued a National Security Presidential Directive requiring the Secretary of Defense to undertake a review of measures for improving the quality of life for military personnel and provide recommendations for their implementation. While the new compact did not specifically address the issue of whether DOD dependent schools should be retained or transferred to LEAs, it did include a section devoted to enhancing educational opportunities provided through DODEA worldwide.

Expert Panel Recommends Program Transfers to LEAs in Most Instances, but Basis for Decisions Are Not Always Clear, and Many Issues Remain to be Addressed

The panel of experts recommended transferring most educational responsibilities from DDESS schools to LEAs at 10 of 14 installation areas studied. The institute sought to contrast DDESS and LEA schools to guide the panel's analysis and process for making recommendations. Nonetheless, the basis for these recommendations is difficult to ascertain based on study report documents. The study indicates that DOD could incur significant costs, as well as face legal and other issues related to the transfer of schools to LEAs. Finally, the panel recognizes that such transfers would have to be done on an individual, negotiated basis.

Transfer Study Contrasts DDESS and LEA Schools to Guide Expert Panel's Recommendations

The Donahue Institute study built on the work of prior studies, examining many transfer alternatives previously considered in earlier studies ranging from the status quo to the transfer of educational programs to LEAs. While various issues addressed in the study were similar to those previously studied—such as facility conditions and remediation costs and identifying transfer options and impediments to their use—it sought to make a comparative assessment of DDESS and surrounding LEA schools to provide the basis for informed decision making. The report noted that the expert panel established the following guiding principles to guide its recommendations:

- All students transferred from DDESS to local public schools must be provided comparable educational programs, services and facilities.
- School communities gain from diversity.
- Cost effectiveness of government. Any transfer alternative must be cost-effective not only to DODEA, but to the state and local entities involved.
- Deference to the needs of younger students. It is rarely advisable to transfer or otherwise disrupt the educational process of very young students.
- Any transfer of DDESS will include just and reasonable compensation to the LEA for operational and facilities costs.
- Each installation/LEA will be considered separately.

The report noted that the experts stressed that while each one was important, no single principle or criterion would necessarily rule in or out a transfer alternative. Rather, the totality of all financial and non-financial factors was carefully considered, evaluated, and factored into each recommendation. The panel also developed feasibility rules associated with any transfer decisions to help assure basic equity and fairness for the students, families, and communities that might be affected by the study. Appendix IV includes summary information on the rules and alternatives considered.

The expert panel recommended that the educational responsibility for most schools in 10 of the 14 installation areas be transferred to the LEAs, and with use of DDESS operated facilities in most instances, as noted in table 1.

Table 1: Expert Panel's Recommendations

State(s) Affected	Principal Installation(s) Served	Number of Schools	Affected Local Education Agency	Study Recommendation
Alabama	Fort Rucker	2	Daleville City Schools Enterprise City Schools Ozark City Schools	Status quo
Alabama	Maxwell Air Force Base	1	Montgomery County Schools	Status quo
Georgia	Fort Benning	7	Muscogee County Schools Chattahoochee County Schools	Transfer responsibility for schooling to LEA
Georgia	Robins Air Force Base	1	Houston County Schools	Transfer responsibility for schooling to LEA
Georgia	Fort Stewart	2	Liberty County Schools	Transfer responsibility for schooling to LEA
Kentucky/ Tennessee	Fort Campbell	8	Clarksville-Montgomery County Christian County Schools	Transfer responsibility for schooling to LEA
Kentucky	Fort Knox	8	Hardin County Schools Meade County Schools	Transfer responsibility for schooling to LEA
New York	U.S. Military Academy, West Point	2	Highland Falls Central School District	Transfer responsibility for schooling to LEA
North Carolina	Fort Bragg	9	Cumberland County Schools	Transfer responsibility for schooling to LEA
South Carolina	Fort Jackson	3	Richland County 2 School District	Status quo
North Carolina	Camp Lejeune	8	Onslow County Schools	Transfer responsibility for schooling to LEA

(Continued From Previous Page)

State(s) Affected	Principal Installation(s) Served	Number of Schools	Affected Local Education Agency	Study Recommendation
South Carolina (Laurel Bay)	Marine Corps Air Station Parris Island Naval Hospital	2 ^a	Beaufort County Schools	Status quo for Pre-K – 3 grade; transfer grade 4-6
Virginia	Dahlgren Naval Surface Warfare Center	1	King George County Schools	Status quo
Virginia	Quantico Marine Corps Base	4	Prince William County Schools	Status quo Pre-K - grade 3; transfer grades 4-12 to LEA
Total		58		

Source: Expert panel's recommendations report.

^a A third DDESS school, not included in the transfer study, has subsequently become operational, increasing the total DDESS domestic schools to 59.

The expert panel recommended transferring most school programs to LEAs with use of existing school facilities on the military installations, but with DOD continuing to be responsible for funding maintenance, operations, and improvements for most facilities. The panel of expert's recommendation for continued DOD responsibility for the facilities was attributed to legal difficulties the expert panel believed existed in some states that could prohibit LEAs from expending funds for schools located on federal lands, as well as the recognized need to provide reasonable assistance to the LEAs. In total, LEAs were projected to use 45 DDESS operated schools, but take title to only 1 of them.

The recommendations included just a few exceptions to the recommended transfer approach wherein DOD would continue to maintain the school facilities. For two South Carolina (Laurel Bay area) school programs recommended for transfer, one school would be retained by DDESS to continue educating Pre-K through grade 3 students, and one school would be transferred to the LEA through a title transfer—the only title transfer recommended. In another instance—involving Quantico, Virginia schools and the Prince William County Schools—responsibility for educating about fifty percent of the school children would be transferred, but without any of the school facilities. The Prince William County LEA reportedly had indicated an unwillingness to use the DDESS school facilities. At West Point, New York, responsibility for educating all children would be transferred to the LEA and it would use only one DDESS facility.

Notwithstanding the panel of expert recommendation that DOD continue to fund maintenance and operation for most of the school facilities, we found that clarification of ownership of DDESS-operated school facilities

between DOD and the U.S. Department of Education needs to be addressed. In completing this review we found that despite DOD having assumed responsibility for operating the current DDESS facilities from the U.S. Department of Education many years ago, a majority of the 58 school facilities had not been formally transferred to DOD. U.S. Department of Education officials told us they were working to transfer the schools to DOD. Resolution of this issue is important to ensure proper accounting for property in the appropriate agency's property records. At the same time, we also learned that any efforts by DOD to transfer schools to LEAs where it has clear ownership of the property could be more difficult and time consuming than for the Department of Education since the latter has specific legislative authority authorizing such direct transfers.²⁰

Lack Of Clarity for Selecting LEAs Over Some DDESS Schools And Proposing Transfers of Most Schools

While the methodology used by the Donahue Institute and its expert panel reportedly guided data gathering, analysis, and development of recommendations, the expert panel's summary comments and various binders of data comprising the study report do not always make clear the basis for the panel's recommendations. The report stated that the panel agreed that no single factor would be the basis of a decision to accept or reject a specific alternative. How the panel of experts evaluated the various factors in order to come up with recommendations is not always clear based on information provided in the various study documents. Two of the expert panel members we contacted acknowledged that the recommendations were subjective but based on all the members' collective expertise and experiences.

Moreover, we found instances where data for selected quality measures such as teacher to student ratios and teacher qualifications included in various study report documents provide mixed pictures of comparative quality factors between DDESS and LEA schools.²¹ For example, in a few instances, the panel recommended transfers to LEA districts even though the district schools were considered to be "underperforming" while another adjacent LEA's schools were considered "overperforming" and

²⁰20 U.S.C. §7708. Absent specific transfer authority DOD property disposal would be subject to the more lengthy procedures of the Federal Property and Administrative Services Act, administered by the General Services Administration.

²¹The expert panel's recommendations report, which included summary data comparing and contrasting LEA and DDESS schools, did not always agree with the comparative data included in various summary reports provided by the Donahue Institute staff.

with lower per pupil costs; or a LEA was recommended over DDESS even though the LEA's per pupil costs were higher and its schools were cited as mostly "underperforming."²² Appendix V highlights examples of the divergent information contained in various transfer study documents for four installations.

DOD Would Achieve Savings, but Some Costs Would Be Shifted to Department of Education and LEAs

In transferring the education responsibility to LEAs, DOD would achieve savings in costs it currently incurs by operating schools, but many of these costs would be shifted to others.²³ However, study data indicate that DOD could incur costs of about \$125 million to repair and upgrade existing DDESS school facilities.²⁴ Moreover, DOD would also continue to have ongoing costs to maintain the school facilities as the education programs are operated by the LEAs under the alternative recommended by the panel of experts. At the same time, given various pending changes in basing arrangements that will likely increase the number of dependent students at bases in the United States, we believe that the facility costs contained in the study would be subject to change before any potential decision to approve the study recommendations was implemented.

The study, based on data provided by the Department of Education, assumes that many costs would be passed on to the state and local governments, and that LEAs would be eligible for impact aid from the federal Department of Education.²⁵ While the study makes various assumptions about likely impact aid to LEAs, we are not able to affirm the reliability of those estimates based on the data provided. Impact aid is a program that is subject to annual appropriations and not an entitlement; and, based on our discussions with Department of Education officials, the

²²See footnote 7 on page 5.

²³An area of savings from transferring educational responsibility to LEAs would be in teacher salaries. The transfer study noted significant differences in teacher salaries between DDESS and LEA schools.

²⁴U.S. Department of Education officials told us that making such upgrades had been necessary to encourage LEAs to accept transfer of school facilities owned by the Department of Education even though the LEAs were already educating dependents in these schools.

²⁵LEAs receive federal payments to compensate for the loss in tax revenues due to the presence of tax-exempt federal property and increased school enrollments due to federal activities.

amount of impact aid to which an LEA would be entitled is formula based, and not easily calculated in advance. Also, as we note elsewhere in this report, various communities surrounding military bases in the United States are expected to experience a significant influx of military dependents over the next few years as DOD restations many military personnel from bases overseas to ones in the continental United States. This could place an increased burden on the Department of Education's impact aid program as it distributes resources across more LEAs. In addition, states and LEAs would bear an additional burden if impact aid funds were not increased.

The recent study, as did prior studies, found unique circumstances that could impact costs and would require resolution on a site-by-site basis, should an effort be made to transfer educational responsibilities from DDESS to LEAs. For example, Fort Campbell has a large DDESS student population, with eight schools in two states, and agreements would have to be worked out to permit the students to cross jurisdictional boundaries to attend the LEA administered school. In a couple of other instances, DDESS schools for an installation may fall within the jurisdiction of two counties and special arrangements would be needed to enable students whose on-base residency falls in one county to attend schools in the other county. In other instances, the study report noted limitations or caps on numbers of students eligible for special education in certain LEAs compared with those in DDESS schools that would need to be addressed. Thus, individual negotiations at each DDESS location and LEA would be required to address these and other issues.

Other Issues Could Impact Decision Making

Apart from issues identified in the transfer study, there are other factors/issues that were not present when the transfer study began that could impact DDESS and LEA schools and further complicate school transfer decisions. These factors relate to planned overseas basing changes, major force structure changes planned by the Army, the domestic base closure process, and DOD efforts to privatize housing.

The study did not consider ongoing DOD plans to realign U.S. bases overseas and announced plans to restation about 70,000 military personnel and approximately 100,000 family members currently stationed overseas to bases in the United States. However, the details on where many of these personnel and associated units are likely to be restationed will not be known until the 2005 base realignment and closure decisions are made later this year. Nevertheless, this rebasing effort could result in significant

increases in populations of various bases with many new students requiring education by LEAs. To the extent DDESS programs are affected, this could complicate any negotiations with LEAs regarding assumption of on-base DDESS programs. Likewise, the extent to which DDESS installations will be impacted by the base closure process will not be known until later this year.

The study also does not reflect efforts under way by the Army to reorganize its force structure, creating new units of action with the potential for increased numbers of personnel assigned to selected military bases in the United States. A recent Congressional Research Service report summarized the magnitude of this effort.²⁶ It noted that, "...in what the Army describes as the 'most significant Army restructuring in the past 50 years,' the Army intends to redesign its current 10 active duty division force to a 43 or 48 brigade-level unit of action or UA force by FY 2007." This conversion is expected to add over 2,000 personnel to many of these former brigades at various installations. A few of these new units of action tentatively have been identified for installations in the United States where some DDESS schools operate.

DOD has appropriately said that it is postponing decision making on the results of the transfer study until after base closure decisions are finalized later this year. Importantly, the transfer study, in examining educational expenditures, largely considered the cost impact on LEAs from a potential transfer decision on an incremental cost basis. A large influx of students into LEA or DDESS schools as a result of the above factors could require a fuller assessment of funding and facility needs than provided for in the existing study.

The transfer study partly touched on current DOD efforts to privatize housing on its military bases, but study officials recognize that the full impact of that initiative was not available for consideration in their report. Additionally, DOD housing officials told us that previous plans for housing privatization may need to be adjusted as efforts are made to ensure adequate housing for the thousands of military personnel scheduled to be redeployed to the United States.

²⁶Congressional Research Service, *U.S. Army's Modular Redesign: Issues for Congress*, (Washington, D.C.: Jan. 6, 2005).

Conclusions

The transfer study has a number of limitations that present less than a clear-cut answer to the feasibility and desirability of transferring educational responsibilities from DDESS to LEAs. Moreover, there are important issues not addressed in the study such as the anticipated restationing of thousands of military personnel and their dependents from overseas to U.S. bases, the Army's planned force restructuring, and the domestic base closure process that could stress existing educational capacities and require expanded capabilities at affected bases. DOD has appropriately said that it is postponing decision making on the results of the transfer study until after base closure decisions are finalized later this year. Until DOD obtains a fuller understanding of all these plans and time frames the likely financial impact on DDESS and LEAs remains unknown. Without that assessment, the financial assessment completed by the current transfer study is incomplete. Fundamentally, a decision on whether to transfer educational responsibilities from DDESS to LEAs is a policy decision that requires balancing fiscal, educational, and other quality of life considerations. Once the results of the domestic base closure process and overseas rebasing plans are known, a decision on the school transfer issue should be made sooner rather than later to ensure adequate planning, funding and siting of new school facilities in the United States that may be needed to support increasing populations of military dependent students. Regardless, there needs to be proper accounting for the school facilities in federal property records.

Recommendations for Executive Action

Should a decision be made to transfer some or all of DDESS domestic schools to LEAs, we recommend that the Secretary of Defense, in conjunction with the Under Secretary of Defense for Personnel and Readiness require that such efforts be accompanied by a more complete assessment of the impact of troop redeployments and other force structure changes on educational facility requirements on affected installations and surrounding communities to facilitate needed facility and operational planning by DOD, the Department of Education and LEAs to meet changing needs. Regardless of transfer decisions, we recommend that the Secretary ensure DDESS school facilities are properly reflected in DOD's property records and removed from the Department of Education records.

Agency Comments and Our Evaluation

In commenting on a draft of this report, the Principal Deputy Under Secretary of Defense (Personnel and Readiness) concurred with our recommendations. The department's response indicated that any decision

to transfer educational responsibility to local educational authorities would occur after the base closure process is complete and would involve consultations with the military services and Congress, and that it is working with the Department of Education to ensure school facilities are properly recorded in real property records. However, the department took exception with the title of our report because it believed we raised issues that were related to events occurring after the study began such as the formulation of the rebasing plan, which were outside the scope of the transfer study. We believe, however, that the title correctly captures the limitations of the DOD-sponsored study as both having to do with external issues affecting the study that became known after the study began as well as limitations with the study that made unclear the basis for the transfer recommendations. Therefore, we did not change our title. The department separately provided various technical comments which are incorporated where appropriate. DOD's comments are included in appendix VI of this report.

Scope and Methodology

To determine the extent to which DOD has established a school closure policy and the effect such policies have on quality-of-life issues for servicemembers and their dependents, we discussed the issue with cognizant officials within DODEA and other departmental officials. We obtained and reviewed data on DDESS school closures in prior years and the basis for those closures, as well as similar information from the U.S. Department of Education concerning schools owned by that department serving military dependents. We also met with education officials to discuss administration of federal impact aid and learn about their experience in transferring federally owned schools to LEAs. To obtain DOD perspectives concerning the issues of dependent schools as a quality of life issue, we obtained and reviewed the Department's July 2002, publication entitled *A New Social Compact: A Reciprocal Partnership Between The Department of Defense, Servicemembers and Families*. The document was issued under the auspices of the Deputy Assistant Secretary of Defense (Military Community and Family Policy) providing departmental perspective on a range of quality of life issues, including schools. We contrasted that with information obtained from the Department's Housing and Privatization Office on criteria for considering commercial activities performed by the department for potential public/private competitions under OMB Circular A-76. Likewise, we contrasted that information with other information regarding departmental efforts to more rigorously assess what functions are considered core to

warfighting efforts with policy direction to consider those not designated for potential outsourcing.

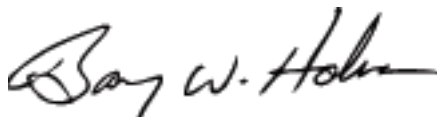
To assess the transfer study completed for DODEA by the Donahue Institute, including the clarity of the basis for conclusions reached, the overall financial impact, and issues identified but not resolved by the study, we first reviewed the various summary reports prepared by the Donahue Institute, the results of the facility condition assessment performed by Parkhill, Smith, and Cooper, Inc., and a summary of the phase 3 quality-of-life assessment. We discussed the transfer study design and methodology with officials of DODEA, the Donahue Institute and two of the three members of the panel of experts employed by the institute to review its data and to develop study recommendations. Likewise, we also reviewed the results of previous transfer studies to understand similarities and differences between previous studies and the recent study effort. To assess the basis for recommendations made by the expert panel, we examined the data developed for the panel's use that was contained in the Donahue Institute's various study summary documents to try to gauge the basis for the recommendations and determine how clearly the recommendations were linked to the summary information provided. Given time constraints, we did not attempt to validate financial and other quantitative data included in the study, but we did review the steps taken by the Donahue Institute to verify its data and analysis and to compare some key data against other available data sets to corroborate its relative accuracy. We also reviewed summaries of interviews completed by the institute with leaders in affected DDESS schools and local education agencies to confirm and better understand the range of issues associated with the issue of potential transfer of the schools to LEAs—as well as similar information contained in prior studies. We obtained other relevant statistical data about DDESS schools from DODEA and made limited checks to assure ourselves that the data was sufficiently accurate for the purposes of our review.

To frame other issues not addressed in the transfer study that could impact decision making regarding the future of DOD's domestic elementary and secondary schools, we relied on insights gained from other ongoing GAO assessments in the Defense area that had the potential to impact dependent educational requirements on military bases and confirmed our assumptions through discussions with cognizant Defense officials.

We conducted this review from January to April 2005 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Chairmen and Ranking Minority Members, Senate Committee on Appropriations, Subcommittees on Defense and Military Construction and Veterans Affairs; Chairmen and Ranking Minority Members, House Committee on Appropriations, Subcommittee on Quality of Life; Secretaries of Defense, the Army, the Navy, and the Air Force; the Commandant of the Marine Corps; the Secretary of Education; and the Director, Office of Management and Budget. Copies will be made available to others upon request. In addition, this report will be available at no charge on our Web site at <http://www.gao.gov>.

Please contact me at (202) 512-5581, or my Assistant Director, Michael Kennedy, at (202) 512-8333 if you or your staff have any further questions regarding this report. Major contributors to this report were Maewanda Michael Jackson, Hilary Murrish, and R.K. Wild of GAO's Defense Capabilities and Management team, Dr. Nagla'a D. El-Hodiri of GAO's Education and Workforce team, and Julia Matta, Office of General Counsel.



Barry W. Holman, Director
Defense Capabilities and Management

Expert Panel Members

The DDESS Transfer study completed by the Donahue Institute of the University of Massachusetts indicated that the results of its data and study component analysis were presented to a panel of three leading national experts on educational administration and finance. The study report provides the following information regarding the three experts:

- Kern Alexander, Ed.D. Dr. Alexander is a national expert in the field of school finance. He is Chair of the Board of Editors for the *Journal of Education Finance*. He served as director of the Institute for Educational Finance at the University of Florida, and as Director of the National Educational Finance Project while it conducted a nationwide study of educational fiscal policy involving all 50 state education agencies. He has published numerous books, book chapters and articles on school finance. He is currently a professor at the University of Illinois at Urbana-Champaign;
- Richard Salmon, Ed.D. Dr. Salmon is a nationally recognized expert in the fields of school finance and Federal Impact Aid issues. He is a professor at Virginia Tech and has authored numerous textbooks, book chapters, and articles on public school finance. Dr. Salmon is a member of the Board of Editors for The Journal of Education Finance. He also consults for the U.S. Department of Education Bureau of Impact Aid and has testified for the department in several federal trials. He served in the United States Navy for more than 20 years, retiring as Commander from the Naval Reserve; and
- Deborah A. Verstegen, Ph.D. Dr. Verstegen is a national expert in the field of school finance. She is a professor of education at the University of Virginia, where she teaches a number of courses including Educational Finance Policy and Practice, School Finance, and Educational Policy Analysis. She has authored many books, book chapters, and refereed journal articles and monographs on education finance. She is past editor and currently serves on the editorial staff of *The Journal of Education Finance*. She has completed a study of all 50-state school finance systems for the Education Commission of the States, entitled “School Finance at a Glance.”

Department of Defense Elementary and Secondary (DDESS) Schools in the Continental United States

State(s) Affected	Principal Installation(s) Served	Number of Schools ^a	Number of Students as of January 2005	Adjacent Local Education Agency(ies)
Alabama	Fort Rucker	2	821	Daleville City Schools Enterprise City Schools Ozark City Schools
Alabama	Maxwell Air Force Base	1	448	Montgomery County Schools
Georgia	Fort Benning	7	2,472	Muscogee County Schools Chattahoochee County Schools
Georgia	Robins Air Force Base	1	398	Houston County Schools
Georgia	Fort Stewart	2	1,440	Liberty County Schools
Kentucky/ Tennessee	Fort Campbell	8	4,240	Clarksville-Montgomery County Christian County Schools
Kentucky	Fort Knox	8	2,784	Hardin County Schools Meade County Schools
New York	U.S. Military Academy, West Point	2	772	Highland Falls Central School District
North Carolina	Fort Bragg	9	4,352	Cumberland County Schools
South Carolina	Fort Jackson	3	715	Richland County School District
North Carolina	Camp Lejeune	8	3,243	Onslow County Schools
South Carolina (Laurel Bay)	Marine Corps Air Station Parris Island Naval Hospital	3 ^b	967	Beaufort County Schools
Virginia	Dahlgren Naval Surface Warfare Center	1	221	King George County Schools
Virginia	Quantico Marine Corps Base	4	791	Prince William County Schools
Total		59	23,664	

Source: DOD.

^aThese consist of 47 elementary schools, 6 middle schools, 1 junior high school, 1 combination elementary/middle school, 1 combination middle/high school, and 3 separate high schools.

^bTransfer study only covered 2 of the three schools; the third school became operational after the study was begun.

Prior Studies on Transferring DDESS Schools to LEAs

- A December 1986 study entitled *DOD Schools: Funding and Operating Alternatives for Education of Dependents*, by GAO. Congress, in enacting the Military Construction Authorization Act, 1985 (Public Law 98-407), expressed the view that the exclusive federal responsibility for funding and operating the military dependents' schools might no longer be necessary, and directed us to determine the most suitable alternative for funding and operating these schools.
- A July 1988 study entitled *The Transfer Of Section 6 Schools:¹ A Case by Case Analysis*. The study was completed by Rand under the sponsorship of the Assistant Secretary of Defense/Force Management and Personnel as the result of Congress incorporating into the Military Construction Authorization Act, 1986, a request to the Secretary of Defense to submit a plan "which provides for the orderly transfer, not later than July 1990, of all Section 6 schools to the appropriate local school districts of the states in which such schools are located." DOD later reported to the Congress, in December 1988, that based on the results of a detailed study of the schools, it had decided to suspend efforts to transfer educational responsibilities for the schools to LEAs.
- A 1991 study entitled *Section 6 Schools in Six States: Eleven Case Studies of Transfer Issues*. This study was also completed by Rand under sponsorship of the Assistant Secretary of Defense (Force Management and Personnel), as a supplement to the earlier Rand study.
- A March 1995 study entitled *Construction, Repair, and Rehabilitation Needs of Dependent School Facilities Located on Military Installations in the United States*. This study was jointly prepared by the DOD and the Department of Education. According to the study, it was the result of language contained in the House Committee on Appropriations Report on the Fiscal Year 1993 DOD Appropriations Bill, Committee Report Number 102-627, dated June 29, 1992, which requested DOD and the Department of Education to conduct a study to assess: the condition of school facilities on military installations in the United States; the requirements for remedial maintenance to bring school facilities up to an acceptable condition, including meeting applicable building codes; the feasibility and desirability of transferring ownership of facilities to local school districts that provide educational services at military

¹Prior to 1981, DDESS schools were referred to as Section 6 schools, which was a reference to their funding source at that time under Section 6 of Public Law 81-874.

installations; and a funding plan for correcting the maintenance backlog over the next 5 years and the new construction backlog over the next 10 years. The study included existing on-base dependent school facilities owned by DOD or the Department of Education and operated by DOD or LEAs.

- An October 1997 study entitled *A Study of Schools Serving Military Families in the U.S.: Education Quality, Federal Administration, and Funding*. The study was completed by the Survey & Program Evaluation Division of the Defense Manpower Data Center. It was conducted in response to a request contained in the Conference Report on the National Defense Authorization Act for Fiscal Year 1995 (Public Law 103-337), asking the Secretary of Defense to collect information concerning the possibility of transferring DOD dependent schools to local education agencies. The study included results of a survey of military parents on the quality of education provided by DOD dependent schools and local education agencies and their perspective on the transfer issue.

Transfer Study Rules and Alternatives

The transfer study notes that “the deeper the study team got into the data collection and site visit process, the more evident it became that a limited set of universal principles or rules was needed to help all parties achieve two important and complementary purposes. The first purpose was to assure basic equity and fairness for the students, families and communities that might be affected by the outcomes of particular transfer alternatives; the second was to assure that the panel of national experts ends up with a package of findings and analysis that was sufficiently manageable so it could produce its recommendations. It noted that while exceptions might be appropriate on a case-by-case basis, applying the following rules to all installations helped achieve these dual ends of equity and practicality:

- It would be unfair for some students at the same grade level to transfer to the LEA district while other students in the same grade remain on base. Therefore, at any installation, any decision affecting one DDESS school shall apply to all DDESS schools with the same or overlapping grade levels;
- To maintain continuity and effective education, it is not feasible to transfer students at a particular grade and then return them to the DDESS curriculum at a higher grade. Therefore, if a transfer is made at one grade, all succeeding higher grades must transfer as well;
- If a DDESS elementary school with a pre-kindergarten (pre-K) program is transferred to an LEA that does not offer a pre-K program, DDESS will continue to offer pre-K services, using either on-site or off-site resources; and
- It would be both inefficient and detrimental to educational consistency to have some DDESS schools run under contract with the LEA while others on the same installation do not. Therefore, if a contract or coterminous alternative is chosen for any DDESS school, that alternative should apply to all schools on the installation.

The study team developed a set of transfer alternatives for consideration including:

- Maintaining the status quo, i.e. DDESS schools would continue to operate as they have in the past.
- Transfer responsibilities for the educational program to the LEA along with facilities being used by DDESS. The LEA would accept full

responsibility for educating military children and for the future upkeep of the facilities. It assumed the installation school facilities would be brought up to LEA maintenance and building standards prior to LEA occupancy.

- Transfer without facilities. DDESS students would transfer to the neighboring LEA and integrated into the existing school facilities.
- Contract with the LEA to provide educational services on the installation.
- Create a public school district within the installation, coterminous with its existing boundaries (coterminous alternative). Under that assumption, all DDESS schools on base would be included in the newly created LEA. DOD would provide the LEA with title of DDESS facilities (except where noted otherwise), and buildings and facilities would be brought up to LEA standards before being transferred to the LEA.

These were similar to alternatives considered in some prior studies.

Differing Perspectives on Selected DDESS and LEA Schools Contained in Various Transfer Study Report Documents

The DDESS Transfer Study Report prepared by the Donahue Institute with its supporting data is contained in multiple binders. The recommendations report, prepared by the panel of experts, are contained in a binder sometimes referred to as the “green book”. Underpinning that were additional binders prepared by the Donahue Institute staff. They included a so-called book of narratives—referred to as the “white book”—providing an overview of each domestic DDESS school and adjacent LEAs. Additional information on individual DDESS schools and adjacent LEAs is contained in multiple “blue binders” summarizing financial, performance, and data on the educational quality of individual schools. Additional financial information is then contained in multiple “yellow binders” labeled appendixes.

Our examination of individual recommendations and supporting information provided in individual study binders sometimes provided what appeared to be divergent pictures of school performance, quality, and cost factors that did not always fully comport with information contained in the recommendations report. Below are key examples.

Fort Benning The Recommendations Report suggests transferring responsibility for schools to Chattahoochee County vice Muscogee County (five of seven DDESS schools are within Chattahoochee County). It noted that installation officials had expressed concerns about quality of Chattahoochee County Schools, but noted DDESS students would represent the vast majority of student enrollment within the LEA. It expected that most students would still be educated on base and most teachers still have opportunity to teach. It said the pupil-teacher ratios and the per pupil expenditures of the DDESS and Chattahoochee County are already comparable (GAO note: data suggest less comparability in costs than stated here).

The White Book points out that salaries and benefits make up 90 percent, 86 percent, and 84 percent of the Fort Benning DDESS, Chattahoochee County, and Muscogee County school budgets. The White Book indicates per pupil expenditures of approximately \$8,244, \$7,345, and \$5,956 for Fort Benning DDESS, Chattahoochee County, and Muscogee County respectively.

The White Book points out that Fort Benning DDESS students test results ranged from the 52nd to 65th percentile for grades 3, 5, and 8. Chattahoochee County and Muscogee County test scores were mostly above predicted scores for grades 3, 5, and 8.

Appendix V
Differing Perspectives on Selected DDESS
and LEA Schools Contained in Various
Transfer Study Report Documents

The Blue Book shows that four of the Benning DDESS schools were deemed underperforming and three overperformed. It confirms Muscogee test scores were mostly deemed over performing for 5th grade but some underperforming for 8th grade, while Chattahoochee's were deemed underperforming for 8th grade.

Fort Campbell The Recommendations Report suggests transferring responsibility for schools to LEA, Christian County versus Clarksville-Montgomery County. The report notes that considering all factors, Christian County, Kentucky has higher quality measures than Clarksville-Montgomery County, Tennessee.

The White Book notes salaries and benefits make up 88 percent, 64 percent and 64 percent respectively of the Fort Campbell DDESS, and Clarksville-Montgomery County and Christian County school budgets. Fort Campbell's per pupil expenditure, which is projected to be about \$7,962 in fiscal year 04, has been rising in recent years due to increasing costs and decreasing enrollment (reason for decreasing enrollment not indicated). Clarksville-Montgomery's per pupil expenditure in fiscal year 2004 is \$5,166 but will decline because of recent budget cuts. Christian County's per pupil cost is about \$ 6,589 in fiscal year 2004 but notes escalating salary costs coupled with relatively stable enrollment will likely lead to increased per pupil expenditure.

The White Book indicates that Fort Campbell DDESS students performed at or above the 60th percentile for most subjects and grades. Performance of LEA schools of both districts was mixed. Clarksville-Montgomery matched or exceeded predicted scores in seven of nine instances cited. The Christian County matched or exceeded in five of nine instances cited. However, the White Book also notes that Fort Campbell schools have a lower student-to-teacher ratio than either LEA and have a higher percentage of DDESS teachers (82 percent) with advanced degrees than Christian County (68 percent), or Clarksville (52 percent).

The Blue Book rates Fort Campbell schools as mixed in terms of over or under performing. Same was true for Christian County schools. The Blue Book rates Clarksville-Montgomery County schools as primarily underperforming.

Fort Jackson The Recommendations Report suggests status quo notes reductions in state funding of education over recent two years. It notes that Richland County's schools are already over capacity, and the LEA has

little physical room to expand its facilities. (GAO note: Why this is a discriminating factor is unclear since most transfer recommendations are based on use of DDESS schools.) The Green Book also notes that “a transfer to the LEA could jeopardize the quality of education now received by students at Fort Jackson, who, as mostly younger students, would face substantial disruption of educational services in the event of a transfer.” (GAO note: report is not clear why younger students at Jackson would face substantial disruption yet the same issue is not raised in most other transfer recommendations.)

The White Book notes that because Fort Jackson does not track salaries and benefits for each type of school employee, salaries and benefits were allocated based on the teaching roster and an average salary and benefit expenditure. School costs were not laid out comparably to those at other installations. However, it projects approximately 90 percent, 73 percent of Fort Jackson DDESS and LEA budgets respectively to be spent on salaries and benefits. It indicated there was per pupil expenditures of \$10,700 for DDESS versus \$6,165 for LEA.

The White Book shows Fort Jackson scores on Tera Nova tests scores reported were lower than recorded for many other DDESS systems for grades 3 and 5. LEA schools were shown in the White Book as exceeding predicted test scores for grades 3 and 5.

The Blue Book does not contain school level testing for Fort Jackson schools so doesn't indicate whether they were viewed as over or under performing. It shows LEA mixed in terms of over or under performing for grade 6 but over performing for grade 8 (at one school).

Fort Knox The Recommendations Report recommends transferring responsibility to adjacent LEA, Hardin County, versus LEA Meade County. However, the report notes that while the level of education quality indicators for the two LEAs is generally comparable, Hardin County's per pupil expenditure exceeds that of Meade County in the instructional area. This indicates Hardin County is larger and more capable than Meade County to absorb DDESS students, and the executive leadership of Hardin County appeared more receptive to a transfer of DDESS students. The White Book indicates Hardin is geographically closer to installation housing and because of this proximity, Hardin has a closer relationship with Fort Knox.

Appendix V
Differing Perspectives on Selected DDESS
and LEA Schools Contained in Various
Transfer Study Report Documents

The White Book projects that 88 percent, 78 percent, and 75 percent of Fort Knox DDESS, Meade County and Hardin County LEAs school budgets respectively were spent on salaries and benefits. This indicated per pupil expenditures of \$8, 454 for DDESS versus \$5,108 in Meade County, and \$5,493 in Hardin County.

The White Book shows Fort Knox students scored above the 50th percentile for all subjects and grades in Terra Nova testing. At the same time, the performance information provided indicated that many Hardin County grades scored lower than predicted on testing, while Meade County grades nearly always scored higher than predicted.

The Blue Book indicates that Fort Knox DDESS schools presented a mixed picture in terms of over or under performing on performance tests. At the same time, all Hardin County schools were cited as underperforming in testing for grades 3 and 6 and over for one school with grade 9 scores; at the same time, while Meade County schools were identified as over performing for grades 6 and 9.

West Point The Recommendations Report suggests transferring responsibility to LEA, Highland Falls Central School District, but grades PK-4 remain in the current school. The report notes that in this case, the LEA had a higher per pupil expenditure and a lower pupil-teacher-ratio than DDESS, both of which are quality indicators. The report said the recommendation for transfer was due, in part, to the fact that the middle school facility needs to be replaced immediately.

The White Book projects that 84 percent and 76 percent of West Point DDESS and Highland Falls school budgets respectively were spent on salaries and benefits. However, it notes that the LEA's budget has seen 10 percent growth, with costs for health and liability insurance and special education and retirement system costs rising. It also indicated per pupil expenditures of \$10, 957 for West Point DDESS (among the highest of all DDESS districts mainly due to salaries) and \$11,196 for Highland Falls. It notes that this is the only district where the per pupil expenditure is greater than the corresponding DDESS per pupil expenditure.

The White Book shows West Point DDESS schools scored in the 70-80th percentiles in Tera Nova testing. Conversely, Highland Falls Schools indicated almost all (three of four) test scores were lower than predicted.

Appendix V
Differing Perspectives on Selected DDESS
and LEA Schools Contained in Various
Transfer Study Report Documents

The Blue Book indicates that West Point DDESS schools over performed on performance tests while Highland Falls schools were mostly cited as underperforming.

Comments from the Department of Defense



PERSONNEL AND
READINESS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

APR 20 2005

Mr. Barry Holman
Director, Defense Capabilities and
Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Holman:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) draft report, "DOD Schools: Limitations in DoD-Sponsored Study on Transfer Alternatives Underscore Need for Additional Assessment," dated April 12, 2005 (GAO Code 350631/GAO-05-469). The Department has reviewed and concurs with the subject draft report as written.

The Department, however, does take exception to the title of the draft. Use of the phrase "Limitations in DoD-Sponsored Study" may lead the reader to assume that the study failed to address issues that arose following the study period or that they were explicitly outside the study's scope. As the GAO accurately reports, there were other factors, most not present when the study began, that could further complicate school transfer decisions.

Responses to the report recommendations are shown in the enclosure. The Department would like to express its appreciation to the GAO staff for their professionalism and assistance during this review.

Sincerely

A handwritten signature in cursive script, appearing to read "Charles S. Abell".

Charles S. Abell
Principal Deputy

Enclosure:
As stated

**GAO Draft Report – Dated April 12, 2005
GAO CODE 350631/GAO-05-469**

**“DOD SCHOOLS: Limitations in DOD–Sponsored Study on Transfer Alternatives
Underscore Need for Additional Assessment**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE RECOMMENATIONS**

RECOMMENDATION 1: The GAO recommended that, should a decision be made to transfer some or all of the Domestic Dependent Elementary and Secondary Schools (DDESS) to local education agencies (LEAs), the Secretary of Defense, in conjunction with the Under Secretary of Defense (Personnel and Readiness), require that such efforts be accompanied by a more complete assessment of the impact of troop redeployments and other force structure changes on educational facility requirements on affected installations and surrounding communities to facilitate needed facility and operational planning by the Department of Education and LEAs to meet changing needs.

DoD RESPONSE: Concur. As GAO has pointed out, the DDESS Transfer Study began prior to Iraqi Freedom, as well as prior to planned overseas basing changes, major force structures planned by the Services, and domestic base closures. Based on these activities, the Department took specific action to suspend all deliberations on the study recommendations until the Base Realignment and Closure (BRAC) Commission recommendations take legal effect. During any future discussions and before any decision is reached, the Military Services will be given opportunity to provide input. Further discussions will take place with Congress before any decision is implemented that would transfer students to local education authorities.

RECOMMENDATION 2: The GAO recommended that regardless of transfer decisions, the Secretary of Defense ensure the DDESS facilities are properly reflected in DoD’s property records and removed from the Department of Education records.

DoD RESPONSE: Concur. The Department of Defense Education Activity has conferred with the U.S. Department of Education and is currently undertaking an effort to locate and document the land grant permits for all of the DDESS schools. Officials are working closely with the U.S. Army Corps of Engineers and installation real estate resources to complete this task. Once the permits have been authenticated, action will be taken to clear the property from Department of Education records and to record it on the books of the appropriate agency in conjunction with final transfer recommendations.

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