The National Assessment of Educational Progress Recompete: Is It Real Change or Lipstick on a Pig?

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Key Points

- The National Assessment of Educational Progress (NAEP) has a congressional mandate to assess American students' academic performance over time. Unfortunately, the bureaucratic processes to select NAEP's contractors have been rife with inefficiencies and anticompetitive behavior.
- NAEP has fallen behind in assessment technology developments like automated scoring, and its anticompetitive contracting process—in which firms can't bid on individual, specialized tasks but rather must find partners for a collective proposal—hinders its ability to catch up.
- Government staff responsible for NAEP refused to provide contracting data for outside studies, showed extreme preference for incumbent vendors, and did not respond to inquiries from the House Education and the Workforce Committee, NAEP's designated congressional authorizing body.
- The new NAEP contracting process is improved, but policymakers must do more to encourage competition and ensure transparency for the new likely $1 billion NAEP contract.

The American government runs on contracts between government agencies and private companies (both for- and not-for-profit).[1] When things go awry, it is often because a long-term incumbent contractor lacked the incentive to provide more cost-effective services or accountability for a poor product, both of which have been made clear by the Free Application for Federal Student Aid (FAFSA) debacle.[2]

Contractor failure is coupled with (and abetted by) government agencies lacking the talent, time, and incentive to supervise the contracts under their control. In the case of FAFSA, these ingredients combined to create a massive failure, affecting millions of students and their families. This toxic mix of contractor failure and weak oversight only occasionally makes a splash like the FAFSA implosion did, but poor contracting procedures are found throughout government.

Here, I explore the contracting processes surrounding the National Assessment of Educational Progress (NAEP) to illustrate some of the dynamics of suboptimal contracting processes. While it lacks the visibility of the FAFSA failure, the NAEP case is likely more typical of the relationship between government agencies and contractors—and what can go wrong in that relationship.

Why Focus on Contracting?

Making sense of government contracting is tedious and difficult, made worse by the over-2,000-page-long Federal Acquisition Regulation,[3] which rules the contracting process. Applications for government contracts can run more than 100 pages, even *before* a bid is submitted.

Academic policy programs usually omit any contract training, because contracting and procurement seem like minutiae best left for financial and legal staff. The lack of contracting preparation matters a great deal for the Institute of Education Sciences (IES), which houses NAEP, since many of IES's professional staff have PhDs in academic disciplines. With a soft academic market for tenure-track jobs, the government offers attractive job opportunities. But a major part of government work is contract administration, and most new staff have had minimal (if any) exposure to this competency.

A Quick Introduction to NAEP

NAEP began in 1969 with a congressional mandate to assess what American students "know and can do" at the national level and provide performance data for specified subsets of students—for example, by race or free- or reduced-lunch status.[4] NAEP also charts performance over time, and since the 1990s, it has reported state-level results. In 2002, NAEP began its Trial Urban District Assessment program with six large districts; in the 2024 administration, 27 such districts participated.

NAEP assesses reading and math at the fourth- and eighth-grade level on a two-year cycle, and it evaluates 12th-grade reading and math on a four-year cycle. It tests other subjects (e.g., science, civics, and US history) every four years or so.

I served as commissioner of IES's National Center for Education Statistics (NCES) between 2004 and 2007, during which time I had immediate authority over NAEP. In 2018, I became director of IES, which put NAEP under my authority, but I had no direct control of the NAEP program because of vague legislation.[5]

As the self-styled "Nation's Report Card," NAEP provides valuable information about American student performance. However, NAEP is expensive and lags on important innovations compared with the rest of the United States' assessment industry. The current five-year NAEP contract ends in 2024, and the new NAEP contract will be awarded in the next few months. This new contract *should* introduce technology advances already widely used in schools and districts across the country.

The NAEP Contracting Cycle

NAEP is now funded just short of $200 million per year, and the soon-to-be-awarded new five-year NAEP contract will cost American taxpayers around $1 billion. While this might be a rounding error in the federal budget, the NAEP contract is the single most expensive activity in IES and is a large contract even within the Education Department.

NAEP's history is marked by limited competition and a lack of innovation. Multiple questionable contracting practices were brought to light by two reports (which I discuss below) and were somewhat addressed in the call for proposals in NAEP's new bidding process. Whether any real change emerges in NAEP's execution remains to be seen.

Contractors' Central Role

In the previous NAEP contract cycle, from 2019 through 2024, a series of interrelated contracts defined the "NAEP Alliance," a consortium of contractors tasked with executing NAEP duties. This contracting procedure required all bidders to submit their proposal as a *single team* covering all NAEP-related activities.

In terms of contracting, this structure inhibits competition, limiting firms' ability to bid on specific functions for which they have the required expertise. Rather, under the alliance structure, each competitor had to find partners to fill out the entire set of requirements. Some of NAEP's work, such as psychometrics, is specialized, and only a few firms have the capacity to do the work. Other work (such as web design and program management) can be performed by many companies, but the alliance structure weeded out providers who can perform only nonspecialized tasks. As a result, the alliance structure formalized the limited competition that has affected NAEP for decades.

Most notably, the Educational Testing Service (ETS) has had a large share of NAEP contracts for *40 years*. In the previous contract competition, only two teams submitted bids, and the non-ETS bid was rejected for not complying with program requirements.

Any firm that wants to compete seriously for the NAEP contract will spend about $1 million, or more, just to prepare the bid. If the contract seems locked in for the incumbents, firms will judge the high preparation cost against the low likelihood of success and be less likely to bid.

The lack of competition matters. Here's an example: ETS holds the current question development contract—averaging around $30 million per year. Scoring student answers to NAEP adds several million dollars more to that cost per year. Despite such high expenditures, the National Academies of Sciences, Engineering, and Medicine (NASEM) noted that NAEP is lagging in using AI-related technologies that could reduce the costs of developing test questions and scoring them.[6]

For example, rather than hand-scoring student responses, AI auto-scoring is ubiquitous in state assessment programs. IES recently demonstrated that AI auto-scoring could be accurately used for almost all tested NAEP math and reading questions[7]—but hand-scoring at several million dollars per year is still in place for NAEP. The new NAEP contract calls for basic automated scoring, but this is years later than its adoption elsewhere.

In short, the lack of competition and bad contracting can be costly.

Trying to Improve NAEP

Here, I highlight two reports I commissioned as IES director, along with then-NCES Commissioner James "Lynn" Woodworth and Peggy G. Carr, then-associate commissioner of NCES's assessment division. When Woodworth's term expired, the White House nominated and the Senate confirmed Carr as the NCES commissioner. As commissioner, she ordered a third study, which was seen by few people outside NCES—even though that $1.2 million study was more costly than the first two reports combined.

The first report, which NASEM conducted, asked a panel of experts to consider innovations that "could substantially *reduce the cost structure* of NAEP while maintaining its technical quality and value in informing the public about education progress."[8] (Emphasis added.)

The NASEM experts found it nearly impossible to access concrete information on NAEP costs. Some of this had to do with the NAEP project's complexity and existing contracts' provisions being deemed proprietary and, hence, not shareable with the NASEM panel. The panel kept asking basic questions—such as "How much does it cost to create an NAEP question?"—and received unsatisfactory (if any) answers. The stonewalling over this and other issues frustrated the experts on the NASEM panel.

The Internal Controls Report

The second report (finished in August 2022) comprised an independent review of NAEP's contracting practices by Guidehouse,[9] a third-party government audit firm. Guidehouse's expertise complemented NASEM's—while NASEM had more assessment experts, this new team had far more expertise on audits, government contracting, and management.

Despite securing appropriate departmental approvals, like NASEM, the Guidehouse reviewers were allowed only limited access to NCES documentation. Even with this limited insight, Guidehouse documented many shortcomings in NAEP's contracting practices. For example, the report noted that NAEP's use of cost-plus contracting was unusual and countered the government's interest.[10] NAEP is complex, but most of its tasks are not new or unusual, so contract vehicles more favorable to the government (i.e., firm-fixed cost) would be preferred. But NAEP used the contract type riskier for taxpayers (and more beneficial for contractors). Guidehouse repeatedly documented the lack of competition and the attendant adverse consequences.

Yet a Third Report

The NASEM and Guidehouse internal controls reports critiqued the lack of competition in NAEP's bidding process and the challenges in procuring the data necessary to review the program thoroughly. Both reports called for an audit by a government agency, such as the Government Accountability Office, with the statutory authority to compel NAEP to disclose documents and data. Congressional staff echoed the call for an external audit—but the Government Accountability Office never conducted one.

As IES director, I also requested an audit. The Education Department staff's response to my request was something like "no one *ever asks* for an audit." When I asked if NAEP was ever audited, I was told that indeed it was—in the mid-1990s (before NAEP was expanded after the No Child Left Behind Act was passed in 2002).

This lack of routine auditing violates transparency and accountability norms.

In sum, overlapping findings from two prestigious, highly competent organizations with complementary skills pointed to a path for improvement. Rather than confront the deficiencies documented in the reports, NCES commissioned yet another study—this one by the Assessment Solutions Group (ASG).[11]

The ASG contract was supposed to produce five reports by spring 2024. When I was IES director, I asked to see them, but I received nothing. Since then, I have submitted a Freedom of Information Act request. Again, nothing has been shared with me or the public. ASG gave a presentation at the National Assessment Governing Board's (NAGB) May meeting—but that was in a closed session, and information shared was highly redacted.

Ignoring Congress

It gets worse!

Rep. Virginia Foxx (R-NC), the chair of the House Committee on Education and the Workforce, asked Secretary of Education Miguel Cardona for information about NAEP contracting. Specifically, she wrote:

> The [Guidehouse] report recommends increasing competition, decreasing costs, and better aligning contractors to NAEP workstreams based on their capabilities. . . .
>
> The report suggests that, to mitigate these risks, the NCES should improve contract oversight, better manage vendor performance, and advise responsible parties on the actions to be taken to maintain a robust compliance plan to ensure adherence to applicable laws, regulations, and standards.[12]

The response was perfunctory, and in a follow-up letter in February 2024, Chairwoman Foxx expressed her concern that the Education Department is still engaged in "a contracting process that may stifle competition and discourage innovation."[13] The Education Department did not provide further information.

In mid-September 2024, the congressional committee asked for a copy of the ASG report. In response, the Education Department sent the committee a heavily redacted PowerPoint presentation coupled with two unhelpful suggestions. First, the department offered congressional staff the "opportunity" to view the report in a secure room in the department's headquarters—but the 300-page report could not leave that room. Second, the Education Department offered to make the report available to Congress in November 2024, saying that it wanted to wait until after the competition closed (even though the competition closed in mid-September).

In short, the Education Department stonewalled inquiries by the duly authorized congressional committee charged with overseeing education policy. Executive agencies thwarting legitimate congressional inquiries is an all-too-common story in government contracting.

What Have We Learned?

Here are three main lessons from this analysis.

The Distorting Role of Contractor Preferences. Perhaps the most important conclusion—for understanding not only NAEP but federal contracting in general—is that it's common for government employees to prefer certain vendors, and these preferences can pervert the contracting process.

Here's a non-NAEP example. Early in my tenure as IES director, we hired a consulting company to identify ways to improve IES's operations. During one of the interviews, an experienced IES program officer told the management consultant something along the lines of "You will have to pry this contract out of my dead hands." Remember, this was an *outside* consultant to whom a longtime IES staffer was willing to state an extreme (and illegal) preference for an incumbent contractor. It is understandable that over time, contractors and staff build up rapport and become more and more like codependent partners. As a result, government staff frequently do not exert sufficient oversight.

Relying on contractors can also erode staff members' analytic ability. Woodworth, the previous NCES commissioner, often complained that NCES contracted out not only the execution of tasks but also the thinking that IES staff should be engaged in.

Lack of Competition. The internal controls report highlighted just how much of NAEP business as usual hinders competition. As noted above, the solicitation requirements under the 2019 NAEP Alliance contract structure were inherently anticompetitive.

Lack of Transparency. The NASEM and Guidehouse reports called for greater transparency into NAEP, seeking a clear mapping of NAEP processes and further insight into NAEP's bureaucratic workings. The reviewers' questions went unanswered, they were given conflicting answers, and the reports they received were redacted or had limited access.

Unfortunately, IES and NAGB get insufficient information about NAEP's workings due to legislation that creates numerous "gray" areas in how NCES, IES, and NAGB share responsibilities. Because of these blurred lines, NCES—which directly oversees NAEP—often leaves IES (its parent institution) and NAGB (NAEP's governing board) in the dark about NAEP itself.

Questions to Consider

Without doubt, the NASEM and internal controls reports (and likely the still-hidden ASG report) affected the new NAEP contract competition this year. Consistent with the Guidehouse report's recommendation, there are now three different solicitations—not the single alliance structure. The terminology has also changed from "Alliance" to a "Coalition of Teams."

Competing for three teams ought to increase competition. Yet this structure maintains many of the current NAEP Alliance's core elements. Later this year, we will know how much this new structure has increased competition. In the meantime, here are key questions to consider as the NAEP contract recompete plays out:

- Will different firms take the lead on each of the separate teams, or will a large company like ETS bid as the key player across all three?
- How much of this cycle's NAEP contract will go to the same members as the incumbent alliance?
- Will ETS continue its 40-year leading role in NAEP, despite its aging technology?
- Will a strong tech company with expertise in platform development be included in the winning bid?
- Will Pearson, the incumbent firm, continue to hold the scoring contract, even though there are far better approaches to auto-scoring?[14]
- How will AI reduce the costs of question generation? Or will question generation be left to the current labor-intensive process?
- In NAEP's request for proposals (that stipulate using off-the-shelf software where appropriate), will the language be sufficient, or will NAEP's practice of building rather than buying software continue?

There is one clear step forward: The tender calls for firm-fixed-price contracting, shifting the risk back on contractors where it belongs, given the nature of NAEP's tasks.

Concluding Comments

Survey research, statistics, and psychometrics may be NCES employees' expertise, but the staff must also become experts in the federal procurement process. Challenges and issues evident in NAEP contracting are likely found across other government agencies. Fighting inertia and the status quo requires agencies to exhibit greater transparency and change their cultures.

Some agencies are adopting these changes. The Department of Homeland Security's (DHS) Procurement Innovation Lab is one of the leaders in government trying to implement new and innovative acquisition strategies, including the following:

- Lowering entry barriers for innovative, nontraditional contractors to compete for DHS business opportunities;
- Shortening the time it takes to award contracts, thereby delivering capability to the customer faster;
- Encouraging competition by providing interested vendors a greater understanding of the goals and objectives for each procurement;

- Increasing the likelihood of success by focusing on evaluation techniques to obtain the most qualified vendors; and

- Promoting a learning culture that encourages managed risk-taking to enhance acquisition support.

The NASEM and internal controls reports together highlight issues with how the Education Department has been conducting NAEP contracting, leading to higher costs and less innovation. These shortcomings result from a culture in which vendor preference is the norm, expertise in contract management is lacking, and incentives to innovate are in short supply.

Without a change in that culture, reconfiguring the NAEP Alliance into a Coalition of Teams might just be putting lipstick on a pig.

About the Author

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Notes

1. According to Rachel Augustine Potter, in fiscal year 2020, the US government spent around $400 billion on service contracts. Rachel Augustine Potter, "How Much of Rulemaking Is Done by Contractors?," Brookings Institution, February 16, 2022, https://www.brookings.edu/articles/how-much-of-rulemaking-is-done-by-contractors. That piece further quotes Paul C. Light's estimate that the "Government-Industrial Complex" employs up to three times as many contract employees as it does direct federal employees. See Paul C. Light, *The Government-Industrial Complex: The True Size of the Federal Government, 1984–2018* (New York: Oxford University Press, 2019).
2. This debacle has received a lot of press coverage. See, for example, this *Forbes* piece, which discusses the bad management angle: Ryan Craig, "The Story Behind the FAFSA Failure," *Forbes*, April 26, 2024, https://www.forbes.com/sites/ryancraig/2024/04/26/the-story-behind-the-fafsa-failure. For a more general overview, see Katherine Knott and Liam Knox, "Untangling the Bungled FAFSA Launch," *Inside Higher Ed*, March 4, 2024, https://www.insidehighered.com/news/government/student-aid-policy/2024/03/04/how-ambitious-plans-new-fafsa-ended-fiasco.
3. As a sign of how complex contracting is, the current Federal Acquisition Regulation is 2,018 pages long. 48 C.F.R. chap. 1 (2019).
4. National Assessment of Educational Progress, "About NAEP," https://www.nagb.gov/naep/about-naep.html.
5. Many of the problems resulting from vague legislation might be addressed if Congress passes the AREA Act—which would update the legislation that established the Institute of Education Sciences in 2002. Advancing Research in Education Act, S. 3392, 118th Cong., 1st sess. (2023).
6. Even as the National Academies of Sciences, Engineering, and Medicine noted that the costs of item generation in the National Assessment of Educational Progress (NAEP) is beyond the other assessments' costs, only about 50 new questions are generated for each assessment over a four-year period. See National Academies of Sciences, Engineering, and Medicine, Division of Behavioral and Social Sciences and Education, Committee on National Statistics, "Item Development," chap. 6 in *A Pragmatic Future for NAEP: Containing Costs and Updating Technologies* (Washington, DC: National Academies Press, 2022), 38, https://doi.org/10.17226/26427. However, getting the National Center for Education Statistics to release more than a handful of items for the automated reading- and math-scoring challenges took months.
7. Mark Schneider, "Math Autoscoring Is Finally Here—Let's Tap Its Potential for Improving Student Performance," Institute of Education Sciences, October 16, 2023, https://ies.ed.gov/director/remarks/10-16-2023.asp.
8. National Academies of Sciences, Engineering, and Medicine, Division of Behavioral and Social Sciences and Education, Committee on National Statistics, *A Pragmatic Future for NAEP*, 6.
9. Guidehouse, website, https://guidehouse.com.
10. 48 C.F.R. § 16.104 (2024).
11. Assessment Solutions Group, website, https://assessmentgroup.org.
12. Virginia Foxx, letter to Miguel Cardona, August 30, 2023, 1, 2, https://edworkforce.house.gov/uploadedfiles/ltr_foxx_to_cardona_8.30.23.pdf.
13. Virginia Foxx, letter to Miguel Cardona, February 21, 2024, 1, https://edworkforce.house.gov/uploadedfiles/ltr_follow_up_on_naep_reports_final.pdf.
14. Note that three teams won the NAEP math auto-scoring challenge: the University of Massachusetts Amherst, the

University of Oregon, and Vanderbilt University. See National Center for Education Statistics, "Three Teams Win Top Prizes in Mathematics Automated Scoring Challenge for the Nation's Report Card," *PR Newswire*, August 21, 2023, https://www.prnewswire.com/news-releases/three-teams-win-top-prizes-in-mathematics-automated-scoring-challenge-for-the-nations-report-card-301905769.html. Cambium Assessment, Measurement Incorporated, the University of Duisburg-Essen, and the University of Massachusetts Amherst won an earlier auto-scoring NAEP reading challenge. See Institute of Education Sciences, National Center for Education Statistics, "Four Teams Win Top Prize in Automated Scoring Challenge for the Nation's Report Card," press release, January 21, 2022, https://nces.ed.gov/whatsnew/press_releases/1_21_2022.asp.