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<b>MEMORANDUM</b>
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O May 31, 2002  
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TechMIS Subscribers

**FROM:** Charles Blaschke

**SUBJECT:** Washington Update, E-Rate Update and State Updates on Funding, E-Learning Initiatives, and ESEA Implementation Initiatives

Included in this mailing is a brief E-Rate Update on Year 5 commitments and funding commitment letters sent to applicants for Year 2 and Year 3 meritorious appeals and those who applied “outside the window.” A list of commitments over \$100,000 to districts is also attached. In most cases these districts had already spent the money on the “questioned” services and hence could request refunds in the form of a check which in turn can be used to purchase software, staff development, and other noneligible services.

As this mailing was being prepared we were notified that Dr. Joseph Johnson, National Title I Director, has resigned, which could have a negative impact on the implementation of new Title I provisions and hence postponing purchases of products and services.

The Washington Update in this issue includes:

- Highlights of the SIIA Fly In session on the new ESEA and its implications; predictions by seasoned policymakers are that the constitutionality of important new ESEA provisions will likely be challenged in the immediate future with final decisions likely to be made by the Supreme Court;
- Highlights of another SIIA Fly In session, USED Assistant Secretary Whitehurst discussed “scientifically-based research approaches” based upon a medical/pharmaceutical model, arguing that vendors should pay for the cost of classical experimental-control studies to demonstrate the effectiveness of their products; following the pharmaceutical model would imply that vendors would also have to pay fees to USED (as drug companies pay to the FDA) to speed up the process of reviewing the results of their studies;
- Highlights of a recent meeting of Title I State Directors during IRA conference which strongly suggests that most states will be requesting extensions in meeting new provision deadlines which could result in varying implementation stages across the states;
- A summary of findings from the recent Ed Week survey of states regarding e-learning initiatives which could be helpful in developing marketing and sales strategies;
- A summary of the new Bush Early Childhood strategy which would provide increased training for Head Start teachers to teach numeracy and literacy, and use assessment techniques, and requires greater accountability from Head Start Centers to demonstrate childrens’ progress;
- States are beginning to notify USED that they are planning to apply for State Flex authority which would allow seven selected states and districts (up to 150) to reallocate all ESEA funds if they so desire (with the exception of Title I) to one or more priorities, which could have implications for vendors of certain types of products and services;

- Highlights of a recent report which found less than half of school districts even apply for reimbursement under Medicaid and Child Health Insurance Program for related services provided to eligible students leaving between \$1.5 and \$2.4 billion unclaimed each year; opportunities exist for business alliances with firms which assist districts collect data and file claims for a percentage of the amount of reimbursement to the district;
- Many states are under pressure to spend new and carryover Department of Labor funds from previous years for youth and other programs or else they could lose funds which are not spent;
- Highlights of the SIIA monthly webcast on online assessment provides different industry perspectives on short and long term opportunities but fails to discuss a major driving force beyond new ESEA provisions...namely, the ease by which computer-based test taking and scoring can reduce the probability of lawsuits against districts which are not providing reasonable accommodation for students with certain disabilities;
- Highlights of the NCES estimates of K-12 expenditures for 1999-2000 which represents a 6.2 percent increase per pupil over the previous year with over \$200 billion spent for instruction of which instructional materials (excluding computer aided instruction or computers generally), were about \$10 billion.

Much of our effort over the last month has been devoted to updating state profiles which include the states' funding, budget cuts, rescissions or holdbacks (based on surveys conducted by the National Governors Association and the National Conference of State Legislatures in April/May and our own survey); evolving e-learning and virtual school initiatives among the states which suggest that growth will vary significantly from state to state (based upon a recent survey conducted by Education Week); and individual state initiatives being undertaken to implement some of the major provisions in the reauthorization of ESEA (based largely on our telephone interviews with state officials).

Currently, it appears that there are approximately 8-10 states in which funding for K-12 will be stable and possibly increase somewhat next year. Technology initiatives in some states have been put on hold (Nevada and Pennsylvania) or actually reduced (Louisiana, Iowa, North Carolina). In most states, technology coordinators are concerned that, in the SEA offices with primary responsibility for completing consolidated state plans (beginning now because the final Federal guidelines were only published in late May), technology will not receive as high a priority and there is a likelihood that funds will be transferred out of technology into other ESEA programs.

As noted in the last TechMIS, Washington Update, Los Angeles Unified School District has adopted a plan whereby most eligible schools with 40 percent or more poverty will be designated as schoolwide programs into which funds will be transferred from all Titles; these schools do not have to account for how the money would be spent. One of the two areas protected from “transfers” will be special education, in which most states are actually increasing state funds to match the increase of Federal IDEA funds for this coming school year. These funds cannot be transferred to other programs. The other protected program area is Title I which will receive not only a \$2 million increase in Title I Federal funds, but also funds transferred from other ESEA Titles. For next school year, 30 percent of Title I funds are supposed to be allocated in July and the remainder next October/November.

If you have any questions please call me directly.

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## **Constitutionality of Important No Child Left Behind Provisions Likely to be Challenged in the Immediate Future**

One of the highlights of the recent SIIA Fly In was a session during which seasoned policymakers and practitioners addressed some of the major issues related to the intent and implementation of NCLB. Federal policymaker and influencer Jack Jennings predicted lawsuits from several quarters challenging the constitutionality of key NCLB provisions.

In the session moderated by Paula Despot, former district and state-level administrator in Maryland - - now with Plato/NETSchools -- Arlington County (Virginia) School Superintendent Robert Smith pointed out one of the major disconnects between a policy of increased flexibility for districts as espoused by the Administration and the attempt by the Administration to limit the number of programs that districts can choose to purchase and use in their Reading First program. Indeed, he cited what has been widely reported in Education Week and other media -- that some high-level officials would prefer that the number of programs meeting the rigorous requirement of scientifically-based reading research be limited to two or three. He emphasized that it is one thing to have scientifically-based research approaches aligned with practices and procedures, but when the concept is aligned with specific products then this situation is “extremely dangerous.” He also noted that it flies in the face of the increased professionalism called for on the part of reading specialists and related teachers. He emphasized that certain reading approaches work well with certain types of learners and even certain types of teachers while others do not. He concluded “The Federal Government should stay out of this [type of prescriptive activity].”

Agreeing with Superintendent Smith, Jack Jennings, who for more than two decades was House Education and Labor Committee Staff Director responsible for all reauthorizations of ESEA until 2001, noted that, if Democrats in the past had proposed legislation similar to NCLB, they would have been accused of attempting to create a Federal Board of Education and a national curriculum. However, he observed that the mood among high-level policymakers in the Administration and the Congress was such that the accountability provisions in NCLB were the “last alternative,” because vouchers have been on the decline, to “shake up the system.” Ironically, this is why many conservative policymakers now favor this new Federal role in education as a last means to improve public schools under the cover of accountability.

When asked when one can expect challenges to the constitutionality of key provisions, Jennings responded that there is “no question” lawsuits will be filed. In some states, one of the most likely challenges will be related to providers of “supplemental services.” In some states, such as Michigan and Arizona, he noted that there are a number of supplemental service providers such as charter schools. If and when a state approves a religious affiliated group to provide tutoring or supplemental services under the new provision, the ACLU or People for the American Way will likely file suit immediately. Indeed, they probably have written the brief already and are just waiting to fill in the specific state and its designation of a religious-based provider. The constitutionality issue here relates to “separation of church and state” whereby it would be illegal for a district to pay Federal Title I dollars to a religious group to provide tutoring. Title I funds can be used by the districts to purchase services or products which would then be provided to nonpublic schools to serve eligible Title I students. However, direct funding could not be provided to such institutions. Another area ripe for lawsuits relates to the Deborah Case in Florida which involved the issue of whether a state can hold back for promotion or graduation a student who fails high stakes tests if it could be proven that the school did not have the resources to prepare that child to take such tests. Jennings noted that

lawsuits could be filed shortly after schools are relegated to a “failing status” based upon the high stakes testing provisions in NCLB, when the amount of resources -- Title I and other -- were not adequate to prepare the student to pass the benchmark assessment, exit exam, etc.

Citing an example of the linchpin issue of new state assessment requirements, Jennings relayed the gist of a recent discussion during which a current Chief State School Officer indicated that the state had only one person in the State Department responsible for all assessments across the state. In addition to the lack of capacity, he noted, there is a lack of clarification on the part of USED in telling states what types of assessments are allowable. Thus far, as Democratic Senate leadership has expressed in a letter to the Secretary, there is a “patchwork of assessments” being approved by USED on a provisional basis with little direction as to what, in the end, will be acceptable in terms of statewide assessments.

The panel also addressed the question of the “50 percent transferability” provision and what sort of impact it would have on technology purchases. In addition to Dr. Smith and Jack Jennings, Mary Conk, lobbyist for AASA cited pressures to use this money to make up for reductions in state funding, even at the expense of using these Federal transfer funds to supplant state or local funds. The question, however, is how the Federal government or even the SEAs, would enforce the supplement-not-supplant provision. In Title I schoolwide programs, which will increase in number from slightly under 20,000 this year to more than 30,000 next year, the allocation and use of funds do not have to be accounted for separately. The new law explicitly confirms that auditors stop at the door of a schoolwide program.

During visits to the offices of Senator Feinstein and Congresswoman Eshoo, both from California, one of the first questions raised was “what contingency plan exists in the event that lawsuits challenging the constitutionality of No Child Left Behind are filed and courts enjoin the allocation of

Federal funds to states, and in turn to districts, until the issues are resolved?” A disaster could occur if Federal funds are not allocated as scheduled. The staffers with whom we discussed this possibility were shocked and had not considered the filing of such lawsuits.

In some of his concluding remarks, Jack Jennings referred to No Child Left Behind as a “liberal means to arrive at a conservative end” in that it provided more funding for teacher salaries, targeting high-poverty schools with funds, etc. On the other hand, the accountability provisions are “extremely ambitious.” In the end, the question is whether or not USED and the states have the capacity and willingness to enforce some of these provisions and their respective deadlines. For example, he noted that if a district in California in September hired a teacher who was not “highly qualified,” would the state or USED withhold funding? During the last Administration, the Secretary’s discretion to use waivers was often used to get around such issues. However, under the new law, the Secretary’s discretionary waiver prerogatives do not exist.

### **USED Assistant Secretary Whitehurst Argues That Technology Vendors Should Cover Cost of Classical Experimental Control Studies of the Effectiveness of Their Products**

During the SIIA Fly In, Assistant Secretary Grover Whitehurst argued that technology vendors should cover the cost of conducting scientifically-based research to prove the effectiveness of their products to qualify for purchases under Reading First, Title I, and other Federal ESEA programs. By doing so these vendors will be the “first to market” to take advantage of the huge demand created for their products under the new legislation. When asked the question as to whether or not he could assure that such demand among districts and schools will actually be created, he skirted the issue.

After a twenty-minute lecture on Evaluation and Statistics 101, the Assistant Secretary addressed the

issue of operationally defining scientifically-based research by noting that guidance would be provided in the near future on this issue. More than 6,000 schools have been targeted for improvement for two consecutive years and approximately 5,000 schools will receive Title I funds for the first time: these schools will be required to make major decisions before September. The question was raised as to what guidance these schools are going to be provided. For example, in August USED released reports of the three-year Longitudinal Evaluation of School Change and Performance (LESCP), which found that drill-and-practice at the fifth-grade level actually widened achievement gaps in reading. Analyzing the same data base a year later, another USED contractor found the opposite -- that scripting and drilling using worksheets at the fifth-grade level were used extensively in schools where students' reading scores had increased significantly. The question was raised as to which of the USED findings should a vendor follow in designing or proposing a reading program. His response was that USED does have to get "its act together" implying that contradictory statements by USED officials or its contractors was one reason for disbanding the Planning and Evaluation Service under whose auspices these studies were conducted. His major point, however, was that analyses of longitudinal data bases are subject to wide interpretations depending upon who conducted the analysis and their prejudices and such conflicts indicate the need for classical experimental control or quasi- experimental control studies.

Another question was asked regarding "proven practices" based on scientifically-based research and whether it is sufficient that a tool application can be demonstrated to facilitate that "proven practice." He indicated that tool applications which are aligned with proven practices are generally better than no hard data justification but that the "goal standard" would be to have the tool application evaluated in an experimental control situation.

The Assistant Secretary also addressed the intent of the proposed "What Works" clearinghouse (see April TechMIS Washington Update). When asked, he denied that it will result in any type of list of

“products and/or services” which have the USED “seal of approval.” This point was emphasized in an earlier session by Under Secretary Gene Hickock. The Assistant Secretary’s comments were made in the context of several recent articles in Education Week, Title I Reports and other education periodicals suggesting that USED was interpreting the definition of scientifically-based research so narrowly that it limited the number of eligible products to those from two or three major publishers.

In the meantime, as Jack Jennings pointed out later, the operational definitions of scientifically-based research and proven products will largely be made by states and their grantee selection processes. This is another area in which states are waiting for some type of guidance from USED, which to varying degrees, is holding up the implementation of the new law.

Before the panel of experts have a chance to present and direct questions to the Assistant Secretary, he excused himself. Shortly thereafter, the panel spoke in almost unanimity on the following points:

- the “medical” or “pharmaceutical” models which the Assistant Secretary heralded as the “gold standard” for education research is neither appropriate nor practical in terms of implementation in public schools;
- the market demand, “first to market” scenario would rule out small innovative firms which could not afford to pay for research or as one seasoned education technology marketer noted, USED should also ensure “no small firm left behind”;
- that alternatives to classical experimental control design such as re-analysis of longitudinal data bases, particularly analyzing out-liers (high-achieving schools vs. low-achieving schools) would provide, at a substantially lower cost, information which could be useful to assist districts in their selection of “effective” products and services.

If USED follows the “pharmaceutical” model, not only would firms have to cover the cost of scientifically-based experimental control research, USED could also charge fees to firms to speed up the review process. A logical follow-up could be that USED would charge fees to firms to have their products and justifying reports evaluated. As noted on May 23 in The Washington Post front page

article, over one-half of the Food and Drug Administration budget is paid for out of user fees from the pharmaceutical industry. While a bill is very quietly moving through Congress to increase user fees, some are legitimately questioning whether this is a conflict of interest when over half of the FDA's staff salaries are paid for by the industry which it is supposed to regulate.

### **State Title I Directors Asking for a “Transition Period” in Implementing Major Title I Provisions Which Could Result in Some Time Extensions**

During the recent International Reading Association Conference, the National Association of State Title I Directors met to assess major issues and concerns related to implementation of key Title I provisions beginning in September. As reported in Title I Reports (May 2002), NASTID will be making several requests, individually and collectively, to USED in the immediate future. Some of the requests will include the following:

- States with approved assessment systems should be allowed to submit transition plans and use the existing systems until 2005 when all students in grades three through eight are required to take annual assessments.
- States should be allowed to skip identifying low-performing schools the first year they implement an entirely new assessment system or to base AYP only on the more established tests in the years they first adopt tests for other grade levels.
- States should be given more time to phase in systems that will collect and report on graduation rates.
- States should be allowed to require districts to evaluate effectiveness of “supplemental services” and provide such reports to the state.
- States should be able to require all districts to use the same tests for determining paraprofessional competence.

- States should have greater flexibility in identifying schools targeted for improvement and extend the implementation date in these targeted schools for providing parent options and supplemental services to begin any time during the 2002-03 school year.

In addition, state Title I directors want clarification on several issues such as how progress can be shown for limited-English-proficient and special education students who exit from the group over time (see March 2001 TechMIS Washington Update “closing the gap” impossibility for special education students). Another issue needing clarification is conflict between assessments under Title III on English language acquisition with Title I assessment requirements. Consensus indicates that several commercial tests of limited-English-proficient students’ language skills will not meet Title I requirements and states may have to develop their own assessments for LEP students.

With the effective date of implementation for many of these new provisions under NCLB only four months away, it is clear that only a few states will be able to meet the implementation schedule. Given the limited state capacity (see related item and comments by Jack Jennings), this will be particularly true for provisions related to AYP and schools targeted for improvement. States may not be able to identify schools identified as being targeted for improvement for three consecutive years until late in the Fall 2002. This, in turn, could extend the purchasing cycle for supplemental services and related products and services throughout the next school year.

For a succinct and coherent description of the most important provisions of No Child Left Behind reflected in the reauthorization of ESEA, go to [www.ctredpol.org](http://www.ctredpol.org), the website of the Center on Education Policy (which is directed by Jack Jennings), entitled “A New Federal Role in Education.” Education marketing directors should share this document with CEOs and board members who are interested in the implications of the new law.

## **New Technology Counts 2000 From Education Week Addresses e-Learning and Technology Trends Which Can Be Useful in Developing Marketing and Sales Strategies**

The Education Week Technology Counts 2000 reports that twelve states have established online high school programs and five others are developing them, while 25 states allow for the creation of cyber charter schools. Additionally, 32 states have e-learning initiatives underway based upon a survey of state technology coordinators conducted by Education Week. Ten states are planning to administer online assessments. Another report by WestEd estimates that, by the end of this school year, 50,000 K-12 students will have been enrolled in online courses and that the virtual school movement is the “next wave” in technology-based K-12 education.

Another article, entitled “Tracking Tech Trends,” found that the digital divide exists primarily in the home -- differences in Internet access and access to home computers between poverty-level homes and those that are wealthier. Identifying one of the major barriers to effective technology use as the lack of teachers trained in technology integration, the report cites the recent Market Data Retrieval survey which found that only about 15 percent of K-12 technology spending addresses staff development. The article also includes a listing of states in which teacher technology training is required (23); states requiring demonstrations of technical competencies (3); and states with no technology-related requirements for teacher licensure (21). The report also includes a “state of the states” section related to the e-learning movement. Highlights of these summaries are included in the individual state profiles in this TechMIS mailing.

## **New Bush Early Childhood Strategies Calls For Better Trained Head Start Teachers and Increased Accountability for Demonstrating Children’s Progress**

The new Bush plan to improve the quality of teaching in Head Start programs and related early childhood programs and to hold Head Start programs accountable for children's progress, was a topical discussion point, certainly informally, at the most recent National Head Start Association conference. An earlier summary proposal along with the Early Reading First proposal last year, drew critical comments from NHSA, NAEYC, and other early childhood education groups. Opposition is particularly strong now because only limited funding increases would be available to implement the plan.

The Bush plan released in April would require Head Start programs to test all participants between the ages of 3 and 5 on indicators related to literacy, language, and numeracy at the beginning, middle, and end of each year and to analyze assessment data on the progress and accomplishments of all enrolled children. The National Head Start Association, in its response, stated, "Increasing the number of assessments children are required to take is costly and unnecessary." The Association also feels that the plan would require a narrow focus on academics by ignoring broader developmental issues and would place a burden on staff to target activities to achieve arbitrary standards which are not appropriate.

The Center for Improving Readiness of Children for Learning and Education (CIRCLE) will provide training for between 2,000 and 3,000 Head Start teachers on how to foster phonemic awareness, classroom management, and management of classroom resources in order to promote literacy this summer. Under this "train the trainer" model, these teachers would, in turn, train other Head Start teachers such that all Head Start teachers will have been trained by December 2003. Money has been set aside for this CIRCLE training which focuses on instructional strategies and to be conducted under the supervision of Dr. Susan Landry, Department of Pediatrics, University of Texas Health and Science Center.

The plan also calls for an “optional” curriculum guide to be used. During a conference last July, USED officials indicated great interest in modeling the “optional” curriculum around the instructional program used in the Cone Head Start Center in Dallas, Texas, which the First Lady, on several occasions, has called a model program (see TechMIS September 2001). The plan would also require states to establish academic guidelines for childcare programs and for training preschool teachers.

In a related activity, the National Association of Education of Young Children (NAEYC) has proposed upgrading and changing rules for accrediting early childhood programs and providers. Currently there are about 8,000 currently accredited programs and centers. It would appear the Bush and NAEYC initiatives are moving along separately without any attempt to minimize conflicts.

### **States Beginning to Notify USED that They Plan to Apply for State Flex Authority**

Under No Child Left Behind, up to seven states and up to 80 school districts nationwide can be selected under the new State Flex provisions which provides even greater flexibility than under the “50 percent transferability” provisions in terms of how states and districts wish to spend virtually all of the major ESEA Title funds, except for Title I. In return, the states will enter into “performance agreements” with USED to be held accountable for improving student academic achievement. To be eligible, a state must have a fully approved Title I accountability and assessment system and must develop acceptable criteria for measuring adequate yearly progress (AYP). Thus far, five states have indicated their intention to apply -- Texas, Pennsylvania, Florida, Colorado, and Tennessee. According to Title I Reports, Delaware and Illinois have also expressed an interest.

There could be significant implications for publishers and others who have products and services that

could be funded under the non-Title I ESEA titles, as states decide where to allocate such funds at the state level and, in up-to-ten school districts per state who also agree to participate in this demonstration project, as these districts reallocate ESEA funds.

If a state has not indicated its intention to apply for State Flex authority (which does not include any additional Federal funds) by May 8, local districts (up to 80 nationwide) in states which decide not to apply for State Flex, can apply for Local Flex authority as long as the districts meet certain related conditions to performance agreements with USED, AYP requirements, etc. If a district applies for Local Flex status and subsequently the state applies for State Flex, then the local district could receive Local Flex authority independently. In the state which has indicated intentions to apply for State Flex, only the districts who are willing to participate can apply. One might anticipate many large districts applying for Local Flex status and, if they receive such authority, ESEA funds could be substantially reallocated to meet districts' priorities. However, the LEA Local Flex plan would have to be counted as part of the State Flex according to USED. Senate Committee staffers involved in drafting NCLB have indicated this interpretation by USED violates the law.

The bottom line is that firms need to be aware of the proposal plans submitted by states as well as districts seeking State Flex or local Flex status to assess into what areas most of the new ESEA funds be reallocated.

## **Report Estimates Less than Half of Eligible Districts File Reimbursement Claims Under Medicaid For Related Services For Special Education Students**

A recent study conducted by Jay Chambers, Director of Special Education Expenditures Project,

found that only 44 percent of districts received funds through reimbursement claims under Medicaid for administrative services and related services provided for the 1.5 million special education students who are eligible for Medicaid reimbursement. Many districts are unaware of the availability of such reimbursements under Medicaid and the Child Health Insurance Program (CHIP) and many other districts do not have the capability of tracking the cost of such services so that they can successfully apply for reimbursement. Others feel that the guidelines lack clarity and that the forms are too complex to complete. Several companies provide consulting services to help districts file such claims for a percentage of the amount of reimbursement; other companies (such as 4GL and Expert Systems) provide turnkey systems which automates the process of collecting such cost information for eligible students and assists enormously in filing for reimbursement. In some cases, the amount of reimbursement during the first two years pays for the total system. The Chambers Report estimates that an additional \$1.5 billion to \$2.4 billion a year in Medicaid reimbursement is available for districts if they apply and their requests are approved by HHS.

In order to speed up the process and increase the probability that districts will, in fact, be reimbursed for eligible administrative and related services, 21 states have submitted plans which have been approved by HHS Centers for Medicare and Medicare Services. Seven additional states have such plans pending before the group. The states that have approved plans are Alaska, Arizona, California, Florida, Illinois, Iowa, Kansas, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Jersey, New Mexico, Oregon, Pennsylvania, Rhode Island, Texas, Washington, and Wisconsin.

Without question there exists a demand for assistance to school districts in filing Medicaid and CHIP reimbursements. 4GL Solutions sales has been increasing as have those of Expert Systems of Richmond, Virginia. Expert Systems designed their IEP/CHIP reimbursement system for use in Henrico County, Virginia, and, through word-of-mouth, the system has been adopted in several additional large districts in Virginia. In addition to vendors which have applications that can be used to assist in the claims process, there are also opportunities for firms selling instructional applications

to partner with these groups who can serve as commissioned sales agents or OEMs. For more information on these opportunities contact Charles Blaschke directly.

## **States Under Pressure to Spend New and Carry-Over Department of Labor Funds from Previous Years for WIA Youth Program**

As previously reported (TechMIS, April 2002), the Bush Administration has proposed to cut significantly WIA funding for youth, particularly Out-Of-School Youth Demonstration programs, partially because states have not expended more than \$430 million in carry-over funds from previous years. The Labor Department has reported that, during the first six months of the program year 2001, states have spent less than 18 percent of the \$1.5 million available. Vermont has expended almost 50 percent of its funds, followed by Minnesota, expending 38 percent, and Florida, expending nearly 30 percent of its funds. Other large states, such as New York and Ohio, have expended only 7 and 9 percent respectively. Over the next six months, many of the states with unexpended funds will be under pressure from service providers, as well as from some state agencies, to spend or at least encumber these funds by expanding existing programs or creating new ones. Another force exerting pressure to expend such funds is the reauthorization of the Welfare Reform Bill, originally passed in 1997, which would substantially reduce the amount of TANF funds to provide vocational training for youth and adult welfare recipients. In the recently passed House version of TANF reauthorization, vocational education instructional hours cannot count as work hours. For information on state-by-state unexpended funds, go to [www.doleta.gov](http://www.doleta.gov).

## **SIIA Monthly Webcast on Online Assessments Provides Interesting Industry Perspectives But Fails to Address a Major Driving Force Behind Online Assessment**

During the SIIA Fly In, the association sponsored a webcast on online assessments. The perspectives of the two firms making presentations, TestU and Riverdeep, regarding the nature of driving forces behind both “high stakes” and “low stakes” online assessments and which areas will demand grow more quickly was interesting. Yet, in neither the presentations nor during the Q & A session did anyone mention that the initial and still a major driving force behind “high stakes” online assessments is lawsuits and lawsuit threats by parents to require LEAs to use technology to provide reasonable accommodation for students with disabilities and those with limited English proficiency. The first state to implement (in stages) statewide assessments was Oregon, which on February 1, 2001, arrived at a settlement with parents of a dyslexic youngster who took and passed advanced placement tests online but failed the state’s basic skills paper-and-pencil test. The settlement allows students to use spell checkers and other accommodations by taking computerized testing. As pointed out during the conference, about 300 Oregon schools were online this year and all schools are to be provided online assessments by 2003.

The Disabilities Rights Advocacy Group from Palo Alto, California, has been very active, threatening lawsuits in a number of states, including California and Massachusetts, to require states to move quickly into online assessments as a means of providing reasonable accommodation.

Without question, the new No Child Left Behind legislation will drive high stakes online assessments. It is also supposed to drive most state online assessments, which on a continuing basis, would inform teachers what skills students have mastered and provide enough diagnostic information to allow teachers to select or design learning materials to meet specific needs. Due to the requirement that states administer, score, analyze, and report on individual student results (including objective item analyses), and if teachers are trained to use diagnostic and related tools, the “low stakes” online assessment market demand will grow substantially. Under No Child Left Behind, beginning in 2005-2006, when all students in grades three through eight must be assessed

annually in basic skills content areas, all tests will be “high stakes” not only for students but also for schools. The results are to be used to determine which schools are to be targeted for improvement which in turn, will require these schools to increase Title I allocations for staff development, for supplemental services, for transportation of transferred students to other schools as part of the current choice option provision.

As we have noted over the last year (TechMIS March 2001), while creating a demand for online assessments the No Child Left Behind proposal (and now Law) could also have several negative impacts. For example, USED refused to approve the proposed online assessment system that Idaho was planning to implement because it provides opportunities for “out-of-level testing” (e.g., adaptive testing), which would be in violation of the “comparable rule” included in the Law. Another major issue, in states such as Illinois, Vermont, and Maryland, is that the difficulty in scoring certain types of essays and open-ended questions online may result in these types of domains being dropped from the state assessment limiting online assessments to those questions which can be scored accurately, easily and quickly using automated processes. A third issue is security and privacy of student assessment data which is in conflict with state laws in numerous states.

SIIA members who did not attend the webcast can listen to a recording or go into the SIIA website. For a copy of the tape, contact Margaret Meeker, 202/289-7442.

## **National Center for Education Statistics Releases Estimates of K-12 Expenditures for 1999-2000 Representing a 6.2 Percent Increase Per Student**

For 1999-2000 school year, total K-12 expenditures were almost \$325 billion, representing a \$21 billion increase over expenditures the previous year. Of that, about \$200 billion was spent for

instruction. On average, about \$4,200 was spent per pupil in 1999-2000 for instructional services; \$2,300 for support services; and \$290 for noninstructional purposes. For the first time, the NCES Longitudinal Survey attempted to break out expenditures by category of instructional services. Of the \$200 billion, teacher and instructional aide salaries (\$145 billion) and benefits (\$36 billion), totaled about \$180 billion. Instructional supplies were nearly \$10 billion, which includes textbooks and other instructional supplies, but not computer-assisted-instruction or computers generally. Computers were reported as “replacement equipment.” Computer-assisted instruction, along with education television rental equipment for instruction, service contracts and professional services of teachers who are not on the school district’s payroll, were included as purchased services which totaled nearly \$6 billion.

In terms of the almost \$10 billion spent on instructional materials and supplies, including software, Texas (\$1.059 billion) and California (\$1.2 billion) represented over 20 percent of total expenditures nationwide. For more information go to <http://nces.ed.gov/pubs2002/2202367.pdf>.

### **State Fiscal Problems Likely to Continue in FY 2003**

The National Governor’s Association and National Association of State Budget Officers released two reports and a survey which indicate that, in spite of some economic recovery, state funding will continue to be extremely tight through 2003. Since the FY 2002 budgets were passed last Spring, 40 states have had to battle budget shortfalls totaling nearly \$40 billion and, because revenue growth in states continues to lag by as much as a year at the end of a recession or economic upturn, problems will continue in FY 2003.

During FY 2002, 39 states had to reduce state budgets by \$15 billion. Twenty-five states attempted to close the budget gap through a strategy of across-the-board cuts, while more than 20 states used

“rainy day” funds and 33 states used a variety of methods. The year-end surpluses have dropped from almost \$40 billion in FY 2001 to \$18 billion projected for 2003. One of the reasons for shortfalls was a 14 percent increase in Medicaid spending over the 2001 level. Thirty-one states have had Medicaid shortfalls since 2001. While 14 states showed negative growth in state general fund expenditures in FY 2003, an estimated 16 states will have such negative growth for FY 2003. The NGA report also includes state-by-state revenue and expenditure estimates for this year and those recommended for next year. The report is available at [http://www.nga.org/nga/newsRoom/1,1169,C PRESS RELEASE](http://www.nga.org/nga/newsRoom/1,1169,C_PRESS_RELEASE).

## **Alabama Update – May 2002**

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The Alabama Title I office is attempting to implement activities related to the “supplemental services” provisions in Title I. It plans to contract with a third party to be responsible for developing an application or RFP to which groups that provide supplemental services can reply. Once the specifications are approved, the RFP or application process will be announced. The SEA is likely, however, to wait until USED regulations or guidance letters are provided related to whether distance learning or online tutoring will be allowed. Officials in the State Title I office indicated that the April 28 guidance letter on paraprofessional qualifications has resolved most of the problems that otherwise would have been raised within the State and feels that the paraprofessional qualifications issue will not be as significant in Alabama as in other states. The person responsible for Title I programs in the State is Kathryn Moore (334/242-8199).

Alabama is expected to expand its online high school from eight courses to at least 30 in the next school year. Eight districts participated last year; more than 60 are expected this year. The program is funded at \$470,000 through the University of Alabama. Funded at \$1.2 million from the Gates Foundation, the Alabama Renaissance Technology Academy is a five-day training program for school administrators. Another technology training program, the \$1.5 million Technology in Motion program, is intended to enhance the ability of teachers to use technology effectively in the classroom.

During FY 2002, the Education Trust Fund budget gap was \$160 million or about 4 percent of the FY 2002 budget. It was balanced by a \$140 million tax increase and \$20 million in budget cuts -- primarily cuts to school bond authority for capital projects. Estimated FY 2003 revenues are expected to be almost two percent higher than FY 2002. Corporate tax increases will be used to balance the Education Trust Fund.

The legislature approved a 2.4 percent increase to \$3.02 billion next fiscal year for K-12. However, after having to impose mid-year cuts to reduce current year budget, many of the Governor’s additional proposals for the legislature were not passed.

This school year, the State of Alabama provided a total of \$7.9 million in State technology funding to districts allocated at \$181 per teacher.

## **Alaska Update – May 2002**

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Under a program called Alaska Online, State education officials have established a curriculum development, training, and instruction initiative in four school districts. Alaska Online, when it is fully implemented next year, will: (1) provide Internet courses for middle and high school students; (2) provide web-based professional development for administrators and teachers; and (3) allow educators to review online instruction to determine if it meets State standards.

While reserve funds was used to make up for a \$750 million budget gap for FY 2002, increases in oil and gas prices, as well as higher alcohol, sales, and other taxes, are being discussed to balance the FY 2003 budget. A hiring freeze is also anticipated.

## Arizona Update - May 2002

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As reported in Education Technology News (March 27), the South River Cima-Maricopa Indian Community will use profits from its casinos to build a state-of-the-art \$21 million junior high school which will serve more than 500 students when it becomes available in 2004. Currently, only one elementary school, built in 1930, is located on the reservation. Over the last decade, funds from some of the most profitable gaming and casino operations located in tribal lands in Mississippi, Minnesota, and Connecticut, among other states, have been used to purchase substantial amounts of hardware and software. A recent study by the Government Accounting Office found that the amount of funding spent on technology in BIA or tribal schools, is almost double the average amount spent in US public schools (i.e., \$300 vs. \$160).

A four-year old program which funds tuition for non-public schools through tax credits has come under considerable scrutiny. A report from Arizona State University suggests that the program has been expensive and inefficient and has served only a small fraction of the State's low-income students. Proponents of the plan say that the tax credits are revenue-neutral when the per-pupil savings to public schools is considered.

Arizona, through its School Facilities Board, has purchased enough computers at the State level to ensure that the student:computer ratio in every district is not higher than 8:1. The School Facilities Board is currently trying to connect all network-capable computers in the State and provide Internet access through the State's Internet Application Service Provider (ASP). The ASP will support a number of functions for schools across the State including: (1) student and teacher e-mail; (2) school and teacher websites; (3) online student tracking; and (4) access to instructional software (see paragraph below). The State's Arizona School Services through Education Technology (ASSET) program is designed to train teachers to use technology effectively in the classroom.

According to a number of State officials, the State ASP model, negotiated with software and ASP providers through the School Facilities Board (separate from the SEA), is in trouble and the director

of the Board, Dr. Phillip Geiger, has resigned. The May 2002 issue of eSchool News reported allegations that he worked with one of the winning subcontracts, learningstation.com, as an advisor prior to the award of the contract. In that article, Geiger reportedly said “I have never been on the company’s Board of Directors.” He also argued that “I saved the State some \$287 million through my negotiations.” State Senate President, Randall Gnant, has proposed legislation that would lead to investigations, one of the first of which would be the School Facilities Board. The eSchool News article also reports on other news accounts indicating that several of the 500 schools currently connected to the system are having access and other problems.

The total size for the FY 2002 budget gap was \$860 million or about 13 percent of the overall budget. This caused delays in several large capital projects. An additional \$475 million was tapped from other reserve funds to balance the budget along with rainy day funds. Current proposals to make up for the estimated \$800 million FY 2003 gap include cuts in education, travel bans, borrowing of special funds, and tapping rainy day funds. General fund revenues are projected to grow about four percent.

## Arkansas Update - May 2002

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The revenue gap in FY 2002 was about \$160 million which resulted in a four percent across-the-board cut. A four percent increase in revenues is expected next year which could result in a stable funding level for education.

The FY 2002 budget for technology or programs whose funds are used to purchase technology products and services, appears to be safe. However, there was a small cut in November 2001 which did not affect technology funding.

As a result of continued low student performance, two school districts in Arkansas -- Altheimer and Elaine -- have been taken over by the State. The State will appoint an academic coordinator to work with the districts.

The State annual conference for the Association of Federal Program Directors was held on April 24-26 in Hot Springs. The contact is Monica Gray at 870/747-3351.

Arkansas' Distance Learning Center, just completing its first year of operation, uses technology to provide a range of classes. The Center also operates the Arkansas Virtual High School which offers 13 online courses that are correlated to State academic standards. Currently, 1,200 high school students are enrolled in these courses. The Distance Learning Center provides online professional development for teachers as well as other online training for administrators.

The Arkansas Distance Learning program will see a 15 percent cut in funding for the next school year which will almost certainly necessitate a hike in enrollment fees for distance learning courses.

## California Update - May 2002

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The State Board of Education has endorsed the Educational Testing Service to receive a three-year, \$50 million contract to administer its Statewide assessment system. The Stanford Achievement Test, Ninth Edition, which has been used over the last five years, will be replaced by other tests administered by ETS. One of the new tests would be the California Achievement Test, Sixth Edition, published by CTB/McGraw-Hill. According to Education Week (May 8), California currently tests about 4.5 million students annually. Hence, California will be the largest K-12 client for ETS. Currently ETS administers the California High School Exit Exam under a three-year, \$50 million contract. Approximately \$180 million is budgeted for State testing between 2003 and 2005. According to Education Week, NCS will be retained as a subcontractor to do the actual scoring and reporting as they did under the previous SAT 9 assessment system.

A new report released by the Office of the State Superintendent, Delaine Eastin, on assistive technology makes several recommendations to the State Board and the legislature that should have dramatic impact upon many publishers, including:

- the State Board should create guidelines, in agreement with publishers and providers of technology-based learning tools, that require accommodations for visually impaired students;
- the State Superintendent should ensure that high stakes tests are delivered via media accessible to visually impaired;
- the legislature should pass legislation requiring publishers to provide computer files that are structured and compatible with existing Braille translation software.

The Instructional Materials Accessibility Act recently introduced in Congress would ensure that blind and visually impaired students receive instructional materials in Braille or electronic formats concurrent with other students receiving textbooks.

The Citizen's Commission on Civil Rights, a Title I watchdog group, has released a report which claims California is out of compliance with Federal testing requirements and excludes LEP and

disabled students from the State assessment and accountability system. Because the State has been out of compliance since 1994, this explains why Black and Hispanic students in California have performed much more poorly on the NAEP than their counterparts in other states. The report also argues that there is a mismatch between State standards and its testing and accountability system and that the State has excessive exclusion rates; almost one million of the six million K-12 students are excluded from State assessments, particularly limited-English-proficient and special education students.

In 2001, the California legislature established a commission to develop a master technology plan for the State which is expected later this year.

Scheduled to open in September are three High-Tech High Schools -- existing schools with rigorous academic programs that have received \$2 million grants (which must be matched by local funds) to integrate technology into all aspects of the curriculum. These schools are not to be online high schools.

The FY 2002 budget was reduced this year by \$2.2 billion, including cuts in K-12 education and freezing of State purchases. A \$5 billion cut is anticipated for FY 2003 which will affect all programs, including K-12 education. The projected drop in revenues last year was almost 20 percent.

## **Colorado Update - May 2002**

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The Colorado Online School Consortium, operated by the Sargent school district under a \$724,000 Federal grant, offers 25 online high school courses in such areas as astronomy, Latin, and calculus.

The current budget gap is about \$820 million or about 12 percent. However, expenditures are generally on-target. The differences were made up from tobacco settlement funds and the use of various reserve funds. While FY 2003 revenues are projected to grow almost nine percent, projected shortfalls will be made up from cuts in State FTE positions and putting capital projects on hold.

## Connecticut Update - May 2002

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As part of his FY 2003 budget, Governor Rowland has proposed that \$10 million be allocated for the Connecticut Digital Network, a more than twofold increase over the current year's funding. If the budget is approved by the legislature, the network should, by the end of 2003, connect all public schools, colleges, and libraries via the Internet.

The Governor has also proposed level funding -- at \$1.5 million -- for the six-year-old Connecticut Distance Learning Consortium which offers online, college-level courses.

The FY 2002 budget gap of \$450 million was made up by increasing tobacco taxes, tapping into rainy day funds, and using surplus funds carried forward from FY 2001. With about a five percent increase in projected revenues for next year spending will generally be stable.

## **Delaware Update – May 2002**

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Using a grant from the Gates Foundation, Delaware will institute a program of leadership training for superintendents and principals to begin this Fall. The \$322,000 grant will be used for satellite technology which will allow school administrators to access professional development courses and join discussion groups without having to leave their buildings.

As a result of a three-year, \$20 million investment in classroom technology, every Delaware public school has a T1 line and every classroom has at least one multimedia computer. The Delaware Center for Education Technology, although independent of the State Department of Education, oversees the provision of technology for Delaware's schools; it has seen a two percent mid-year budget cut and has had to make adjustments in its program. The Executive Director is Wayne Hartschuh (302/659-6878).

Generally, the budget gap for this year in Delaware was minimal and expenditures will likely be the same next year.

## Florida Update – May 2002

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The State Supreme Court ruled in April that two questions could be put on the November ballot, including one related to placing a cap on class size. The two questions, although approved by the State Supreme Court, need 488,000 signatures to qualify for the State ballot. To date, only 150,000 signatures have been gathered by the Coalition to Reduce Class Size. For the third grade, the cap would be 18 students per classroom with 22 students per teacher in grades four through eight, and 25 students in grades nine through twelve.

During the second just-completed special session, several new laws were passed which will bolster and give legitimacy to creating a seamless K-20 system with the Florida Board of Education as the regulating body for both K-12 and higher education. The newly-appointed Secretary of Education, Jim Horn, will take over as Commissioner in January 2003, if Governor Bush is re-elected. Secretary Horn has expressed, on several occasions during FETC, his support for a massive technology initiative that would support more accountability for K-12 and a system for accountability in higher education. During the legislative session, some temporary laws were passed to allow districts to reallocate funds from one State line item to another; these will be in effect for five years. Another bill would extend, to the third grade, the “no social promotion” law by requiring districts to provide additional help to failing students at the third grade level. The new code is intended to make significant changes in many education programs including requiring the teaching of character education in middle and high school. Critics of the law, principally Democrats, have opposed the law because it did not reduce class size or increase teacher salaries.

Started in January, a new voucher system for low-income students has proven to be very popular. Funded by corporate tax credits, the \$3,500 vouchers have already been used by more than 1,000 children to enroll in private -- mostly religious -- schools. With total tax credits of \$50 million, the program has the potential to serve as many as 14,300 children statewide.

Approximately 400 Florida schools are eligible for funding under the Reading First initiative. A

three-day professional development meeting for principals of these schools is scheduled. Superintendents have also been invited to participate. Training for the three-day conference will be conducted by Project Central, which is funded by IDEA; the project's staff will provide training in effective research-based instructional strategies for special education and general education students. The contact number for the Just Read Florida office is 850/921-9969.

In late May, the Florida Comprehensive Assessment Test (FCAT) results were made known with over 50 percent of Dade County tenth graders and 40 percent of their counterparts in Broward County failing to meet the State's tougher new graduation standards. About 13,000 sophomores in Dade County and 5,500 in Broward County failed on both the reading and math sections, higher numbers than for the same FCAT sections last year. Tenth graders who failed the FCAT can be offered extra tutoring and can retake the test at least five times before their graduation date. However, if they continue to fail they will not be allowed to graduate with a regular high school diploma.

Florida sponsors the largest online high school in the country. Based in Orlando, the Florida Virtual School offers 40 courses to more than 5,000 high school students, with nearly 80 full- and part-time teachers.

A \$1.3 billion budget gap was about seven percent of the overall budget for this year. General funds for next year are estimated to grow about three percent, however by the end of March the legislature had not addressed the FY 2003 education budget.

State funding for technology has been about \$62 million for the past two years and is expected to remain the same next year.

## **Georgia Update – May 2002**

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Starting in September, Georgia will be operating a virtual learning website offering courses and support activities for AP students. Under a \$285,000 contract with Apex Learning, the website will supplement courses available in local school districts. Also beginning in September 2002, will be State-supported online high school classes in Cobb and Gwinnett Counties. These courses will be linked to the State's Quality Core Curriculum.

The five percent (or about \$700 million) budget gap for FY 2002 in Georgia was made up through cuts in specific agencies but not to education or human services. Most agency budgets were reduced by five percent. However, education was generally protected and will receive no budget cuts.

A survey conducted by Mailings Clearinghouse (in which TURNKEY was involved) found that almost ten percent -- slightly over 600 schools in the State -- had been targeted for improvement for two or more years; this constitutes about ten percent of the total 6,000 schools nationwide. In addition, the Governor's office identified earlier this year over 450 schools who have been placed in a "failing status" following the State's accountability system guidelines, parameters and criteria for passing State exams. During the FY 2001 year, a large number of districts (such as Gwinnett County) received Title I Concentration Grants for the first time but received these grants only in November/December. Hence, many of these districts identified in the June 2001 TechMIS Report are beginning to purchase materials, resources, etc. for schools which will be receiving Title I funding for the first time in September.

## **Hawaii Update – May 2002**

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The new State superintendent, Patricia Hamamoto, has issued an edict that requires certified special education teachers to continue teaching in special education rather than being transferred to other areas in order to meet a court mandate that 90 percent of special education teachers be certified by 2002-2003 school year. The State has been operating under a controversial 1994 consent decree following a class action suit calling for improved special education services. Over the last year, Hawaii has offered \$10,000 bonuses to any teacher who is certified in special education and another area to move from that area back into special education.

The appointed court master overseeing the State's effort to become compliant with IDEA has reviewed several State initiatives and concludes that Hawaii is, for the most part, in compliance with IDEA. Therefore, the State would no longer be required to have a "Master." The State will have to report to the courts on a quarterly basis on continuing efforts to maintain its compliance with IDEA.

Hawaii has, for a number of years, used Internet-based classes to reach students from the various islands. Targeted at students interested in technical fields, Hawaii's E-Academy provides online courses in high school math and science subjects. The State also has an online Charter School -- new this school year -- which teaches 70 middle- and high-school students entirely on the Internet.

The FY 2002 budget gap of \$150 million was made up by tapping rainy day and other sources. Spending cuts for FY 2003 are expected to be two percent, assuming that the Hurricane Relief Fund will be tapped.

Hawaii's budget problems have postponed the Governor's plan to purchase 18,000 computers for the schools.

## **Idaho Update – May 2002**

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To make up for the \$65 million budget gap, some budget reductions were made in K-12 education. However, most were made up through tapping rainy day funds and other sources. For next year, revenues are estimated to increase by over six percent. If any additional education budget cuts are made they will likely be in higher education.

With the K-12 budget constituting approximately half of the almost \$2 billion State budget, the legislature voted for only a \$26 million increase for next year. However, an initiative to implement the State's achievement standards received only \$4 million, not the \$8 million requested. Moreover, the State's technology effort to increase teacher and student access to the Internet and provide technology-related training was cut from slightly over \$10 million to about \$8 million. Another initiative which assesses students in K-3 twice a year and provides up to forty hours of additional assistance for low-level reading students was cut from \$4 million to \$3.3 million. An additional \$2 million was approved for teacher purchase of supplies.

Idaho's State budget for educational technology will, in the next school year, drop for the first time in many years -- from \$10.4 million in 2001-02 to \$8.4 million in 2002-03.

The State plans to award 20-25 grants up to \$300,000 per grantee to junior high and senior high enter

## **Illinois Update – May 2002**

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Of the estimated 400 to 450 schools in Illinois which are estimated to be “targeted for improvement” for at least for two consecutive years by September, approximately 300 are in Chicago. Beginning this September these schools will have to provide parent choice options to have their students transferred to other public schools with the district using Title I and possibly other funds to cover the cost of transportation. For schools targeted for three consecutive years, the parental choice option would still have to be available along with provision of supplemental services from an outside group or a new district project which provides, for example, tutoring services. The NCLB does provide a loophole that such choice and transportation costs must be provided “unless such an option is prohibited by state law.” As a result, at the request of the Chicago Public Schools, the legislature has been asked to pass laws which would limit parental choice and hence transportation costs. For example, proposed legislation would give parents 30 days to make the decision after being notified of the option. Parents could not opt for transfers where such a transfer would exceed the school’s attendance capacity or to transfer to a school that would violate a court order or consent decree. Schools that would otherwise accept transferring students could refuse to do so if students have disabilities for which the school has no capacity to address. If these laws are passed, according to Title I Reports (May 2002), only 100 schools would be available for transferees under the new parent choice option.

USED recently warned the Illinois Department of Education that replacing its previously approved Illinois Standards Achievement Test (ISAT) with an off-the-shelf (yet customized) norm-referenced test would likely result in the State’s accountability and assessment system being out of compliance. Currently, the State administers the ISAT, but also the Terra Nova or ITBS or SAT 9, to obtain information for monitoring individual student progress. SEA officials claim that if any one of these tests replace ISAT, it would reduce testing time, save money, and still facilitate comparisons across State lines.

Since January 2001, Illinois has operated a virtual high school which currently serves 201 students in

69 online courses. The program also provides AP review courses for more than 1,000 students. The virtual high school uses packaged curricula but the State is currently developing an online core curriculum correlated with State academic standards.

The budget gap for FY 2002 was slightly over \$800 million or three percent, most of which was made up through “pink slips” of State employees and tapping into rainy day funds. While revenues are projected to grow next year by almost two percent, expenditure levels are expected to be about the same with any deficits being made up through cigarette tax increases and other forms of revenue generation.

## **Indiana Update – May 2002**

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Passed by the State legislature a year ago, the biennium K-12 budget of \$6 billion will have to be reduced by over \$450 million over the remainder of this year and next school year. One of the major ways Indiana will make up for the deficit will be postponement of purchases and payments to schools. The legislature recently met to allow schools greater flexibility by shifting funds. One casualty of the cut was a promised three percent increase in general operating support; \$35 million for summer school, gifted and talented, and full-day kindergarten programs have been cut. Indiana has made drastic cuts in its spending for instructional technology. In July 2001, the State budgeted \$55.4 million for educational technology for the biennium. Because of revenue shortfalls, most of the funds were eliminated this Spring. The largest part of the State's technology budget, \$40 million for the Technology Plan Grant Program, was dropped entirely. The Education Technology Program and Fund, scheduled to receive \$8 million over the biennium, was reduced to \$5.9 million. Funding for Intelenet, Indiana's technology infrastructure, was cut in half -- from \$4 million to \$2 million. The legislature will meet in a special session beginning in the middle of May through June 28.

To make up for the estimated budget gap in the biennium budget, cuts are planned for K-12 education. Revenues are expected to increase almost three percent next year. However, a settlement for a lawsuit on Medicaid will occur next year which could create a budget shortfall of about \$170 million. Districts are considering layoffs of K-12 staff for next year.

The Indiana Department of Education has contracted with ETS Technologies, Inc. for computer-based administration and scoring of the State's English II End-of-Course Assessment this Spring. This test will become part of Indiana's new accountability system. ETS Technologies and its subcontractors will develop and implement scoring models for open-ended essays, support on-line scoring, and host the registration, administration, delivery, and reporting system for the test.

Operated by the Wayne Township School District, the three-year-old Indiana Online Academy provides selected Internet-based courses in such subjects as algebra, history, and economics to a

current enrollment of 150 students. State funds, in combination with foundation grants, and out-of-district tuition, cover the cost of running the Academy.

## **Kansas Update – May 2002**

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Scheduled to be in service during the next school year is a state-supported website designed to help teachers correlate their instruction with State academic standards. The website will provide teachers with instructional strategies, assessment measures, and sample lesson plans. Also under development is a project sponsored by the Gates Foundation, known as KAL-TECH, to establish technology academies for district and school administrators. Another program being debated in the State legislature is KAN-ED, an effort to establish a Statewide network that would provide distance learning courses to every district in the State.

The estimated \$240 million budget gap for FY 2002 will likely be made up by tapping into an unobligated reserve balance. The estimated \$700 million budget gap for FY 2003 will likely be handled through \$300 in budget cuts plus a \$360 million increase in taxes. Revenue increases next year will be approximately four percent.

## **Kentucky Update – May 2002**

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As of the second week of May, the Kentucky Department of Education Title I Director, Judy Taber (502/564-3791), indicated that a meeting will be held shortly with key Title I staff to begin planning for implementation of the “supplemental services” provision. A special committee will be created to work with key Title I staff in developing an RFP that will have to be approved by a Committee of Practitioners. Once approved, the RFP will be posted in Louisville, Knoxville, and other key newspapers; as Kentucky has always had an excellent SEA website, it will likely also be posted there. As Kentucky has a virtual high school, the question was raised whether or not online tutoring could be an approved supplemental service. Title I staff felt it was too early to second guess what the special committee will include in its RFP. The April 28 letter from USED, indicating that all instructional aides in Title I schoolwide programs have to meet the new paraprofessional qualifications, will present major problems in different parts of the State. However, in many districts many of the teacher aides now meet State qualifications.

Like a number of other states, Kentucky has been operating an online high school for the past two years. The Kentucky Virtual High School is intended to provide instruction for students in subjects not available in their regular schools; particularly foreign languages and AP courses. Apex Learning is a key provider of courseware for the Virtual High School. The project is considering the addition of online remedial courses as well as professional development for teachers.

The \$530 million budget gap for last year was met through reductions in higher education, Medicaid, TANF and corrections, plus hiring and purchasing freezes. Rainy day funds were also tapped. For next year, no growth in agency spending is expected as revenues have been expected to grow about three percent, enough to cover the prior year’s shortfalls. Any new shortfalls will be made up through closing tax loopholes and tapping into reserves and tobacco settlement.

## **Louisiana Update – May 2002**

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In order to meet the new ESEA requirements for teacher qualifications, Orleans Parish is requesting donations from local businesses to provide signing bonuses between \$1,000 and \$5,000 to attract qualified teachers to replace approximately 700 current, uncertified teachers. Orleans Parish would match, on a dollar-per-dollar basis, donations from the private sector to cover the cost of signing bonuses which could be in the neighborhood of \$2-\$3 million. For the first time, Federal ESEA Title I and Title II funds could be used for the districts' matching of private donations. This trend is likely to be replicated in many urban areas which have large numbers of uncertified teachers, thus diverting Federal funds from staff development and technology products to signing bonuses and other incentives.

About a third of Louisiana's fourth and eighth graders failed the State assessment test -- the LEAP -- this year. This did, however, represent a small improvement over the prior year. Of particular concern to educators is the weakness in math; a variety of new professional development programs and teaching strategies for math teachers are under development.

Louisiana has had a virtual high school operational for the past two school years. It currently teaches 19 Internet-based courses to 375 students. LEAD Tech -- Louisiana Educational Advancement and Development with Technology -- is a training program, funded by the Gates Foundation, for district and school administrators from across the State. More than 400 participants have been provided training in the effective uses of instructional technology. Online professional development is available to teachers through INTECH (general training) and INTECH 2 (science instruction).

Louisiana's Classroom-Based Technology Fund, the largest State program for educational technology, had received an average of \$20 million annually for the prior four school years; this year there was no funding. The SEA has asked for \$25 million next year but that appears to be optimistic.

No budget gap has been identified for this year and projected revenue increases are slightly over one percent for next year. Expenditures should be relatively flat across agencies.

## **Maine Update – May 2002**

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The legislature reduced the \$30 million for the Governor's laptop initiative to \$25 million. Currently the laptop initiative is being pilot-tested in about ten schools, but the major effort is providing computer-related training to instructional staff. The legislature also approved a plan calling for the State to study high-achieving schools to determine if there are any patterns in terms of allocating funds to specific programs that could contribute to the overall higher achievement in these districts compared to others. The Governor has already alerted the legislature that a \$150-\$200 million revenue shortfall could occur next year.

The Maine budget gap for this year was about \$60 million which was made up by travel bans and tapping rainy day funds. Approximately \$5 million of the proposed \$30 billion laptop initiative for seventh and eighth graders was used to make up part of the FY 2003 budget which is slightly (two percent) greater than estimated revenues.

## Maryland Update – May 2002

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The State legislature recently passed a plan to provide an additional \$1.3 billion annually for schools over the next six years to reduce inequities among districts. To obtain the necessary revenue, cigarette taxes will be increased by 34 cents. This would result in the 24 county districts in the State receiving an average of \$6,000 per student by year 2007. The average amount of State funding per student is about \$3,200. State aid for Baltimore City Public Schools will increase from about \$6,000 to \$11,000 per pupil and Prince George's County aid would increase from \$4,000 to \$8,000 by 2007.

Although concerned about the financial stability of Edison Schools, Maryland education officials expect the company to continue operating three Baltimore schools in the Fall. Despite significant financial losses last year, Edison Schools believes it will have sufficient funding to maintain its contract with Baltimore City. The company has cited the schools' strong academic results on standardized tests over the past two years.

One of the first casualties of NCLB is the Maryland Testing System which since 1990 has reported on individual school performance rather than individual student performance. The much heralded Maryland State Performance Assessment Program was performance-based and was designed to assess critical-thinking and problem-solving skills, along with basic skill development. One of the possible reasons for dropping the 8<sup>th</sup> grade State assessment instrument and most likely adopting an off-the-shelf norm-referenced test was that student scores this year were much lower than expected. A discussion with Maryland officials during the SIIA Fly-In indicated that the State was already planning to make some changes in its assessment system prior to passage of NCLB. The new ESEA assessment provisions have required other , such as Vermont, Idaho, and Illinois, to make fundamental changes in their current or proposed assessment systems.

Beginning in September, Maryland will open its Virtual Learning Community to 350 students who are homebound or who have course-scheduling conflicts. It is expected that the Virtual Community will soon be expanded to all students whose instructional options are limited by the shortage of

teachers, particularly in technical subjects and foreign languages. Modeled after the Florida Virtual School, the Maryland Virtual Community will use instructional content from online providers and will adapt the content to meet Maryland's academic standards.

While there was an FY 2002 budget gap of slightly over \$400 million, it was offset this year by budget cuts, mostly in higher education, freezes, and tapping rainy day funds. Although anticipated revenues for next year are slightly over two percent greater, the FY 2003 budget includes a large increase in State aid over five years to districts with high rates of poverty such as Prince George's County and Baltimore City, as noted above.

Maryland's State allocation for technology has dropped from \$63 million in 2000-01 to \$58 million this year.

## **Massachusetts Update – May 2002**

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According to Education Assessment Insider (May 2002), a new publication, Massachusetts is considering alternative “safety nets” related to high stakes testing for the class of 2003 which currently must pass math and reading portions of the MCAS to graduate. One of the possibilities is a certificate referred to as “All But MCAS” which will be provided to students who fail the MCAS but meet all other graduation requirements. Earlier, the State Board approved a limited appeals process for students who prove they meet the State standards but cannot pass the MCAS test.

The State Supreme Court has ruled that the State Board of Education can require teachers to take a competency test if their students perform poorly on the Massachusetts Comprehensive Assessment System test. The Massachusetts Federation of Teachers which had filed an earlier lawsuit, was the losing plaintiff in this court decree.

The \$400 million budget gap for FY 2002 was made up for by trimming \$150 million from K-12 and higher education budgets and by tapping rainy day funds. With an estimated revenue growth of 4.6 percent next year, decisions have yet to be made by the legislature regarding the K-12 education budget.

Massachusetts’ Virtual Education Space (VES) is a state-sponsored, online information and communications mechanism for students, parents, teachers, and administrators. VES maintains State academic guidelines as well as grade-specific curricula including guidelines, lesson plans, and assessments correlated with State standards. For the past school year, VES has provided a tutorial in mathematics and English to help eleventh grade students who must retake State assessments. A major component of VES, the Curriculum Library Alignment and Sharing Project (CLASP) provides teachers with online instructional materials -- guidelines, lesson units, etc. -- which match the State’s academic standards.

## **Michigan Update – May 2002**

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A dispute between Edison Schools and the Inkster public school district may require State intervention. At stake is \$1.2 million which Edison has invoiced to the district, but has not been paid, for managing all of the schools in the Inkster district. Inkster has a long-term record of low performance and financial disasters which led to the Edison takeover. One of the “bones of contention” is that the Inkster Board approved a collective bargaining agreement with teachers without Edison’s permission. The State Superintendent, Thomas Watkins, will be forced to make the final decision as to whether the State appoints a financial “master” of Inkster and pays Edison \$1.2 million that an oversight team has determined Inkster owes Edison.

The legislature will be considering recommendations by a commission appointed by the Governor that would lift the current cap of 150 charter schools by adding an additional 130 charter schools authorized by universities over the next five years. Half of the new charter schools would serve high-poverty populations. He also recommended annual testing in grades three through eight which is required under the new ESEA beginning with the year 2005 and new regulations regarding the role of education management companies. State Superintendent Watkins, as well as most legislators, are calling for a lesser number of new charter schools.

Governor Engler has been approached by State Superintendent Watkins with a proposal to decrease the State’s scheduled income tax reduction in order to make up for projected shortfalls this year and to preserve a \$200 increase in per-pupil expenditures previously promised by the State legislature and the Governor.

Michigan’s Court of Appeals recently ruled that districts claiming that the State has required them to implement unfunded mandates were not justified in their claims and ruled that the State did indeed provide adequate funding. Under two predecessor claims, Durant One and Durant Two, the court required the State to reimburse districts well over \$1.5 billion for State-mandated services provided over the last twenty years to special education students. The majority of such funds, when allocated

to the districts, had the proviso that funds had to be expended on non-recurring costs. Governor Engler strongly recommended that the funds be used to purchase technology.

Last year, the school aid fund experienced a \$250 million shortfall and estimated revenues for next year are expected to be level. School aid fund revenues are projected to grow almost four percent, although most other agencies will receive no budget increases.

The Michigan Virtual High School provides advanced placement courses to about 1,000 students whose schools do not provide such programs. The resources of the Michigan Virtual High School are available online to teachers and students in district AP courses. The Virtual High School also provides self-paced remedial instruction in regular high school subjects as well as online tutorials aimed at students preparing to take the State's eleventh grade assessment.

Last year, the State provided \$110 million for the Teacher Technology Initiative, a project designed to provide Internet connections and laptop computers to teachers across Michigan.

## Mississippi Update – May 2002

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Mississippi's school districts have been holding some of their State textbook funds in reserve because of budget uncertainties. State officials estimate that about \$23 million per year in State funds is normally used for textbook purposes, but this year about \$5 million has been held back by districts.

Mississippi has already experienced a small education budget cut for this school year. The budget for next year is still being debated and the outcome is uncertain. However, because the Governor is up for re-election in September, there are not likely to be any new taxes.

SEA Title I officials are waiting for the guidance from USED before moving ahead with implementation of the "supplemental services" provision. Over the last month, the SEA has reviewed alternative tests which could be adapted to Mississippi for assessing and credentialing paraprofessionals who do not have two years of college. The test that was selected was Work Keys. The Title I Director is Johnny Thornton (601/359-3499).

The Mississippi Online Technology Evaluation, a joint effort between the State Department of Education and AWS Convergence Technologies, Inc., is intended to help the State track the allocation of technology in schools and the way it is used by teachers and students. Using an online program called On Target, the evaluation provides analytical reports at the State, county, district, and school levels. The program allows State education officials to make comparisons across districts and schools and to match the existing technology infrastructure with State objectives. For more information, contact the State's Acting Director of Technology, Training and Support (601/359-3954).

The total gap for the biennium ending June 2003 is about \$440 million or about one percent of the overall budget. To help meet this gap, cuts are being made by the legislature in higher education, but not in K-12 education, of slightly over \$480 million. Revenues are expected to increase by 6.5

percent next year. However, an additional \$100 million of cuts in Medicaid and corrections are being considered.

The FY 2002 budget gap of \$200 million was addressed in a State-approved \$170 million across-the-board cut and tapping into tobacco settlement funds. Projected revenues for next year call for a four percent increase.

Among the casualties of the recent cut in the State education budget was the Governor's plan to have Internet-connected computers in each of the State's classrooms by next school year. As a public-private partnership this Classroom Technology Initiative has suffered from eliminated State funds and lower revenues from the private sector.

Scheduled to begin operation this Spring, the Mississippi Online Learning Institute will provide 22 courses for students whose schools do not offer specific curricula. The State is also making considerable progress on online assessment. Called the Mississippi Online Technology Evaluation Instrument, a new project is currently pilot testing an Algebra assessment, with English, U.S. History, and Biology assessments to be piloted next school year.

## **Missouri Update – May 2002**

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Missouri's State Superintendent has requested the authority to withhold funds from charter schools that do not achieve their academic objectives. Currently, charter schools in the State have been in place for only two years and have not participated in State assessments. This request does not apply to regular public schools.

Governor Holden is considering legislation which would modify the State special education law passed in 1973 before P.L. 94-142 was passed by Congress in 1975. The State law is much more rigorous than P.L. 94-142 and IDEA 97 is. In 2000, Massachusetts also changed its state special ed law to coincide more closely with IDEA for similar reasons.

With a FY 2002 budget gap of \$520 million (or six percent), balancing measures included cuts to higher education and corrections, delayed capital projects, and tapping into tobacco and other funds. To make up for projected shortfalls in FY 2003, proposals are being considered to make about \$400 million cuts in spending and tapping into additional rainy day funds and increasing taxes.

Missouri's three-year old eMINTS (Enhancing Missouri's Instructional Networked Teaching Strategies) program has provided the State's classrooms with student computers and Internet connections, as well as training to help teachers integrate technology into their lesson plans. A recent study of the results of eMINTS has indicated that the greatest beneficiaries of the program have been special needs students. However, this study found students in all grade levels served under eMINTS did moderately to significantly better on State assessments.

The State university system has sponsored a number of Internet-based learning opportunities for K-12 students including a virtual school for middle and high school students that, last school year, enrolled more than 7,000 students in 13,000 courses. Other university-based distance learning projects provide high school courses in advanced algebra, physics, and chemistry.

This past school year saw a severe cutback in Missouri's funding for educational technology. The \$3 million for technology for 2001-02 was cut to \$900,000, all of which was devoted to distance learning.

## **Nebraska Update – May 2002**

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Nebraska's aid-to-education formula has been looked upon as overly complex by school officials for many years. The Education Committee of the State legislature is currently undertaking a study in preparation for making changes in the formula.

The biennium budget gap of approximately \$220 million has been balanced by budget cuts in Medicaid, tapping into tobacco funds, and some across-the-board cuts. Some budget cuts and tax increases have been enacted by the legislature overriding the Governor's veto.

Nebraska is in the process of installing a distance learning network which will reach all 300 high schools in the State. Currently, 220 classrooms have been installed with the remaining 80 becoming operational over the next two years based upon receipts from the State lottery. These distance-learning classrooms will have laptop computers, cameras, and monitors but are not expected to provide Web-based instruction. However, the University of Nebraska's Independent Studies High School is providing 55 courses through the Internet.

## **Nevada Update – May 2002**

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Nevada's educational technology allocation for the 2001-03 biennium has more than doubled -- to \$9.95 million -- from the prior biennium. However, a severe drop in tourism revenues has not allowed the funds to be distributed to local districts. Currently, about 95 percent of Nevada's classrooms have Internet-connected computers.

The FY 2002 budget gap is about \$135 million, or about six percent of the general fund budget. About \$80 million of budget cuts are included in the FY 2003 budget. However, education appears to be somewhat protected.

Clark County (Las Vegas), which houses more than two-thirds of the State's public school students, has a special distance learning program which provides more than 1,000 students with courses using online and television programming.

## **New Jersey Update – May 2002**

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New Jersey's Distance Learning Network Aid program provides \$44 per student in State funds for educational technology. The \$59 million funding for this program is in jeopardy next year due to large expected cuts in all State programs.

Funded by a Federal Technology Literacy Challenge Fund grant, the Technology Fellowship: Mentoring and Modeling program selects 20 technology-capable teachers to participate in a research and training project for a full academic year. These master technology teachers then mentor other teachers as part of New Jersey's educational technology training centers.

The FY 2002 estimated budget gap of \$2.7 billion, or approximately 12 percent of the original appropriation, is being made up through continuation of certain taxes, tapping into rainy day and other reserves, and other means. To make up for a projected \$5 billion shortfall for FY 2003, approximately half of it will be made up through spending constraints or budget reductions. It is not clear whether education will be level-funded or will experience a slight budget reduction.

## **New Mexico Update – May 2002**

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General fund revenues are expected to increase by almost one percent in FY 2003. Two budgets adopted by the legislature have been vetoed by the Governor. It is not likely that any reductions will be made in K-12 education, and in fact, some programs could experience increases.

New Mexico's Virtual High School currently provides 60 classes to 1,500 students in a wide variety of subjects and grade levels. However, because the State's budget for educational technology is expected to drop from \$6 million to \$5 million next year, the Virtual High School will probably offer only Advanced Placement courses in 2002-03.

New Mexico is currently establishing a website which will provide teachers with information on State academic standards, standards-based assessments, lesson plans, and links to other instructional resources.

## **New York Update – May 2002**

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For the current year's State budget -- being finalized in May-June -- legislators have added \$420 million for education. These funds present problems for local school districts which, under law, must have already set their budgets. This means that the additional funding may be used to: (1) reduce property taxes; (2) add to district reserve funds which have, in some cases, been depleted in the past year; or (3) increase funds to specific local education programs. New York's total education budget has been increased by three percent to a total of \$14.6 billion.

The U.S. Department of Justice is seriously considering filing a lawsuit forcing the New York City Board of Education to return almost \$1.5 billion in Medicaid reimbursements which have been allegedly illegally claimed. Under Medicaid and the Child Health Insurance Program, districts which file claims for reimbursement can be paid for "related services" provided to eligible students (e.g., health screening for students from low-income families). In addition to New York City, lawsuits will likely be filed also against Ithaca, Elmira, and Ogdensburg. Senator Charles Schumer has requested that such lawsuits not be filed by the U.S. Department of Justice.

No budget gap for FY 2002 was reported and the State actually experienced a \$2.1 billion year-end surplus. The FY 2003 budget had not been enacted by the end of April to make up for any projected shortfalls. A cigarette tax increase will likely occur.

New York spends approximately \$96 in State funds on educational technology, most of it distributed to districts through competitive grants. The State is planning to have operational by next school year a website through which teachers can develop lesson plans to meet State standards and share information with other teachers and curriculum experts.

## **North Carolina Update – May 2002**

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As reported in e School News (April), the decision to allow the implementation of the New Connections Academy online charter school remains in question as the board adopted three other charter schools bringing the total to 100 which is the charter school limit set by the State legislature. The New Connections Academy which would have been operated by Sylvan Learning Systems, would serve 340 students in grades 6-10. One of the reported reasons for resistance by public schools in the State was the argument that public school dollars would “follow the child” who prefer to enroll in online charter schools than in public schools. Currently, in Cumberland County, the Online Web Academy has grown since it was created in 1997 and now serves more than 500 students across the State with 85 courses. Tuition for Cumberland County students is free; students outside of the county must pay \$400 per course. The money issue is a primary reason for the political upheaval in charter cyberschools currently operating in Pennsylvania (see below) which have been the target of several lawsuits that remain unresolved.

For the first time, the number of special education students in the State has increased to nearly 13 percent, up from 11.7 percent in 1997-98. In addition, while State funding per student is \$4,100, an additional \$2,600 is provided for every special education student.

The FY 2002 budget gap is approximately \$1.2 billion or about eight percent of the original budget; this was made up for by tapping local revenue sharing funds, renovation and repair funds, and other funding sources. With a two percent projected revenue increase for next year, it is not clear whether any budget balancing measures will be required in the new budget.

## **Ohio Update – May 2002**

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The estimated FY 2002 budget gap of \$500 million, or about two percent, will be made up through tapping tobacco settlements and rainy day funds. Budget reductions of slightly over \$200 million affecting higher education and corrections will make up for shortfalls this year. The State is considering increasing tobacco taxes as well as additional cuts.

Although the Ohio SEA allocates no funds for educational technology, the Ohio School-Net Commission has instituted two distance learning projects: The Ohio Telecommunity and Interactive Video Distance Learning which provide Internet-based instructional features from a wide range of content providers. School-Net was expected to receive \$118 million for the 2001-03 biennium for adding multimedia computers to sixth and seventh grade classrooms across the State. Revenue shortfalls are expected to eliminate or drastically reduce this program.

Ohio currently has in operation three virtual charter schools serving a total of nearly 4,000 students in K-12.

## Oklahoma Update – May 2002

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On May 15, the State Senate appropriated \$2.04 billion for next year's education budget. These funds are expected to pass the House of Representatives and be signed into law in the next month. This funding level represents a very slight increase -- .1 percent -- over the prior year's budget. In fact, if a new \$33.6 million fund for teacher health benefits were excluded, the education budget would have seen a 1.6 percent reduction. Another \$158 million is intended to cover a pay raise enacted in 2000. A total of \$33 million -- the same as last year -- is allocated for textbooks.

The State's Career Technical Education programs are going to be audited as the result of Governor Frank Keating's recent directive. The performance review will address the system's financial picture of programs and the outcomes it produces. While funding increased from \$174 million to \$322 million over the last ten years, the number of full-time equivalent students decreased two percent from 35,000 to 34,000. The Department of Career and Technical Education is separate from the governing body for K-12 and is considered much more powerful than the K-12 agency.

To make up for the FY 2002 budget gap of \$280 million (or eight percent), K-12 education and other programs were cut 2.1 percent during the last quarter. The State has not tapped its rainy day fund. With a projected revenue decrease of about two percent next year, any shortfalls for the FY 2003 budget will likely be made up through tax increases and increases in certain fees.

Funded at \$2.7 million last year, the Virtual Internet School in Oklahoma Network (VISION), is a partnership of nine Oklahoma school districts and a number of technology providers (Microsoft, Intel, Dell) to provide online mathematics courses. Budget shortfalls and other factors suggest that support for the program will be difficult to come by next year. There are currently a total of about 115 online courses available to high school students across the State.

Under a \$25 million multi-year technology initiative in Oklahoma City Public Schools, Dell computer is providing wireless notebook systems and desktop computers to almost 100 schools

totaling 20,000 computers.

## **Oregon Update – May 2002**

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Oregon's Governor, Democrat John Kitzhaber, cut a total of more than \$80 million from the State budget including \$10 million from public schools. The action appears designed to set up a showdown with Republican legislators later this year. The Governor delayed implementation of the cuts until July and intends to call the legislature back for a special session in June at which time a compromise may be reached. Because the cuts were selective rather than across-the-board, the legality of the Governor's action has been questioned by Republicans and lawsuits from groups hardest hit by the cuts (e.g., senior citizens) may soon be filed.

The legislature is likely to hold a third session in an effort to work around a \$940 million deficit projected for this year and next year. Some districts such as Portland are planning to reduce the school year by 8-10 days next school year.

With a budget gap of \$940 million (or 9 percent) for FY 2002, Oregon has implemented a number of balancing measures included some K-12 budget cuts, a hiring freeze, tapping into reserve funds, and other measures. General revenues are projected to grow approximately 14 percent next year, attributable to a refund in the FY 2002 budget; otherwise the growth rate would be six percent. The special session will be held in June to address the FY 2003 budget and a proposed cigarette tax increase by the Governor.

Oregon's Technology Enhanced Student Assessment project (TESA) was intended to administer the State's academic assessments online within two years. Although about a third of Oregon's 1,200 schools are currently testing by computer, revenue shortfalls have reduced the project's biennium budget by \$1.7 million. Overall, the State's education budget has been cut from \$24.9 million to \$13.1 million this year.

## **Pennsylvania Update – May 2002**

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The Pennsylvania Department of Education recently released \$44 million in school renovation funding to 85 poor and/or rural school districts who submitted applications in November. The \$44 million was Pennsylvania's share of the \$1.2 billion School Renovation Act funding included in the FY 2001 budget. Approximately 25 percent of the money was allocated to districts to be used to help implement the IDEA, including purchasing technology to assist in that effort. The remainder of the funds were to be used for school renovation and modernization which could include wiring, internal connections and other infrastructure-related purchases and services. The contact is Jim Sheffer, Federal Program Administrator (717/783-9161). A list of grantees are available at the SEA website.

The five-member school reform commission in Philadelphia has assigned failing schools to various groups to provide management and/or consulting services. Twenty schools have been assigned to Edison Schools, Inc. which is less than the number Edison requested. The strongest supporters of Edison has been the Governor and State Department of Education. Twenty-eight failing schools will be reconstituted or be elevated to charter school or independent school status. Victory Schools of New York will run three of the schools while Chancelor Beacon Academies, housed in Miami, will operate five schools. Temple University and a local non-profit will have four schools each. Universal Companies were assigned two schools. The University of Pennsylvania will operate three schools.

Because of a recently settled three-month investigation into its accounting practices, Edison Schools has not been able to raise the capital needed to operate the 20 schools under its contract with the City of Philadelphia. It is estimated that Edison will need at least \$37 million in order to open the schools in the Fall.

Under the threat of a U.S. Department of Education Office of Civil Rights action, the Pennsylvania Department of Education has stated that it will require training in English as a Second Language for

all teachers in that subject. The Education Law Center in Philadelphia filed a complaint in October 2000 arguing that recommended training by the Pennsylvania Department of Education was not resulting in qualified ESL teachers.

A recent analysis of 1999 data by Standard & Poors, which received a \$10 million contract to create a data mining system to analyze district and school performance, found significant achievement gaps between white and Asian students and when compared with black, Hispanic, Title I migrant, special education and limited-English-proficient students, with most of the latter in the lowest quartile. Per-pupil expenditures were approximately \$7,300 in 1999, which represented a 5.2 percent increase over the previous two years, but varied widely between \$4,775 and \$13,170 with almost 90 percent of the districts in the range of \$5,700 to \$10,500. Between 1997 and 1999, K-12 instructional spending rose about three percent while special education spending increased more than 13 percent. As reported in Education Daily (May 8), more money in itself will not be enough to improve schools according to Standard and Poors analysts. Nearly one in three districts with above-average spending had below-average scores.

Under a Federal court ruling, the Pennsylvania Department of Education will be required to hold hearings in order to allow districts who have refused to pay tuition for cyber charter school enrollees, to justify why over \$10 million from about 300 school districts has been withheld by the State. The two largest cyber charter schools are Einstein Academy and Western Pennsylvania Cyber Academy School. Approximately \$3 million previously withheld was released earlier this year to Einstein Academy after it took the initiative to get in greater compliance with State education policies and regulations.

The State's \$10 million CyberStart initiative created by former Governor Tom Ridge with continued support from current Governor Mark Schweiker, has been criticized by several groups questioning the utility of spending \$1.4 million in State funds and \$8.4 million in Federal money to connect all daycare centers to the Internet. By the end of this year, approximately 1,500 daycare centers with a similar number of free computers are scheduled to be connected to the Internet. Eventually, all 4,000 daycare centers are planned to have Internet connectivity. Two prominent lawmakers are

82002, Education TURNKEY Systems, Inc.

questioning the utility of continued increases in State funds for this initiative because of the revenue shortfall of about \$750 million this year.

The Governor's initial budget showed a \$250 million or 1.2 percent budget gap which has increased to an estimated \$670 million or 3.3 percent of the FY 2002 budget. For the biennium, the Governor is proposing \$300 million more in budget cuts, including K-12 and higher education, and tapping into the rainy day fund for the remainder of the deficit. Some reductions in K-12 funding for FY 2003 are being proposed. The general outlook is a matter of concern.

Pennsylvania's budget for education technology is expected to be cut from \$40 million to \$20.4 million next year. This has forced cutbacks in a variety of State programs. Approximately 30,000 students -- including more than 4,000 full-time students -- are taking some form of distance learning courses. For three years, the State has had seven diploma-granting "cyber" charter schools. The legal wrangling described above has, however, put the future of these online schools in peril. The legislature is currently trying to develop legislation to authorize these programs.

## **Rhode Island Update – May 2002**

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The Rhode Island Technology Council has selected area career and technical centers in Woonsocket, Warwick, and Providence for implementing four-year information technology academies. High school freshmen and sophomores will be provided instruction in general technologies for the first two years and, thereafter, specialized information technology skills. The curriculum was developed by the National Academy Foundation.

The FY 2002 estimated budget gap is about \$70 million or three percent of the general fund budget; this has been made up through a travel ban, delayed capital projects, and hiring and purchasing freezes, as well as tapping into tobacco and other rainy day funds. By the first of May, the FY 2003 budget had not been finalized, but budget cuts in non-K-12 areas, along with increased taxes and fees, are likely to be used to balance the budget for next year.

Rhode Island allocates only about \$3.4 million each year for education technology; it is distributed to local school districts by formula. The State's principal technology initiative is called Working Wonders funded from Federal sources. Working Wonders provides a range of technology-based programs, including: (a) summer technology training for teachers; (b) hardware for teachers; and (c) video-conferencing equipment and support for schools.

## **South Carolina Update – May 2002**

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Educators in South Carolina are in an uproar over the five percent cut -- a total of \$107 million -- out of K-12 education in the State. Another State budget cut expected in February could cause even more trouble for schools. Educators believe these cuts are making it impossible for schools to meet State education standards.

The budget gap for FY 2002 was \$440 million or about 6.5 percent. Budget balancing measures this year have included K-12 budget cuts among other agency cuts. With a projected six percent increase in revenue for next year, no budget gap is projected and expenditures will be the same or perhaps even increase in K-12. South Carolina has, this year, seen its budget for educational technology drop to less than \$20 million from about \$40 million the prior year.

The South Carolina Teaching/Learning/Connecting website is now operational and is designed to help teachers in the State find professional development and related training opportunities. It includes a calendar of workshops, institutes, conferences, etc., that provide opportunities for professional development and even recertification opportunities. For information go to [www.sctlc.com](http://www.sctlc.com). Planned to begin operation this Spring, the South Carolina Partnership for Distance Education will be an Internet-based clearinghouse for educational programs. The website will not deliver content but will direct teachers and administrators to appropriate online resources.

## South Dakota Update – May 2002

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Only about one-third of the sixty education bills introduced in the State legislature this year were passed and signed by Governor Janklow, who is in his last year of his last term. A three percent increase in per-pupil general state aid will be allocated to a lower student enrollment base which means that school districts would receive about the same amount they received last year; \$37 million has been allocated for special education programs. Additional increases are based upon local tax decisions.

Funding for the major technology initiative spearheaded by the Governor appears to be safe, although expansion of the online assessment system may be constrained. South Dakota has operational an online testing system known as the Dakota Assessment of Curriculum Standards (DACS) for third, sixth, and tenth grade students. Having testing 78,000 students during the 2001-02 school year, DACS adapts to students' performance and provides feedback.

The \$12 million FY 2002 budget gap was made up by tapping into rainy day funds and other reserves with a small increase estimated in revenues for next year. Some cuts in K-12 special education programs will be made, which is surprising.

South Dakota's Technology in Teaching and Learning programs is a series of academies for teachers. Available from more than 50 sites, TTL has served nearly 4,000 teachers in the State.

## **Tennessee Update – May 2002**

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The Governor has reduced the State budget by \$100 million this fiscal year and is considering alternative ways to get around a projected \$800 million reduction in FY 2003 for education, corrections, Medicaid and other areas.

The \$400 million FY 2002 budget gap (or approximately five percent) has been balanced by the \$100 million cut in K-12 and higher education, along with tapping into tobacco funds, delay in capital projects and a general purchasing freeze. With a projected three percent decrease in FY 2003 general funds, the State is considering an \$800 million cut in K-12, higher education, Medicaid correction, and local revenue sharing along with tapping into various reserves.

Funded by the Federal Technology Literacy Challenge Fund, Tennessee has provided \$200,000 grants each to 26 different schools in the State to facilitate integration of technology into Tennessee's curriculum. The grants are used for teacher training and hardware.

For the past two years, Tennessee has offered online Advanced Placement courses for low-income students.

## Texas Update – May 2002

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The office which is likely to be responsible for the Reading First initiative in Texas has indicated that it will not come up with a list of approved products for Reading First or even for Title I which requires that all “supplemental services” be approved by the State. Officials indicated that Texas has never come up with such a list and hope that the regulations include a waiver of that provision if State laws prohibit coming up with such a list of approved products. The State office will, however, do whatever it takes to meet the requirements related to scientifically-based research reading for any approach that is approved. A contact within the TEA who will likely be responsible for the Reading First initiative will be Melanie Pritchitt, 512/463-9027, or Cindy Phillips at the same number.

There was no budget gap in FY 2002 and with an estimated 3.5 percent increase in general revenues next year, there will not likely be any cuts in K-12 education. Any budget adjustments will have to be made by the legislature next year.

Beginning next school year, all first-year teachers in Texas will be required to pass a State competency test which includes technology components. In 2004-05, Texas will institute a program whereby specially qualified teachers, designated as “master technology teachers,” will help other teachers across the State to integrate technology into their instruction.

Unlike many other states, Texas has maintained a steady level of State support for educational technology. A total of \$240 million -- allocated annually to school districts at \$30 per student -- is used for hardware, software, and staff development.

## **Utah Update – May 2002**

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To make up partially for a \$250 million revenue shortfall (approximately seven percent), about \$140 million in budget cuts were made earlier this year in higher education, Medicaid, corrections, and local revenue sharing. With a stable outlook for FY 2003, a total of \$80 million in cuts was passed by the legislature which affect K-12, higher education, Medicaid, corrections, and local revenue sharing. Increases in taxes also passed the legislature.

Utah's Electronic High School currently offers 14 online course for 3,200 students whose regular schools do not provide certain subjects, as well as for students needing remedial work. State officials expect the list of offerings to approach 40 and the number of enrollees to reach 10,000 students in the next ten years. The Electronic High School is funded at \$400,000 in State funds.

## Vermont Update – May 2002

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The USED has awarded Vermont EdFlex status. To qualify for EdFlex status, Vermont had to revise its Statewide assessment and accountability system which was approved by USED.

Because of the anticipated burden associated with the “Leave No Child Behind” law, Vermont is considering refusing Federal education funds. Many State officials believe that it might cost more to implement the Law’s testing guidelines than the State would receive. Although Vermont is ranked sixth in the nation in test scores, at least 30 percent of the State’s schools would be classified as “failing.” The Federal contribution will not cover the full costs of remedies required under the Law. According to a number of media sources, Governor Howard Dean, a would-be contender for Democratic Presidential nomination, has indicated that the State may reject its \$25 million Title I allocation rather than dumb-down its accountability and assessment system which has been approved by USED.

The Vermont House of Representatives passed a bill that would permit parents to choose their children’s schools, with State funding -- about \$4,500 per student -- following the child. Parental choice would be limited to public schools and the program would be phased in over five years. The bill is expected to meet opposition in the State Senate and in the Governor’s office.

The budget gap for this year in Vermont will likely be \$40 million or approximately four percent. For FY 2003 budget cuts are expected only in Medicaid and local revenue sharing, not K-12.

Working in partnership with Verizon, the State has built the Vermont Interactive Learning Network, a computer-based videoconferencing system. Verizon, as part of its contribution, has provided the infrastructure for the network, including hardware, software, support, curriculum development resources, and T-1 lines. By next year, all 61 high schools in the State are expected to be part of the network.

## Virginia Update – May 2002

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Governor Mark Warner has reappointed Jo Lynne DeMary as State Superintendent for Public Instruction. DeMary was appointed State Superintendent in 2000 by the Republican Governor at that time, James Gilmore. She had previously been an administrator in Henrico County which last year became the most intensive computer-using district in the State having purchased 24,000 laptop computers from Apple Computer.

Although the new Governor inherited a \$2 billion shortfall from his predecessor and has faced a slowdown in the manufacturing and technology sectors affected by 9/11, last year the legislature decided to add \$260 million to the budget over the next two years. However, some programs were cut, including school construction, staff training, and related programs. The legislature also approved \$8 million to increase testing under the new ESEA requirement. The requirement that students pass tests in specified academic subjects as a prerequisite for graduation was also delayed to 2007.

The FY 2002 budget gap is approximately \$2.0 billion or ten percent which was balanced by tapping into the rainy day fund for about \$470 million, acceleration of sales tax increases, and intergovernmental transfer payments. With a projected 3.7 percent increase in revenues for next year needed to cover the prior year's deficit, a seven percent budget cut was passed recently by the legislature which included cuts in K-12 and higher education.

The Virginia legislature recently approved a total of \$116 million for education technology during the 2002-04 biennium, a small increase over the prior two years. Over the past two years, the State has provided grants to local school districts specifically for technology -- \$50,000 for each district and \$26,000 for each school; however, fund allocations have lapsed by almost a year for this initiative and for the State online assessments.

## Washington Update – May 2002

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The Governor has proposed tax increases which would increase revenues by about \$300 million in FY 2003. These increases are required for the Governor to justify his proposed \$33 million increase for K-12 and a \$200 million school construction bond issue.

The State legislature is dealing with a budget shortfall of more than \$1.6 billion for the biennium. Across-the-board spending cuts, including \$200 million from K-12 education, are being considered. Two sizable programs approved by voter referendum -- cost-of-living raises for teachers and a class size reduction initiative -- are also likely to be cut.

The FY 2002 budget gap of \$900 million or eight percent of the total budget was balanced by \$680 million in budget cuts in areas other than K-12 education. There are no further budget cuts anticipated for FY 2003 although the revenue situation is a concern in the legislature.

Although Washington has developed a telecommunications and support infrastructure, it has specifically avoided providing direct online instruction. Rather, the State has budgeted \$250,000 this year to pay for students taking Internet-based courses.

## **West Virginia Update – May 2002**

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In the last year of the biennium, districts will likely receive a small increase over this year's funding which will be used for salary increases, renovation of schools, and a planned merit-based scholarship program for students based upon academic achievement, not financial need.

There was no budget gap in FY 2002 and, although projected revenue growth for next year is 4.4 percent, agencies have been asked to make spending cuts of three percent. This will not likely affect K-12 district allocations.

Operational for the past two years, the West Virginia Virtual High School provided online instruction to nearly 500 students whose schools cannot provide specific courses, including social studies, math, foreign languages, and Advanced Placement courses. West Virginia spends a total of about \$350,000 each year for the Virtual High School, including salaries for coordinators at individual schools.

## Wisconsin Update – May 2002

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The Wisconsin SEA office responsible for Title I (“Successful Schools” office) indicated that they will be issuing an RFP, available on their website and also listed in newspapers across the state, in mid-May soliciting vendors with products and services which they would like listed on the State’s approved list of supplemental service providers. Applications are due on July 1; by July 30, the State will have identified approved products and services which will be listed on their website. Following a practice used in 1997 when Wisconsin developed a similar list under the Comprehensive School Reform Demonstration Act, the SEA is likely to place a high priority on programs and products which have been proven to be effective in increasing student academic performance in basic skill areas. In 1997, Wisconsin also included “home grown” models which were successful. Officials do not believe that districts will have enough time to create programs during the summer, to evaluate their impact, and to have them nominated for the initial list. However, many districts are likely to ask that their projects be put on the list during the following year. The person responsible for Reading First is Catherine Ellison (608/266-9616).

The total budget gap remains at \$1.1 billion or five percent of the biennium budget. It is not likely that any budget cuts will have to be made this year and next year the revenue and budget situation appears to be level and stable.

Wisconsin’s Technology for Educational Achievement (TEACH) program, operational for the past four years, uses a combination of Federal and State funds to provide technology grants to local school districts. Over the four years, TEACH has provided \$167 million in district technology grants.

## **Wyoming Update - May 2002**

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There was no significant budget gap last year and, with a stable revenue outlook, K-12 will not likely suffer any budget cuts.

Wyoming has budgeted \$11.2 for educational technology during the 2002-04 biennium. All of these funds will be required to support online professional development for teachers and to maintain the Wyoming Equality Network which connects all schools in the State to the Internet and provides two-way video. Wyoming has a contract with the Ostendorf Center for Distance Learning to develop an online professional development program and to schedule video courses over the Network.