

**FY 2006 Appropriations Reduces Federal Education
Funding for the First Time in a Decade,
Significantly Reducing Certain Funds Which Can Be Used For
Purchasing Technology and Related Products**

A Technology Monitoring and Information Service (TechMIS)

FUNDING ALERT

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During the early morning of December 22, the Senate approved the FY 2006 Appropriations Bill for education cutting overall funding for the first time in a decade. While overall education funding would be reduced by almost \$60 million from last year's level, the Education Enhancement Through Technology (E²T²), Title II D, State Technology Grant program, was cut from \$496 million this year to \$275 million next year. Title I and Special Education programs received slight increases of about \$100 million each; after a one percent across-the-board cut for all education programs, which is included in the FY 06 Appropriations Act, the net effect will be less funding for these two formula programs. Overall, the estimated amount of funding for NCLB, after the across-the-board one percent reduction, would be between the \$780 million reported in [eSchool News Online](#), and \$1 billion according to estimates from Senator Kennedy's office. Below, we address some of the implications of the budget action for specific programs which are used to fund purchases of technology and related services. Without the benefit of seeing the Act's up-to-date language and conference report, we have had to rely on reports from usually reliable sources.

The almost 50 percent cut in E²T² funding will not only affect the level of purchases of software and staff development under this program, but is likely to result in many districts not applying for E-Rate discounts as E²T² is used by many districts to meet their matching requirement. Moreover, actual spending of such funds will be extended because districts don't have to obligate all of their E²T² allocations until September 30 of the second year of funding. On the other hand, the appropriations conferees were, at one time, seriously considering specifying that states use all or a high percentage of their E²T² allocation for discretionary grants. This year, 50 percent of the funds have been allocated under discretionary competitive grants while the remainder went out on a formula basis to ensure that all districts receive at least some funding. If states do allocate most of the funds through discretionary grants, then the most likely recipients will be larger districts with high poverty enrollments.

The Innovative Education Programs Block Grant (Title V) was also cut in half from \$198 million this year to \$100 million for the coming year. Last year during the appropriations battle, this program "fell through the cracks" and would not have received any funds if education groups had not lobbied Congress at the last minute. This block grant is especially popular at the district level because its funds can be used for almost any activity designed to improve instruction. Because of its popularity, many districts will reallocate up to 50 percent of other Titles to Innovative Education Programs because they would have greater flexibility in how the money is spent. Indeed, in our last TechMIS issue, we reported that GAO

found that a large number of districts reallocated a large portion of their Title II A Teacher Quality Grants to Title V because of this flexibility.

The Comprehensive School Reform Demonstration program will be cut from \$205 million to \$8 million, which would be used to fund the remaining years of a few multi-year CSRD projects. The Administration initially proposed zero-funding for CSRD, claiming that the adoption of CSRD model programs by districts could be funded out of the state four percent Title I set-aside designed for school improvement, especially in schools which have been identified for improvement and/or which otherwise use the funding for supplemental educational services. A leading advocate of this program has been Robert Slavin, Director of the Success For All foundation, which several months ago filed an official complaint with the Office of the Inspector General alleging conflicts of interest in the Reading First program. Shortly thereafter GAO also instituted its own investigation.

Other programs which would receive significant cuts are Even Start, which would be reduced from \$225 million last year to \$100 million; Safe and Drug Free Schools, which will be reduced from \$437 million to \$360 million; and Star Schools and Community Technology Centers, which would be zero funded next year. The Fund for the Improvement of Education would be reduced from \$414 million to \$160 million. In the past many education-related (including technology) projects which were included as pork barrel earmarks, were placed under this program. In November, the Senate leadership removed all such earmarks from the Appropriations Bill which resulted in the House defeating that version because of the loss of their pork barrel projects.

Some programs which support the use of technology received slight increases before the one percent across-the-board cut, including: Math and Science Partnership increased to \$184 million from \$179 million and Advanced Placement increased \$3 million to \$33 million. All of the increase in Title I funding was under the “targeted” and “finance incentive” grant components of the Title I formula which will benefit large urban districts. Hence, the districts that will receive small increases, if any, will likely be those identified in our November 8 TechMIS Special Report.

On the surface, it would appear that IDEA increases would result in at least small increases at the district level next year. However, under new IDEA provisions, a district can decide to use up to 50 percent of any IDEA increase for non-special education purposes or otherwise put such funds into a “Superintendent’s slush fund.” Or, if a district has over-representation of minorities in special education (i.e., high disproportionality), then it must reallocate 15 percent of its IDEA funds to some other office other than special education to provide early intervening services for borderline students. Because of these new IDEA provisions which took effect for the first time this school year, district-level special education program funding in many districts are going to be 10-15 percent lower than what appears on paper.

As the accompanying appropriation reports or language in other documents become available and, after we have had a chance to review them, we will provide updates. In the meantime, feel free to contact me directly. The remaining Washington Updates and Special Reports for the next TechMIS issue will be sent out during the first week of January.

Have a prosperous New Year.