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## MEMORANDUM

**DATE:** February 3, 2009

**TO:** TechMIS Subscribers

**FROM:** Charles Blaschke and Blair Curry

**SUBJ:** Types of Expenditures for Title I and Other Federal Programs; New Online Survey Findings; SES Trends; and Senate Markup on Stimulus Package

On January 26th, we sent subscribers a Special Funding Alert on the House-passed stimulus bill which will likely go to committee markup in the next week or so. Below is an analysis of the Senate Appropriations Committee proposed funding for K-12 included in the stimulus package. While the proposed funding levels for components such as Title I and IDEA are very similar, the way funds are distributed, to whom, and how the funds can be used are somewhat different. The Senate is debating the Committee's proposals this week and may go to markup early next week followed by a joint Senate/House conference committee out of which will come the final package for President Obama's signature planned before the February 16th President's Day holiday.

Concurrent with the activities related to the stimulus bill is the FY 2009 appropriations and the President's proposed education budget for FY 2010, both of which will be released before the end of February. The appropriations bill is intricately related to the stimulus package in the sense that any increases in the FY 2009 and proposed FY 2010 budgets could feed the perception by Republicans that this is not a two-year stimulus package, but rather a "baseline" for increasing Title I and IDEA funds in the future.

The Washington Update items in this TechMIS issue include the following:

II, Title III, and the four percent SEA set-aside, which corroborates some of our previous estimates and findings.

- **Page 5**
  Updated USED report finds that SES participation rates remained about 17 percent in 2007, concluding that parents have shown a low propensity to have their child participate in both public school choice and SES; however, the study fails to address some of the fundamental questions addressing why.

- **Page 7**
  New survey finds three-quarters of K-12 districts have students taking online courses, with 15 percent of the rest planning to provide online courses over the next three years. The perceived importance of online courses for credit recovery and directly related activities is becoming an increasingly important reason for districts to provide online learning.

State profile updates will be included in the next TechMIS regular issue. Most were provided earlier last week along with the Special Funding Alert. In that alert, we suggested that subscribers should target those districts in our April 7th, 2008 Special Report that received large absolute increases or large percentage increases in Title I funds for this year. The school modernization funds, as well as the Title I allocations, in the stimulus package will be allocated proportionately to the amount that districts received this year. While the proposed Senate allocation method is a little bit different, generally this suggestion still holds. If you are talking with a district which received a cut in Title I funds, you may want to suggest that the district contact the Census Bureau to see if it made some mistakes or had inaccurate boundary parameters. If so, they may revise the Census count and hence Title I formula funding for that district. Districts have until March 10 to register a protest with the poverty estimates branch at the Census Bureau by sending an email to hhes.saipe@census.gov.

If anyone has any questions, contact Charles Blaschke directly.

# Washington Update

*Vol. 14, No. 2, February 3, 2009*

## Funding Alert: Senate Committee Education K-Stimulus Proposal Would Provide Levels of Funding for Most K-12 Components Which Are Similar to House Bill, But Would Allocate Such Funds Differently and Target New Priorities

The Senate Appropriations Committee has proposed the *American Recovery and Reinvestment Plan* which would provide stimulus funding for K-12 education at levels similar to the House levels, but would allocate such funds differently targeting them to several of President Obama's priorities.

In the Senate proposal, Title I and IDEA would each receive increases of slightly over $13 billion over two years; however, 15 percent of these increases would be directed to pre-K education programs. Based on 2004-05 estimates, about $250 million of Title I funding is used annually for pre-K education programs which, under the proposed stimulus, would increase to more than $2 billion during the two-year duration of stimulus funding. Under IDEA, the current level of annual funding for pre-K programs is almost $400 which would increase to more than $2 billion over two years under the Senate's proposed stimulus. Hence, overall Federal spending for pre-K education programs would increase to $4 billion over the two-year period. Combined with the slightly over $4 billion increase for Head Start and Childcare Development Block Grants, the total amount focusing on pre-K education would increase by about $8 billion over two years which is close to what Candidate Obama called for during his campaign. One of the allowable uses of funds under the IDEA preschool education programs is to provide early intervening services which include education components that promote school readiness and incorporate pre-literacy, language and numeracy.

The allocation methods of Title I stimulus funding over the two-year period would also be similar to the bill passed by the House. In both the House bill and the Senate proposal, School Improvement Grants would increase by $1 billion each of the two years; however, as the Senate Appropriation Committee Conference Report states, "The Committee strongly urges the Department to encourage states to use 40 percent of their allocations for middle and high schools." Last year, slightly over 30 percent of schools identified for corrective action or restructuring were middle schools even though middle schools are only 15 percent of all Title I schools; and most of the middle schools are so designated because of the low performance of students over five or six years in mathematics.

Under the proposed $16 billion for School Renovation (versus $14 billion for K-12 schools in the House version), LEAs may use their funds for upgrading or installing education technology infrastructure "to ensure that students have access to up-to-date educational technology." However, such funds cannot be used to purchase computers, monitors or printers. While the


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proportional allocations would be based on districts' Title I allocations this year, the Senate proposal would allocate such funds directly to the 100 districts with the largest numbers of Title I eligible students. As the Committee Report notes, "The rest of the funding will be awarded to LEAs on a competitive basis by the states using criteria including: percentage of poor children; need for renovation, repair, and construction; plans to use "green" practices; capability to implement products expeditiously; and the LEAs fiscal capacity."

Under the proposed $79 billion of state Fiscal Stabilization Grants, which will be administered by the U.S. Department of Education, at least 61 percent of the states' allocation would be used to "restore" state support for education to the FY 2008 level. Such restoration would be made through the states' "principal elementary and secondary formula," which would take into account state equity and adequacy adjustments enacted prior to July 2008. It is not clear how state categorical funding programs that are not built into the state aid weighting formula will be used. If there are any funds remaining, then the state will allocate grants to districts in proportion to their Title I allocation this year. Allowable uses of such funds would be those allowed under ESEA, IDEA, or the Perkins Act.

Unlike the House Bill, the Senate version does not include any funds for statewide data systems ($250 million in the House Bill) or any allocation for Teacher Incentive Funds (a $200 million increase is included in the House version) or Credit Enhancements for Charter School Facilities ($25 million in the House version).

Reflecting its priority of diverting funds to infrastructure, including broadband development, the Senate version would provide almost three times (to $9 billion) the amount as the House would for The Broadband Technologies Opportunities Program which would improve access to broadband.

In short, the Senate Committee markup reflects President Obama's priorities more closely than the House for expanding broadband access, early childhood education, and addressing middle school and some high school problems and issues.

## New USED Report Study Reports That, in 2004-05, Nearly 30 Percent of Title I Funds Were Spent on Non-Staff Instructional Materials, Equipment, and Student Support Including Over $1 Billion for Professional Development

A new study of the implementation of NCLB, "Targeting and Uses of Federal Education Funds," reported that, in 2004-05, 29 percent of the $12 billion in Title I, Part A funds were spent on non-staff instruction and instructional support, including instructional materials, student computers, and professional development.

Of the $8.8 billion spent on instruction, slightly over $7 billion was spent on instructional staff, with more than $1.4 billion allocated for instructional materials ($1.16 billion) and student computers and technology ($284 million). Approximately $260 million was spent on extended time programs, $249 million on preschool, and $99 million for kindergarten. Under "Instructional and Student Support," in addition to the $1 billion spent on

professional development, $1.1 billion was spent on other instructional and student support, which included student support services, parental involvement, social workers, and librarians. About 10 percent, or $1.1 billion, was spent on school and district level "Administration," which included some non-instructional hardware and software.

The study also found that the amount of Title I funds allocated to individual schools dropped to 74 percent in 2004-05 from 83 percent in 1997-98. The centralization of Title I expenditures at the district level was attributed to various set-asides. Increasing numbers of schools had to set aside funds for SES/parent choice (20 percent) and professional development (ten percent) and for parent involvement (one percent). The study found that, in 2004-05, approximately $375 million was spent on SES -- up from $192 million in 2003-04 -- about $838 per participating student in SES. However, the amount per participating student was less than the total allocated amount per average student of $1,100, which confirms our previous estimates that between a third and a quarter of SES set-asides was unspent and was available at that time to be reallocated for other purchases before June 30 or end-of-year deadlines. Interestingly, the report also estimates that $56 million was spent on school choice related transportation in 2005-06 which amounted to an average of $965 per participant, more than the per-student allocation for SES.

The report also tends to corroborate our estimates over the last three years that more professional development was funded through Title I than any other Federal program, including Title IIa Teacher Quality. In 2004-05, slightly over $1 billion in professional development was paid for through the use of Title I funds compared to almost $520 million allocated for professional development under Title IIa. Slightly more than $100 million of Reading First funds was allocated to professional development, largely through the 20 percent state set-aside for professional development and technical assistance. The report does caution that the estimate for Title IIa may be low, as certain personnel categories, such as mentors, teachers, and literacy coaches that were used to provide professional development may have been reported under "instructional staff "or "instructional support." About 80 percent of districts receiving Title I funds used some such funds for professional development; in addition, slightly over 93 percent of districts and schools that received a portion of the SEA 4% set-aside for school improvement used funds for professional development activities. About half of the Title IIa funds for professional development focused on reading and language arts (29 percent), and mathematics (25 percent), with smaller amounts focusing on science (11 percent) and history/social studies (6 percent). In 2002-03, more than 40 percent of professional development focused on reading and language arts. One can expect that, under the new Administration's priorities the less than five percent of Title IIa allocated for recruitment, retention, and the use of incentives will expand greatly.

The report provides, for the first time, estimates of how Reading First and Title III English Language Acquisition funds were used in 2004-05; these totaled $815 million and $517 million, respectively. Funds spent on instructional materials, equipment, and other instructional services were approximately $180 million under Reading

First and slightly more than $100 million in Title III. Almost $251 million of Reading First funds were allocated for instructional and student support, including reading coaches, while $100 million for such was allocated under Title III.

Also for the first time, USED reports on how the 4% SEA set-aside for school improvement under Title I was allocated in 2004-05, which corroborates many of the findings of the annual reports on the implementation of NCLB by the Center for Education Policy (CEP). For example, more than 40 percent of those funds allocated to districts with schools identified for improvement -- particularly those entering "corrective action" or in "restructuring" -- were for "instructional support." This likely reflects the increased use of literacy coaches and related student support staff that was hired during that time frame. More than 30 percent of the funds were allocated for "other instructional expenditures" while only 20 percent want to hire additional instructional staff. The report also notes that, in 2004-05, 36 states retained the five percent of the 4% set-aside for state-level activities, while nine states -- Alaska, Colorado, Maine, Massachusetts, Michigan, Minnesota, Tennessee, Virginia and Wyoming -- did not retain any such funds, passing on the total amount to districts. Almost $500 million was set aside under the 4% SEA set-aside in 2004-05; it is projected to increase this year to about $550 million, not counting the additional School Improvement Grants of $491 million, which are also used to help the lowest performing schools and districts, including those in "corrective action" and "restructuring."

Other interesting/surprising findings included in the new report are:

- "Few districts (6 percent) that operated Title I schoolwide programs actually *consolidated* Title I funds and funds from other sources into a single pot of funds to support schoolwide activities." The major barrier to districts taking advantage of such consolidation opportunities -- which would not require the schools to report how the money from various funding sources was used -- were state accounting rules which subsequent USED regulations have attempted to rectify. In 2006-07, our survey of technology funding and expenditures for special education found that approximately 50 percent of large districts said most of their schools did "consolidate" all Federal funds in Title I schoolwides. Recent USED guidance allows Title I schoolwide programs that do consolidate all Federal funds with state and local funds to use a portion of the IDEA 15 percent set-aside for early intervening services/RTI, as well as additional Title I funds, to serve all students at risk of failing.
- "Over the past seven years, Title I schools decreased their reliance on Title I teacher aides, and the ratio of Title I teacher aides to Title I teachers declined by about 40 percent." Between 1998 and 2005 the number of full-time equivalent (FTE) Title I staff increased by 49 percent, while the number of FTE Title I aides declined by ten percent. One of the reasons contributing to the decline of the number of teacher aides is that <u>any</u> aide in a Title I schoolwide program that is paid for out of any Federal funds has to meet

the "highly qualified" requirements of NCLB.

- "At the school level, Title I funding per low-income student in the highest poverty schools remain virtually unchanged from 1997-98 to 2004-05, when adjusted for inflation, and these schools continued to receive smaller Title I allocations per low-income student did the lowest-poverty schools." Title I funds retained for district-managed services increased from nine percent in 1997-98 to 21 percent in 2004-05.
- "Schools identified for improvement receive smaller Title I allocations per low-income student than schools that were not identified for improvement." At the elementary level, identified schools received $582 Title I dollars per eligible student compared to $686 in non-identified elementary schools.
- The report also found, "The highest-poverty schools tended to spend proportionally more of their Title I funds on instructional and student support, and proportionately less on instructional staff than the lowest-poverty schools." In the highest-poverty Title I schools, schoolwide programs, and schools identified for improvement, between eight and 10 percent was spent on instructional and student support. In other schools, the percentage spent for instructional and student support is between two percent and six percent.

The USED report also estimates how Federal funds were allocated under the Consolidated School Reform Demonstration Program (CSRD) which was not funded after 2005 and the Perkins Career and Technical Education Act. Of the seven Federal programs that were analyzed, the Perkins program showed the largest percentage of funds used for instructional materials -- $283 million out of $641 million (44 percent). Of that, 39 percent ($248 million) was allocated for instructional materials with five percent ($35 million) used for student computers and other technology. One explanation for this phenomenon is that states have to provide a 100 percent or more matching in order to receive Perkins funding; state funds go mostly to districts, but also to some community colleges to fund salaries.

For a copy of the report go to: http://www.ed.gov/rschstat/eval/disadv/nclb-targeting/nclb-targeting.pdf

## Updated USED Report Finds That the SES Participation Rate Remained Around 17 Percent in 2007, Concluding That Parents Have Shown a Low Propensity to Have Their Child Participate in Both Public School Choice and Supplemental Services without Addressing Directly "Why"

USED reports that in 2006-07, the number of students eligible for SES increased more than six-fold to 3.3 million since 2002-03, yet participation rates in SES remained about 17 percent through 2007. The report concludes that parents have a low propensity to want to have their child participate in SES, speculating that the primary reason is "a belief that their child did not need help." Parents also gave "inconvenience" (of either locations of SES or times at which SES was offered) as a reason. Questions about who

provided the services and their impact on students were not addressed in-depth in the 16-district study subsample. Some improvements in implementing SES, however were noted in the report.

One example of progress was that almost 70 percent of districts offering SES in 2005-06 reported that parents could choose from at least five Title I SES providers, up from 38 percent in 2003-04. The number of SES providers has steadily increased from 1,024 in May 2003 to about 3,050 in 2008, with 88 percent being private providers; ten percent were school districts and public schools, a decrease from 32 percent in 2003. Most districts are not allowed by current USED policy to provide their own SES if the district is identified for improvement; this is the case in all but four large, urban districts which have the largest number of students eligible for SES participation. If this policy, which is not spelled out in the law, is dropped by the new Administration, SES participation rates can be expected to increase 200-300 percent.

Between 2004-05 and 2006-07, in a subsample study of 16 districts, the average number of SES provider staff doubled, on the average, to almost 80 staff members per provider. However, the experience levels of their staff decreased from an average of ten years to seven years and providers were less likely to use full-time teachers tutoring in their school district. SES providers reported offering an average of 45 hours of service per student per year. Based upon his experience with tutoring under the Chicago Public School's own program, as well as through SES providers, Secretary Arne Duncan has called for a minimum of 45 hours of tutoring for each student in order to show significant student performance gains.

In 2006-07, 95 percent of districts that were required to provide SES reported they notified parents; however, most parents in the eight large, urban districts included in the substudy reported they had not been notified. Among those parents reporting they had been notified, 90 percent said the information about their choices was "easy" or "very easy to understand."

While SES monitoring and evaluation is primarily an SEA function, the report found that at least half of the SES providers reported that more districts monitor their services "a few times a year" than did SEAs and that about half of districts observed SES sessions at least "a few times per year."

About 60 percent of SES providers reported they had to reapply for state approval for at least the second time and that the renewal process was more demanding than initially.

In 2006-07, more principals of schools with students eligible for SES reported that three services were better aligned with school academic content in math and reading than in 2003-04. Virtually all providers said they communicated with regular classroom teachers "a few times a year" and all providers reported progress on individual students to parents "at least a few times per year," with about half providing such information "a few times per month."

The major issue from the findings relate to parent notification, which was a justification for the Title I final regulation's inclusion of certain notification criteria a district must meet before it can reallocate unspent SES set-aside funding for other allowable purposes. To the extent that SES provisions remain in the NCLB reauthorization, tightened parent notification procedures

about SES participation will likely continue to be an issue and, based on his July testimony before the House Education Committee and confirmation hearings in January, Secretary Duncan could provide greater flexibility in several SES provisions, but is likely to ensure rigor in the parent notification process.

For a copy of the report entitled "Volume VII-Title I School Choice and Supplemental Educational Services: Final Report," go to: http://www.ed.gov/rschstat/eval/choice/nclb-choice-ses-final/choice-ses-final.pdf.

## New Survey Finds Three-Quarters of K-12 Districts Have Students Taking Online Courses, with 15 Percent of the Rest Planning to Provide Online Courses Over the Next Three Years; an Increasing Number of Current District Providers Perceive Its Importance in Providing Opportunities for Credit Recovery

The Sloan Consortium recently released *K-12 Online Learning: A 2008 Follow-up of the Survey of U.S. School District Administrators* which found that, between 2006 and 2008, the percentage of districts providing online courses increased from 63 percent to 75 percent. The number of students enrolled in fully online or blended learning courses increased from 700,000 to over one million, with a prediction of increased growth over the next two years of 23 percent.

The perceived important reasons for a school district to offer fully online or blended learning courses over the two-year timeframe were similar; more than 70 percent felt the most important reasons were courses not otherwise available at the school and the ability to meet the needs of specific groups of students. Forty percent of district respondents felt that certified teachers not being available for face-to-face instruction was an important reason compared to only 30 percent two years ago. Other perceived reasons which were felt to be more important in 2008 than in 2006 were limited space for growing populations, cost effectiveness, and students preferring to take online course activities. One other area was perceived to be more important than two years ago was permitting students who failed a course to take it again. Sixty percent of respondents felt this reason was almost as important as the ability to offer advanced placement or college-level courses which actually decreased slightly in relative importance. Previous studies conducted by NACOL have confirmed the increasing importance of credit recovery as a prime reason for providing online courses. However, none of these studies addressed the use of online distance learning for test preparation, remediation, and other non-course offering purposes; this strongly suggests that the use of online courses for credit recovery and directly related preparation programs is very likely understated.

Findings from surveys conducted by the Center on Education Policy (CEP) among others have also reported significant growth of online tutoring, test prep, and remediation in states which have graduation exit exams or end-of-course exams and a significant increase in the number of states that provide support to districts for online test retaking, test prep, remediation, and directly related activities. Recognizing the need to differentiate between online courses and online supplemental instruction/assessment

which is supplementary rather than official courses, NACOL has called for such distinctions being made in future studies. One might anticipate that test retaking, remediation, and online tutoring will increase as USED's new uniform graduation rate reporting requirements are being implemented over the next two years. However, in some states, funding cuts for these types of proposed remediations have been proposed or proposals have been made to cut back on statewide assessments and end-of-course exams in order to reduce remediation costs.

Another boost in demand for district-offered remediation-type online services could occur beginning in August when the new GI education Bill goes into effect. Some community colleges and universities may contract with districts to provide such remediation for returning veterans, including National Guardsmen, who served in Iraq or Afghanistan. That law provides up to $1,200 for students in need to take remediation courses before being allowed to take college credit courses, which are also paid for under the new law (see Washington Update August 2008).

The Sloan survey also asked district officials who provided the online courses. Over 80 percent of districts reported they used multiple online learning providers depending on their needs, rather than contracting exclusively with one provider. Only 17 percent of districts provided their own centrally-delivered online courses that were fully online and 35 percent provided blended online courses. For fully online courses, 46 percent of districts reported such courses were provided from post-secondary institutions, 41 percent from state virtual schools, and almost 35 percent from independent vendors. Another 30 percent reported using fully online courses provided by education service agencies or intermediate education units. Almost 40 percent of the districts said they used four or more providers of online courses.

The Sloan Consortium report pretty much supports the prediction made by Christensen, et. al. in the 2008 book Disrupting Class: How Innovation Will Change the Way the World Learns, who predicted that by 2019, half of all high school courses will be delivered online. The Consortium predicts that "it is conceivable that by 2016 online enrollments could reach between 5 and 6 million K-12 (mostly high school) students."

For a copy of go to: www.sloan-c.org/publications/survey/k-12online2008