A Report of Estimated Expenditures of Federal and State Funds on Education Technology Products and Services During School Year 2001-2002

A Technology Monitoring and Information Service (TechMIS)
SPECIAL REPORT

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This report presents estimates of Federal and state funds used for educational technology during the 2001-2002 school year. The estimates were developed by Education TURNKEY Systems, Inc. during the Summer and early Fall 2001. The first chapter of the report describes:

- definitions of the different technology categories;
- current information about the Federal programs which are listed as sources of funds for purchasing technology categories by districts and schools;
- caveats and cautions regarding state-funding estimates; and
- recommended uses of these estimates.

The remainder of the report consists of individual state worksheets summarizing education technology expenditures by program -- Federal and state -- and by technology category.

Definitions of Categories of Technology Products and Services

"Hardware" includes computers and related peripherals used primarily for instruction, assistive technology used to facilitate instruction, and some hardware components of networks and infrastructure systems.

"Software" includes primarily instructional software and licenses for online content. Software which is included as part of a technology service delivered online is under "Other Services."

"Professional Development" includes estimates of the amount of teacher and administrative training that is specifically related to the use of technology. It does not include teacher training related to content areas except when technology is used to deliver such content.

"Other Services" includes subscription online services which may include access to instructional software, online and onsite tutoring (which relies to some extent on technology for delivery), and online assessment services which are used at least partially to improve instructional services. It does not include statewide assessments which are scored by hand or by test manufacturers.

Federal Programs

Below we provide current information on the Federal programs that are primary sources of funds for technology purchases.

ESEA Title I is the largest Federal aid-to-education program involving more than 40,000 schools serving 10-12 million students who are disadvantaged, come from low-income families, and are generally achieving significantly less than national norm as measured by state assessments and norm-referenced tests. For FY 2001, Title I received an initial $700 million increase and then this summer a $160 million "supplemental" for districts whose Title I funding was reduced due to a change in the Title I formula. Fifteen percent of Title I funds for this school year were released in July and the remainder -- including all increases in "concentration" funds -- were released beginning on October 1, 2001, with most districts receiving the remaining amount between mid-October and mid-November 2001. Approximately 650 districts received about 90% of the total $860 million Title I increase in funding. (See June TechMIS Special Report.)

IDEA is the Federal portion of special education costs, representing approximately 15 percent of the $60 billion estimated total special education expenditures. In FY 2001, IDEA received $7.4 billion, plus up to $300 million under School Renovation which is listed separately in the state tables. In addition, approximately $ 1 billion was expended last year under Medicaid/Child Health Insurance Program (CHIP) for reimbursements of related costs. Some of these reimbursements "freed up" additional IDEA funds to pay for technology products. The recent 2001 TURNKEY Survey of Technology Use in Special Education found about 50 percent of hardware and software used in district special education programs is purchased using IDEA funds. Approximately 15 percent of IDEA funds were released in July 2001, with the remainder released in October 2001, so states will be receiving their remaining funds in October and November. Over the last five years, unlike Title I funds (in which funding per student served has dropped from over $900 to slightly under $600), Federal IDEA funds per student served has increased from approximately $500 to between $1,200 and $1,400 this school year.

Goals 2000 funds include amounts allocated to districts last year or the year before which did not have to be spent until September 30, 2001 (or December 31 in cases where waivers were provided). In many states the remaining Goals 2000 funds were combined with Technology Literacy and Challenge Grants during last year and this year. In some states -- such as Virginia and Alabama -- all Goals 2000 funds were used for technology purchases.

ESEA Title III/Technology Literacy Challenge Funds have been level-funded over the last two years at slightly over $400 million. These funds are allocated to states and, in turn, states provide competitive subgrants to districts who may use such funds for purchasing technology products and services. Most states allocate between 20-30% for training and some use the state set-aside portion for licensing online reference and other content for all districts in the state. A companion Title III program, Technology Innovation Challenge Grants, has been a national competitive grant program. However, over the last two years a significant amount, approaching almost 50 percent, has been earmarked for "pork barrel" projects thus reducing the amount available for competitive grants. While some states have offered only one round of competitive grants for each of the five years the program has been in existence, some larger states such as California have two or more competitive rounds each year. States which receive such funds have

two years by which to expend or obligate them. Unlike Title I and most formula programs, Title III is not "forward-funded"; hence, the estimates provided in this report should be considered conservative in that Title III FY 2002 is likely to be included as part of a block grant which will likely receive approximately a $130 million increase. Because it is part of a block grant however, it will be extremely difficult to provide such estimates in the future.

Class Size Reduction received an increase from $1.3 in FY 2000 to $1.6 billion for FY 2001 to be spent this school year. However, because this program has been included as part of a block grant for teacher quality improvement, districts in the future will not be required to use such funds to hire new teachers to reduce class size. Because superintendents and other LEA officials are increasingly becoming aware of this, many are hesitant to commit to hiring new teachers for this school year using Class Size Reduction funds and it will likely expend more than the 25 percent that can be used for staff development. Districts in which 10 percent or more teachers are not certified can use <u>all</u> CSR funds for staff training and teacher improvement.

ESEA Title VI, a consolidated block grant of 32 programs, is a formula program which is "forward funded"; hence only a very small portion of the funds were released in July 2001 with the remainder being released in October.

ESEA Title II/Eisenhower Professional Development has, over the last two years, received increased funding which is used primarily to improve knowledge and skills related to math and science subject areas. The PT^3 program is a relatively new program which provides funding to consortia of universities and school districts which is used primarily for pre-service and some in-service staff development related to the use of technology. Both of these programs may be combined in the proposed block grant for FY 2002. While the estimates for Eisenhower funding are current, the PT^3 funding will likely increase somewhat in FY 2002, especially if the PT^3 program is not folded into the proposed consolidated block grant.

The **Reading Excellence Act** was funded last year at approximately $280 million and will increase to almost $900 million under President Bush's **Reading First Initiative**. The estimates include the third round of approximately $300 million allocated to 13 states in 2001. If the

Reading First Initiative is funded at approximately $900 million and if some states are able to fund some of their proposed capacity-building activities during this school year, then the estimates should be considered conservative.

The **21st Century Community Learning Center Initiative** has been one of the fastest growing new Federal initiatives funded in FY 2001 at approximately $840 million, almost double the previous year. This program is not "forward-funded"; hence two funding rounds of this Federal competitive grant program to operate afterschool programs have been made; one for approximately $200 million in January 2001 from the FY 2000 allocation; and another in June 2001 from the FY 2001 allocation, of approximately $300 million. Another round from FY 2001 for $400-$500 million is likely to occur during this school year. When and if this occurs, the estimates currently listed should increase between 10-20 percent.

The **School Renovation Initiative** funded at $1.2 billion for the first time in FY 2001 will not likely be included in the FY 2002 budget. Approximately $300 million can be used by districts to implement special education initiatives or to purchase technology. Therefore, a number of states have decided to allocate such funds to districts to purchase technology for use with special education students. No funds will likely be used for staff salaries because the program funds will not likely be available next year. Many states have not yet applied for the state allocation (which would be provided to districts under subgrants), largely because the funds do not have to be expended until September 30, 2003.

The **Education Discount Rate Initiative** (E-Rate) includes estimates of the amount expended primarily on non-E-Rate eligible products and services (e.g., computers used by students, content software, staff training, and non-infrastructure services). The estimated totals for each category for this school year represent a proportional amount of the refunds requested through the BEAR (Form 472) process by districts in the form of checks which could be used to purchase non-eligible products and services. The estimate for this school year includes $1.5 billion of BEAR refund requests from Year Four plus several hundred million dollars under Year Two and Year Three meritorious appeals, and for Year Two "out-of-the-window" funds. It is important to note that if the front-end E-Rate discount amounts for eligible Internet, telecommunications, and

internal connection services were included, the amount of hardware and other services (which includes infrastructure), would increase by a total of over $2 billion.

State Funds

The estimated amounts for technology products and services purchased through the use of state funds were based on the following process. First, we reviewed the state budgets for K-12 education for this coming year. We also reviewed reports submitted by state officials on a quarterly basis to SIIA containing descriptive information about certain technology-earmarked programs, schedules, etc. (which are also summarized in TechMIS State Profile Updates). For the most part, states have only recently passed their biennial budgets so this school year's budget is the first year of the biennium. In those cases, we estimated that approximately 50 percent of the total would be spent this year and the remainder next year. For states which have yet to finalize their school year 2001-2002 K-12 appropriation (e.g., Michigan and New York), we used last year's budget. The estimates could change in some states such as California where, last year, after the K-12 budget was signed, the Governor decided to allocate $175 million of state surplus money to districts to purchase hardware. It is doubtful that many states will have supplementals this year given the economic downturn. Rather, one might anticipate some additional states will reduce state funds earmarked for technology as has been the case already in Iowa ($30 million to $10 million), Louisiana ($15 million to $6 million), and Ohio ($140 million to $42 million), among others.

Second, the appropriate offices in some of the SEAs -- usually the technology coordinator or director of programs for at-risk students -- were asked to review our estimates. While the SEA Technology Coordinators are extremely familiar with how state technology and Federal technology ear-marked funds are being used, they typically are not sure about how much of state comp-ed funds and other program funds are used for technology purchases or how much of state "capital" funding is used for wiring and related infrastructure. However, many technology coordinators do have an intuitive feeling of how much money they spend per pupil on technology from a variety of sources. In one state, our estimate showed technology expenditures

of slightly higher than $210 per pupil while the estimates of the state technology coordinator was slightly less than $210.

Third, when available we used state and our TURNKEY survey findings to project some sales. For example, our 2001 survey of technology use and expenditures in special education reported a 25 percent increase in hardware sales would occur this school year compared to last year. The estimates include this increase.

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At a general level, these estimates should assist marketing and sales officials in the following areas:

- identifying the states to target using as a guide orders-of-magnitude differences in per-pupil funding;
- establishing benchmarks for quotas or commissions; and
- apportioning states to regions or territories in which estimated expenditures for a type of product or service are similar.

In order to explore potential sales opportunities in the greatest detail, one should review the last five or six months of our TechMIS state updates which include additional descriptive information about specific programs, schedules, etc. One could also go to individual SEA websites to learn more about funding opportunities in areas which are generally not well known or tracked, such as state capital improvement and bonding authorities, renovation and modernization efforts, block grants, and compensatory education/at-risk programs. Most of these SEA websites also have grant information such as application deadlines, anticipated award dates, and lists of recent grant awardees for some programs. For certain programs such as the Reading Excellence Act, SEA websites generally post all districts and schools in the state which

meet the minimal requirements for program eligibility. TECHMIS subscribers should also reference two special reports in our June TechMIS issue which addressed Title I funding increases and tips for selling to niche markets.