Washington Update [8]

New Study Suggests Reasonable Accommodation Be Provided For High Computer Using Students in High Stakes Testing

A new report suggests that "reasonable accommodations" should be provided to more groups of students including high-level computer-using students, when high stakes testing occurs. The report by the National Board on Education Testing and Public Policy studied two groups of computer-using students who were taught the same materials and lessons in math, science and language arts. One group of students was tested by computer, the other with more traditional paper and pencil. The study found substantial differences in passing rates across all subjects: 67% of the computer-tested students passed, compared with only 30% of the paper-tested students. The findings in this report are significant. They seriously question the results of numerous studies by Education Testing Service and other groups, which have found that computer-using students do not fare as well on the NAEP, and other assessments, as students who do not use computers extensively.

A strong argument can be made that just as LEP students and special education students are allowed reasonable accommodation, such accommodation for computer using students should also be allowed and be encouraged.

As we reported in 1998 after ETS released its report "Does It Compute", the ETS study should have been faulted when it reported that students who use computers more have worse reading and math scores, than students who do not use computers. Few, if any states, take NAEP scores seriously; rather the high-stakes tests in the states are

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traditionally national norm-referenced to which publishers develop and align. The editorial coverage in the April 26 <u>USA Today</u> made a similar mistake by implying NAEP was a national norm-referenced tests scores as it cited the ETS findings.

Released in December 1999, the results of the NAEP writing assessments found that computer-using students did worse than non-computer using students. Similarly, in his study of the use of laptop computers by students over three years, Sol Rockman found that laptop using students writing improved, but the findings on national norm-referenced achievement tests were "ambiguous". In a recent presentation, he concluded that such ambiguity could have been to the fact that standardized tests do not measure the skills acquired through laptop use. Shortly after the NAEP writing scores were released, USED announced that it would be deleting all of the 1994-1998 writing students' scores on the NAEP because of flaws in the test and assessment process used.

NIL Survey Finds Increase in Distance Learning in Adult Basic Education and Related Literacy Programs

The National Institute for Literacy released an updated report in February 2000, which found that more than 30 states currently (or in the near future plan to) use distance learning to provide adult basic education and literacy programs. Over time, 36 states foresee using the Internet as part of their distance learning activities, while 48 states foresee using television technology. The most widely used distance learning delivery program is the Kentucky Educational Television program entitled *GED on TV*, which is being licensed for use in at least 35 states. Another widely-used program is *Crossroads Café*, which includes video and other materials designed for ESL learners; it is used in more than 20 states. Plans are underway to use distance learning in literacy training in virtual high schools, delivered by virtual high schools in Colorado, Delaware, Florida, Minnesota, Missouri, Nebraska and Vermont.

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The availability of computers for access to the Internet to receive literacy programs is a major barrier. The 1997 Census survey found that adults with high school diplomas or GEDs are more than twice as likely to own a computer than those without -- 25% versus 10%. The report also highlights efforts in two states, California and Delaware. Not only is Delaware a leader in per-pupil expenditures for technology (over $500 per year) in K-12, it has also become a national leader in mixed markets such as vocational education and adult literacy. For more information about this report, entitled "How States are Implementing Distance Education for Adult Learners," go to: http:\\www.nifl.gov/policy/distance.htm.

Remedial Courses to Expand in Two-Year Colleges

Remedial courses in two-year colleges are expanding, thus creating a greater demand for basic skills products. For a variety of reasons, the number of colleges with remedial courses, and the number of students taking them, should increase over the next few years, thus providing increased sales opportunities for publishers of remedial instruction materials. Public four-year universities have increasingly been attempting to cut-back on the number of enrolling students who need remediation and requiring them to go to community colleges for at least two years before enrolling in four-year institutions. More than 30 states have proposed similar policies over the last decade and seven states have passed state laws reducing -- or eliminating -- remedial programs at the four-year institutions.

The annual cost of college remediation is approximately $1 billion nationally. Over 50% of entering freshmen require one or even two remedial courses mostly in reading and math. The national average, according to the Education Trust is that one third of all college freshman had to take at least one remedial class in 1995. For example, Oklahoma estimates it is spending $21 million on remediation, and believes that this cost should be reduced by at least 50%. In New York, the State University System is implementing a

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policy, which will increasingly require unprepared students to enroll in ESL or basic skills programs at two-year colleges. According to Education Week, (April 5th) states such as Maryland, Massachusetts and Missouri are conducting follow-ups of their secondary school graduates who are entering colleges to use college performance as a means to identify weaknesses in secondary-level curriculum content.

Another reason for increases in the marker of remedial programs in two-year colleges is the fact that the percentage of entering freshmen who are welfare recipients has increased slightly to over 6%, up from 1% prior to the passage of the Welfare-to-Work reform in the mid-1990s. The vast majority of these welfare recipients have neither a high school diploma nor a GED, and will need intensive remedial instruction. Many of the state agencies and Workforce Investment Boards provide funds to cover tuition for these welfare recipients as they enroll in local community colleges.

Another important factor could be the newly proposed legislative initiatives related to the "digital divide"; high-tech employers will be able to receive tax credits up to 20% of the cost of providing college education and training for their employees, up to $5,000 annually. Preliminary estimates are that most of these individuals will need remedial and/or GED prep courses in order to receive their high school diplomas prior to enrolling in a college, or take remedial courses when they enter college.

Another reason is the growing recognition of the importance of GED credentials among youth and individuals with generally lower basic skills. A recent study conducted by Brown University found that individuals who passed the GED earn 10% to 20% more than those who fail the test, but who have similar basic skills levels. The report indicates that employers feel that those holding GEDs, by virtue of having completed seven hours of exams are mature and committed, and have acquired at least a minimal set of cognitive skills. Approximately, 17% of all high school "graduates" have GEDs (regular diplomas).

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There are a number of associations representing some of the colleges that provide remedial programs; the most active is the League for Innovation, which holds two conferences annually. Several technology firms typically support this organization and exhibit at its conferences or participate in its programs. While the contacts vary across colleges, most of the colleges' remedial programs fall within the responsibility of the Office of Student Development which often supports technology-based solutions that do not require faculty members to provide remedial courses.

Below The Surface Anxieties About ESEA Future Emerge During NAFEPA

During the annual National Association of Federal Education Program Administrators (NAFEPA) conference in April, many of the 250 participating district Title I and Federal Program administrators expressed concerns about the future of the ESEA and Title I. Local coordinators are primarily concerned about the possibility of Title I being included in one of several block grants, either passed or proposed by the House or the Senate, and that Title I funds would be spread too thin. To some degree, this has already occurred, as the number of Title I school-wide programs in which all students are served, has increased to almost 18,000. Many are also concerned about proposed "transferability" provisions which would allow funds that are targeted at high-poverty schools to be transferred from one program to another; such transferability provisions range from 5% proposed by the Administration last year to 100% included in some proposed amendments. These provisions would allow a district to transfer a percentage, for example, of Title IV Drug Free funds to Title I, or vice-versa.

One of the key advocates of funding flexibility, including "transferability," Chairman Bill Goodling (R-PA) noted that only two of the twelve states under the old ED-FLEX legislation --Texas and Maryland - have taken significant advantage of the flexibility offered through the waiver process to promise increased performance accountability in

return from having certain Federal regulations removed. Many states are not likely to take advantage of the new ED FLEX legislation which went into effect this year; as previously reported, only one state-- North Carolina --is definitely going to request waiver status in the immediate future. While the House has passed ESEA Title I and its Teacher Empowerment component, mark-up began several hours after Chairman Goodling's presentation on a "catch-all" bill which would include Title III/Technology Literacy, Title VI, and other smaller programs. Chairman Goodling emphasized guidelines under which he would attempt to come up with a third ESEA component including:

- an increased emphasis on the quality of instruction and quality of teachers;
- providing local control and the opportunity to be creative with the use of Federal funds;
- increased accountability to close the achievement gap;
- training of teachers on how to use technology effectively;
- use of proven research-based basic academic programs and models in Title I; and
- increased parent responsibility and involvement.

In previous conferences, Chairman Goodling's comments have been received with moderate support from NAFEPA attendees; his comments related to increased flexibility and block grants were certainly less well received this year.

National Title I Director, Mary Jean LeTendre had only limited words about USED preferences relating to Title I reauthorization provisions, although she reinforced her strong feelings that paraprofessionals should not be used to provide direct instruction for Title I students, and that funds should be targeted on high-poverty schools.

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Several attendees suggested that USED officials are not certain that the President will veto the House or Senate ESEA reauthorization proposals, which they are likely to submit to him in the next few months. In this election year, several attendees felt that President Clinton would "give away" Title I in order to get the Class Size Reduction funding, which is strongly supported by the NEA and AFT. Other USED officials who spoke before the group appeared to be unusually "sensitive" about programs they administer. When critical comments were voiced by attendees, for example, officials from the Comprehensive School Reform Demonstration program were unwilling to entertain any attempts to make the selection process for the CSRD list a "more level playing field," especially to include more for-profit companies.

A large number of exhibitor staff attended NAFEPA for the first time. Firms were allowed not only to sponsor events, but also to exhibit -- during one day -- selected products on tabletops. Traffic during the morning was good to excellent; however, during the afternoon, especially when general sessions were occurring, exhibit traffic was minimal with some exhibitors leaving early. Approximately 20 firms exhibited, about half of which had technology-based solutions. Partially, as a result of E-Rate and increased connectivity in Title I schools, interest among Title I Directors in Internet-based and delivered products and services was substantially higher than reported in TURNKEY surveys two years ago.

USED Seeking Comments on New National Technology Plan

During an "invitation only" meeting on April 13th, Dr. Linda Roberts, Director of USED's Office of Education Technology, invited individuals and groups to begin the comment process, via a new website, on the initial goals for the five-year National Technology Plan. Her office plans to complete the plan in September-October. The new priority goals of the plan includes:

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- ubiquitous access to state-of-the-art information technology for all students and teachers;
- the effective use of technology by all teachers;
- students who are technologically literate and responsible citizens;
- increased research, development and evaluations to shape the next generation of technology applications in learning; and
- an e-learning economy, which will be driven by education.

During the question and answer period, Dr. Roberts indicated that AOL will be providing support for the "web chat" during the comment period; her office had discussions with several dot.coms to get their views on how to reduce the "digital divide" between the technology "haves" and "have-nots". Also, several religious groups are being engaged to solicit their views on how to reduce the "digital divide." Like the 1994-95 planning process to develop the first five-year Technology Plan, this effort will focus on other USED offices involved in the implementation of the Technology Plan. She indicated that firms are encouraged to provide links on their websites to the new web chat address which is accessed through http://www.ed.gov/Technology.

Some of the proposed goals for the new technology plan were based on results of a forum conducted by the USED earlier this year. Of the 30 participants, only one was a for-profit education software publisher. Two of the priorities relate to how R&D will shape the next generation of technology applications for education and drive the e-learning economy. While not explicit, these two priorities suggest an increased role for the Federal Government in significantly influencing, if not been actually conducting, the development of software applications for teaching and learning. In the AERI program which was initiated this year (see April 2000 Washington Update), private firms are not likely to be encouraged to participate in any major way. One major problem confronting the software publishing industry is increased "unfair competition" by the Federal Government as it provides free resources, including software, which competes directly with education software publishers; these include over 600 digital databases on the FREE website, including some which have lesson plans (e.g., PBS Mathline) which are available at no cost. This is an issue that, under current legislative proposals will grow

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even larger, presenting a more serious threat to private sector software publishers and private investment in new software development.

If anyone is interested in more details related to "unfair competition" issues, please call me directly. Also, if TechMIS subscribers who provide comments on the proposed goals would copy me by e-mail, we will compile comments and provide sufficient position statements to groups who can influence the plans. Please e-mail comments to Charles Blaschke at turnkey@ix.netcom.com.

For a copy of the initial goals, white papers and additional information, go to http://www.ed.gov/Technology.

National Reading Panel Recommendations Likely to Add to Reading War Debate

In April, the National Reading Panel mandated by Congress released its findings and recommendations, which will likely contribute to expanded "reading war" between phonics and whole language advocates. Secretary Riley in a press release called these findings "further evidence that the reading war is not over" by pointing to somewhat similar findings from a previous National Research Council (NRC) entitled "Preventing Reading Difficulties in Young Children"(1999). The findings from the most current report have been criticized from numerous fronts.

Critical reading skills according to the report, are phonemic awareness, phonics skills, reading fluency and reading comprehension. While the panel looked at research studies of the use of computer technology in reading instruction, it generally recommends future studies and research in this area. It also recommends that more studies be conducted on the effectiveness of different approaches to teacher training and teaching fluency and comprehension to special education students.

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Of the 14 panel members, only two-- a principal and a teacher -- are currently in K-12 school districts.   The principal from a school in Boring, Oregon felt the panel's composition was too heavily weighted toward the university and post-secondary research community and that the topics selected related more to their specific interests and experiences than alternatives which offer promise. The inference from the findings was that, if little research was available on a specific approach, the particular approach was not successful. For the most part, the 100,000 studies reviewed were those which had adequate evaluation and study designs; specifically excluded from the study were those findings from qualitative and case studies.

The report is available at www.nationalreadingpanel.org.

New/Revised National Standards on Technology Education and Math Released

In April, the National Council of Teachers of Mathematics (NCTM) released its revised mathematics standards, followed shortly thereafter by the International Technology Education Association (ITEA) releasing the first National Standards for Technology Education (which replaces Industrial Arts). Criticism of the 1989 NTCM standards caused the new math standards to reflect a greater emphasis on basic skills. As reported in Education Week (April 12) respected education policy critics such as Dr. Larry Cuban believe that the new standards will still be at odds with the back-to-basics movement and with state assessments currently being used, because the NTCM standards are oriented to performance-based assessments in real world problems. Of all the associations that have developed national standards, NTCM has had the greatest impact nation-wide in spite of math controversies in states such as California and Massachusetts.

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The ITEA technology standards are designed to hasten the demise of industrial arts courses and to encourage teachers to think about technology in all subjects. The ITEA standards are referred to as "technology literacy standards" and are different from the "educational technology standards" developed by ISTE in 1998. Many observers believe that the ITEA technology literacy standards will not be incorporated into the curricula of most school districts because such content areas are not covered in state assessments that are driving curriculum content. Copies are available from the respective associations' websites - - www.nctm.org and www.iteawww.org.

The Administration Seeks Emergency Funding for Summer Youth Training and Education Programs

As discussed in the February, 2000 Washington Update, the switch-over to the Workforce Development Act, as it replaces the JPTA system, is likely to result in a funding short-fall for the former JPTA Summer Youth Training and Education Program, funded at approximately $1 billion annually for the last few years. The National Conference of Mayors is calling for an additional $500 million without which, it argues, thousands of youth will be unemployed this summer. The Administration would like to add an additional $40 million to the emergency funding for the FY2000 supplemental appropriation. The Senate Republican leaders feel that if such a supplemental is not included in the Senate version, a separate bill could be introduced to fund summer jobs programs.

Under the Workforce Investment Act Program, which goes into effect July 1st, funds for summer and year-round programs are lumped together; most mayors believe that the summer programs will be under-funded. Alternative funding sources for summer jobs training and education programs are being explored by a number of states. These include: Welfare-To-Work programs, from which some youth could be qualified to receive support for education and remediation; and the Welfare Reform/TANF fund

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(which in many states is running a surplus) which could be used to provide support for components of a summer job training and education program. In the past, many school districts have contracted with local Private Industry Councils (now Workforce Investment Boards) to provide remediation at $1,000-$2,000 per participant. If such supplemental funding is made available, the main beneficiaries will be the large cities.

Standards-Based Reform Initiatives Being Reconsidered.

Following Secretary Riley's call for a mid-course review for the "standards movement" (see April Washington Update) in March, a number of directly-related initiatives and events occurred, most of which were designed to prop-up the standard-based movement and assess alternative means for keeping it alive.

According to Achieve, which is the National Governors Association mechanism for achieving the implementation of high standards, 40 states met their self-imposed April deadline as follows: 15 states are designing or modifying their assessments; eight states reported adding standards or improving existing ones and more states are undertaking early literacy initiatives and extending learning opportunities for at-risk students. However, few of the states are placing a higher priority on staff development. Other initiatives which some states are undertaking, according to Achieve and based upon our own state profile updates, include: a) increasing teacher salaries and providing monetary incentives for teachers who achieve high standards or, in some cases are in schools where student performance increases; b) extending contracts to teachers to conduct summer school or provide tutoring services; c) increasing the number of state exit exams; and d) including special education students in such exit exams.

The American Federation of Teachers (AFT) also announced its proposal to create lessons related to content standards and a test for teachers requiring college level proficiency in at least one core academic area. Several education associations have been

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somewhat critical and skeptical of the AFT plan, which would require a 2.75 grade point average for entering teacher programs. The proposal would also require new teachers to teach during their fifth year and to work under a mentor.

During a National Video Teleconference in mid-April, the National Education Goals Panel initiated the "High Achieving School" project, which focuses on reforms using the Malcolm Baldridge TQM Techniques. Schools would apply this business management approach to improve student performance. Supporters include Wisconsin Governor Tommy Thompson, who will take a lead role in a four week-long conferences addressing TQM and its potential benefits. During the last year of the Bush Administration, the New American School Development Corporation, (now the New National American Schools Incorporated) issued RFPs to use, among other techniques, the TQM approach for comprehensive school reform. Some of these models, currently on CSRD official list have under certain conditions worked moderately well, while many have not.

 Because many associations have bought into standards-based reform (and therefore have much to lose if this movement is significantly re-directed), support from education groups has not diminished, at least on the surface. Both Presidential candidates favor standards-based reform, but differ somewhat on the implementation means. Congressional leadership on both sides of the aisle also support this general movement. However, this year in many states, the politics of high-stakes testing, ending social promotion, the inclusion of special education students' scores on report cards, and other sensitive issues, are resulting in varying levels of state implementation and policy re-direction.

New Report Profiles Community College Population

A recently-released survey report by the AACC and ACT, Inc., entitled "Faces of the Future" argues that community colleges are a major source of training for individuals

seeking employment in the information technology industry. This has been widely-reported in the press. However, some of the most important findings not so widely-reported, relate to the composition of the student population enrolled in colleges.

The report notes that among respondents taking college courses for credit, 18% stated that the development of computer skills was the major reason for taking college courses. The percentage increased to 33% for non-credit students aged 40 or older. Almost 90% of credit students and 70% of non-credit students indicated that they had used the Internet prior to enrolling in college. Internet use was lower among enrollees between ages 40 and 50 (25%) and among unemployed students (34%). Some of the more interesting findings relate to the diversity of the student population, as noted below.

Over one quarter of non-credit respondents have a bachelors degree or higher. On the other hand, 50% of community college students are first generation students where neither parent as had any post-secondary education experience; this group also has relatively more minority students, older students, and students from homes where English is not the primary language. Thirteen percent of first generation students received some public assistance funding; and over 20% had household incomes of less than $20,000. Student aid was rated very important for 48% of these students compared to 42% of all respondents. The major reason for these students being enrolled in community colleges was to have "a steady and secure job."

Single parents were only 7% of the population taking courses for credit, with over 50% reporting household incomes below $20,000, compared to 18% of all respondents. Almost 30% of single parents reported public assistance as the source of funding on their education, compared with 9% overall, and almost 75% reported financial aid was a very important source of funding compared to 42% overall. Single parents taking non-credit courses felt that gaining workforce-specific skills for getting a job -- including growth in

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self-confidence, workforce skills such as teamwork, and the ability to use personal computers -- were primary reasons for their going to college.

The report also found that the cost of a computer was consistently rated as one of the top five (of 12) problem areas for students attending community college. Other major problems included personal financial problems, cost of books and materials, job-related responsibilities, and the cost of child care. Among first generation students, 25% felt the cost of computers was a major problem; almost 40% of single parents responded in a similar matter.

Without the availability of longitudinal data on the primary reasons for credit and non-credit students entering college or taking college courses, it is difficult to determine if increases occur over time. Without doubt, Microsoft, Novell and Cisco have expanded dramatically their certificated academy programs for various IT positions in colleges, which could be a primary force in making such courses available. These academies have also expanded in Job Corps centers, high schools, and community technology centers across the country. And, as one considers the composition of the college student population, it is also clear that a primary source of funding for college tuition comes from a variety of Federal funds including: Welfare-to-Work, TANF, WIA, other Federal funding sources and college tuition tax credits which have increased dramatically over the last few years.

A recent report by MDR estimates an increase of 9% (to $2.7 billion) for technology spending in higher education during 1999-2000 school year. Overall academic spending on technology per students will increase to $102.00 up from $87.00 in 1998. Almost 50% of college classrooms currently have Internet access, and almost 40% of dorms and residences have access, up from 25% a year earlier. Only 4% of colleges require that all students have a computer, while 6% require a computer for some courses. Academic software expenditures at two-year colleges averages approximately $43,000 compared to

over $100,000 for four-year colleges during the 1999-2000 school year; 34% of colleges now offer accredited degree programs on-line, up from 15% last year.

For a copy of the Executive Summary of "Faces of the Future" go to www.aacc.mche.edview/initiative/faces/f index hpm or call: AACC (202)728-0200 Ext. 209.

The White House Kicks Off New Markets Initiatives to Bridge the Digital Divide

On April 17th the President kicked off the New Markets Initiative to bridge the "digital divide" beginning with a speech in East Palo Alto, California, followed by similar "pulpit" speeches at the Shiprock, New Mexico Navajo reservation and in Chicago's inner city. As predicted in the last TechMIS report, White House "jaw boning" with private sector technology firms paid off in large donations ranging from cash to professional development and services, to hardware provided to schools -- particularly in Empowerment Zones and Enterprise Communities (EZ/ECs). Concurrently, USED announced 214 grants totaling $44 million for Community Technology Centers, most in EZ/ECs). The President is requesting $100 million in FY 2001 for the CTC program.

In February, the President announced the New Markets Initiative which includes tax incentives for corporate donations of technology or services to school districts in high-poverty areas. In late April, Vice-President Gore announced an intitiative to network 3500 nodes in inner city locations through which the Urban School Network, under contract with the General Services Administration, will provide for kiosks with links to various government agencies over the next 18 months. The initiative was designed to provide inner city residents on-line access to a variety of Federal, state and local government services. Earlier in April, Net Day announced its digital divide initiative, which would focus on wiring efforts in 37 schools in several Empowerment Zones and

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Enterprise Communities, relying on a budget of $1.5 million, most of which is from USED.

The New Markets Initiative is being implemented in the context of major pledges by high tech firms such as Intel and Microsoft, among others, to donate cash, hardware, software and services to school districts in states where their corporate headquarters are located, as well as additional states. Many of these corporations, as well as affiliated corporate foundations, have also targeted Empowerment Zones/Enterprise Community districts with high rates of poverty for their donations.

Under the Gates Foundation Teacher Leadership and Development Grants, 45 million of the total $70 million in state grants will be allocated to Washington State districts. Under the $250 million district grant initiative, the first ten grants will go to the school districts in the state of Washington.

Both the Administration and Congress are amenable to prividing tax credits or deductions to vendors for donating technology (broadly defined) to schools. Recently the Senate passed, by a margin of 96 to 2, The New Millennium Classrooms Act that would provide pro-rated discounts on donated or used computers.

And, as noted in the last TechMIS report, the President has, on several occasions talked about the proposed "enhanced tax incentive" for high-tech corporate donations. As a fiscal policy, tax incentives for corporate donations do offer promise and -- if carefully targeted -- could go a long way toward realizing the Administration's "digital opportunity", particularly by targeting Empowerment Zones in high-poverty areas. However, some questions should be addressed; for example, what happens if grants and donations are keyed to corporate profit and or "valuation" which could drop. Planned projects might have to be postponed, as was the case in Idaho recently when the

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Albertson valuation was reduced by approximately 50% and planned projects were postponed indefinetely.

While joint efforts involving corporate donations and provision of staff training, materials, and services require a balance of responsibilities, LEAs must be assured that their governance authority is not eroded.

For some education software and related publishers, these initiatives involving donations are a "mixed blessing." On one hand, they represent an opportunity for taking advantage of increased hardware bases and Internet access to digital content. However, if a hardware donation is loaded with bundled software, which precludes recipients from replacing the bundled software with desired commercially available software, the effect is largely negated. This has been the case with some of the vendor/foundation hardware give-aways during the Delta Initiative last December. Moreover, by donating hardware, expectations that software should be donated as well arise.

The New Markets Initiative is merely one of several attempts by this Administration to work around the market mechanism through tax incentives, free software, and corporate donations, etc. to create uncertainty in the marketplace. It is somewhat ironical that this Administration, on one hand has argued the need to have the free market mechanism, rather than regulations, mold the expanded use of the Internet, while at the same time interfering with the market mechanism in education.

For more information about the most recent Community Technology Center grantees, go to www.ed.job/offices/ovad/ctc. Similar to the most recent round of grants under the 21st Century Community Learning Center Initiative, many of the 214 grantees were unaware that they would be funded until the grants were formally announced. Most submitted proposals over a year ago and many will be making changes to what they had previously proposed, perhaps providing some opportunities for TechMIS subscribers.

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Medicaid Reimbursement to Schools for Related Services Costs Likely to Continue but Process Will Likely Be Streamlined

In the April TechMIS mailing, we reported on an imminent GAO report which uncovers some major misuses of Medicaid reimbursement for services provided by school districts, and some exorbitant fees charged by firms for completing related forms for districts to be reimbursed. The GAO finally released its report in April, and recommended that the reimbursement process be streamlined and that the Federal agency within HHS responsible for reimbursements work closely with state and local districts in developing understandable guidelines. The net result is that states and districts that follow the new guidelines will continue to be reimbursed for providing related services such as health screening and transportation, etc. for special education students. This will have the net effect of freeing up state and Federal special education/IDEA funding to be used to purchase instructional, rather than health-related services. In states such as Maryland, the per-pupil Medicaid reimbursement is equal to the amount of Federal IDEA funds -- $830 per pupil.

In 1998, about $177 billion was reimbursed for serving 41 million low-income individuals, including 13 million school-age children. About 95% of the services are health related, such as occupational and physical therapy, speech therapy, rehabilitative services among others.

Concurrently with the release of the GAO report, Senator Charles Grassley (R-Iowa) and Senator Edward Kennedy (D-Mass.), with the support of over 20 disability organizations, proposed to expand Medicaid coverage for school-based services to families that now do not qualify for Medicaid. If passed by Congress, the bill is likely to be signed by the President which would increase Medicaid reimbursements for related services for virtually any special education child. Around the same time, the Congress passed a

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Resolution which would increase IDEA special education funding by $2 million for FY 2001, and within 10 years would increase the Federal portion of special education costs to 40%. Currently, the Federal portion is around 12%.

Eduventures.com Report on Industry Predicts Healthy Future but Discussions With Investment Firms Suggest Some Redirections

Eduventures.com, which recently acquired The Heller Reports, estimated an 11% revenue increase over 1998 to $96 billion in 1999 for the total education industry. It also estimated that a new category of services, referred to as the "e-services sector," generated about $500 million in revenue while e-service companies received almost $1 billion in private investment last year. Presentations and follow-up discussions with investment companies attending the May 8-9 Fulcrum Conference in Washington, D.C. suggest that many of the new investment rounds or IPOs will lead to disappointing results as has been the experience of many dot.coms over the last few months. Much of this can be attributed to a lack of "institutional history" and inadequate knowledge or experience among investment groups who deal with the K-12 segment.

According to The Heller Reports (May 2000), the e-service sector includes --portals, e-tails, and network platforms --- and is principally comprised of web-based companies leveraging web technologies to provide solutions to the education industry. The Eduventures.com report noted increased revenues in all sectors including the school segment (12.3%), the school product sector (9.5%), and other services (e.g., training, tutoring, test preparation, etc.) (10.7%); it concluded that "web-based education businesses will lay the foundation for a more robust public market for education stocks".

During the Fulcrum Conference, which was attended by various education companies, and members of the investment community, a general degree of naiveté about the K-12

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and related niche markets was observed on the part of many of the investment groups. For example, several officials from investment groups stated their interest in investing in professional development firm citing the proposed venture by Edison Inc. to establish on-site or on-line professional development institutes. When asked about how private sector companies can compete with government-subsidized regional service centers and other state agencies who can provide low-cost staff development, the comment was offered that school districts will purchase quality over low-priced services.

Many officials of educational firms and investment groups agree that, to meet new state and Federal accountability requirements, the most critical element is to ensure that lessons and materials available on the Internet are correlated with state content standards. Most of these individuals were surprised when it was noted that in most states the assessment instruments are not aligned with the content standards and for accountability purposes, most districts believe it is more important to have such lessons correlated with domains on the state assessment instruments than with standards. Many of the 80+ e-service companies identified by Eduventures.com, believe that standards/material correlation is a critical feature when seeking investment capital.

One encouraging event during the conference was a panel of seasoned private education veterans who pointed out some of the real growth opportunities and ways to overcome practical barriers to more extensive Internet use by students and teachers; at least a few of the officials from investment groups appeared to be seriously listening. In the past, in order to raise capital, most private education firms have tended to say in their presentations before investor groups what they thought the investor group wanted to hear. Some of the panel's comments which seemed to register with investment officials included: (a) the demand for Advanced Placement courses available through the Internet was likely to increase as technology will be considered as viable alternative solution due to the lack of knowledgeable and skilled teachers entering the profession; (b) one firm representative told the group that part of its solution includes one year of staff

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development for every teacher involved in implementing its solution; c) another industry veteran emphasized the need for technical support to ensure that protection schemes set up by MIS directors did not interfere with the desired Internet use by teachers and students.

It was somewhat alarming that several officials from the investment community were unaware of pending Federal and other policies which could have a serious impact on the types of firms in which to invest including:

- Few were aware of pending legislation in both the House and Senate which would preclude market research and certain types of advertising being provided during school hours for children without parental consent, which could have a devastating impact on firms such as ZapMe;
- Potential changes in Federal funding streams which could occur as a result of the passage of certain grant consolidations, including Title III/Technology Literacy;
- Unfair competition with software publishers from the Federal government through the FREE website and other software made available to students and teachers at no cost.

Several representatives of investment firms did make statements which suggests they will follow more rational investment strategies (which will influence the direction of private companies) in the future. For example, one official indicated that fewer deals would be made in the future, not just with respect to Internet companies, but with "value companies" and that partnership relationships will likely be fewer but "deeper" in terms of the nature of deals. Someone indicated the need for technology solutions to demonstrate what technology can do for the community and demonstrate student outcomes to education policy-makers responsible for meeting accountability laws.

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However, these groups appeared to be in the minority which suggests that in some instances investments groups will continue to "call the shots."

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