

Special Report on FY 2003 Education Appropriation: Analysis of Opportunities and Implications

A Technology Monitoring and Information Service (TechMIS)
SPECIAL REPORT

Prepared by:
Education TURNKEY Systems, Inc.
256 North Washington Street
Falls Church, Virginia 22046-4549
(703) 536-2310 / (703) 536-3225 FAX

February 27, 2003

After being funded under a series of “continuing resolutions” since September 30, the FY 2003 Omnibus Appropriations Act was finally passed by Congress and signed by the President on February 20. As several TechMIS previous reports had predicted, of the \$3.2 billion K-12 increase, about \$1.4 billion is allocated for increases in each of Title I and IDEA/Special Education programs. While the 13 percent increase in Title I state grants is certainly less than the 20 percent plus increase in FY 2002, it is larger than the increase of \$1 billion proposed by the Administration last year for FY 2003. The 16 percent increase in IDEA state funding brings the Federal share of the estimated \$78 billion spent on special education to about 18 percent -- far less than the 40 percent authorized by Congress when its predecessor P.L. 94-142 was passed in the mid-1970s. While next year’s sales opportunities and timing will be similar to this school year’s, there will be some important differences which have implications for the types of districts to target and when to target them during this summer and next school year.

As stated in the Conference Report, of the \$13.8 billion for Title I, \$9 billion will be “advanced funding” which means that only about \$4.8 billion will be allocated to states and, in turn, to districts in July 2003. The remaining \$9 billion will not be allocated to states until mid-October 2003, with districts being allocated their portions between one month and three months later. All of the \$1.4 billion increase falls under the two new “targeted” and “incentives” grant components which were added to the Title I formula last year. Because these formula components are “advanced funded,” none of the increases will be allocated to districts until after October, 2003. Assuming that USED follows the same procedures it used last year, all of the July allocation will come from the “basic” grant in which case: (a) the amount allocated in July will be a larger percentage of the Title I allocation for a district that is eligible only for the “basic” grant; and (b) those districts receiving increases in the other three components will receive, in July, a much smaller percentage of their total allocation.

While the districts that received increases this school year are likely to be the recipients of the largest increases next year, the actual purchasing of products will occur once again primarily in the November through February time-frame. These should be priority one targets. However, for many of these districts an earlier purchasing cycle could run from April through June 2003, particularly for the following types of districts:

- those that have kept in their Title I reserve fund up to 20 percent for the potential cost of supplemental services and/or transportation for transferred students under the parent “choice”; in many cases, these districts will have a large percentage of this reserve available this spring which they may decide to allocate to district-level Title I purchases of products and training, to be used as “preventative medicine” to reduce the probability that certain schools will fail and have to be identified for improvement next year; and
- those that have a tradition of carrying over between five and 15 percent of their Title I budgets from one year to the next; these districts will likely begin spending funds during the early time period as they will know shortly the approximate amount of increase that they will get next year; some of this latter group of districts may, however, decide to use these funds to make up for their “cash flow” deficits in August through October.

As Exhibit 1 displays, Reading First state grants received a \$100 million increase to \$1 billion with the remainder of programs now authorized under Title I -- including Early Reading First, Migrant Education, Neglected and Delinquent, and Comprehensive School Reform Demonstrations -- were generally level-funded.

The Conference Report paid special attention to the Comprehensive School Reform Demonstration program urging USED to ensure that states award CSR funds for those comprehensive school models that present the “strongest evidence of positive effects on student achievement.” Moreover, it urged USED to “ensure that states be made aware that middle and high schools are also eligible to receive CSR grants.” The conferees chided the Department for delaying release of 2002 funds reserved for quality initiatives under CSR and mandated that the “entire three percent set-aside in FY 2003 be used to fund those organizations developing quality improvement model programs and that Congress should be consulted prior to a release of such funds.”

Under the FY 2003 appropriations, Title II A/Improving Teacher Quality, would increase \$100 million to \$2,950,000,000. Also under School Improvement programs, the Math and Science Partnerships would increase from \$12.5 million to \$101 million reflecting Congressional concern and pressures by groups representing the math and science communities. Under Title II D/Technology Enhancement, there will be no increase, with funding continuing to be in the neighborhood of \$700 million; the PT³ technology training program would also be level-funded at about \$62.5 million. Star Schools would be funded at \$27 million, with Community-Based Technology Centers funded at \$32 million, slightly less than what these programs received last year; this is considered a “big win” as Star Schools, CTC and PT³ were all in great jeopardy of not receiving any continued funding. Another major program, 21st Century Community Learning Centers, which is a major source of funds for technology and supplemental materials purchases, will be level-funded at \$1 billion. While the Safe and Drug Free Schools Program will be reduced from \$654 million to \$628 million, the new Rural Education Initiative will increase from \$162 million to \$168 million. A Credit Enhancement for Charter School Facilities will for the first time receive \$25 million.

At least two programs -- both funded at \$31 million -- the Alaska Native Educational Equity and the Education of Native Hawaiian Programs would, for the first time, allow funds to be used for construction, renovation, and modernization; this would likely include infrastructure and connectivity costs.

The Conference Agreement also includes \$162 million -- a \$20 million increase -- for the Smaller Learning Communities program and chides the USED for not consulting the appropriations committee or following guidance reported out of conference last year; USED set its own competitive priorities and did not hold timely grant competitions. The appropriations committee plans to hold hearings on USED behavior regarding this program as part of the FY 2004 budget request process.

Perkins Career and Technical Education received a slight increase to \$1.342 billion and adult education was level-funded at \$591 million. Under IDEA/Special Education, state grants increased \$1.4 billion to \$8.9 billion, while the technology and media services competitive grant program received a slight increase to \$38.2 million. Funding for assistive technology under the Tech Act was cut from \$60.8 million to \$27 million, reflecting a “sunset situation” for this program created in 1988 to support the use of assistive technology by individuals with disabilities. Of the total \$10 billion for special education, only \$4.4 billion will be allocated in July with the remainder allocated in October. The July allocation percentage is slightly higher than the amount so allocated last year. Potential cash flow problems in special education will not likely be as severe as those in Title I for some districts.

Some unique sales opportunities could exist in some “earmarks.” Several hundreds of million dollars of these earmarks are hidden away in the Conference reports and accompanying appropriations documents, with almost two-thirds including the funding of some education technology-related projects or initiatives. While some of these earmarked projects include the names of nonprofit (e.g., U.S. Dream Academy) and for profit (e.g., Voyager Expanded Learning) firms, in many cases, it appears that funds will be allocated to selected districts for “technology enhancement.” Many of these projects are located in states with senators or representatives on the appropriations committees and many are located in southeastern states, including Alabama, Florida, and Louisiana. And, of course, as was the case last year, some of these earmarks have obvious politically-connected beneficiaries, including:

- a \$20 million grant to the Pennsylvania Department of Education to provide assistance to low-performing school districts with at least \$1.7 million earmarked for a Philadelphia School District/Lock Haven Professional Development Partnership;
- \$7 million to continue Senator Harkin’s Iowa school construction demonstration project; and
- \$10 million for the Education Leaders Council to continue and expand the “follow the leader” project.

For a copy of the report go to www.house.gov/rules/omniG2.pdf.

U.S. DEPARTMENT OF EDUCATION ©
FUNDS AVAILABLE TO
PURCHASE TECHNOLOGY-BASED
PRODUCTS AND SERVICES

(millions of dollars)

	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003**</u>
Title I (Total)	9,973	12,309	13,853
Basic	7,398	7,173	7,173
Concentration	1,365	1,365	1,365
Targeted Grants	--	1,018	1,670
Finance Incentive Grants	--	793	1,542
Migrant	380	396	398
Even Start	250	250	250
Reading First/Early Reading First	286	975	1,075
Comprehensive School Reform Grants	260	310	310
Innovative Programs(Title V)	385	385	385
ESEA Title II (Eisenhower)	485	--	--
Class Size Reduction	1,623	--	--
Improving Teacher Quality(Title II A)	--	2,850	2,950
Bilingual/English Acquisition	460	665	690
Math Science Partnerships	--	13	101
Technology State Grants(Title II B)	--	701	701
Technology Literacy Challenge Fund*	450	--	--
Technology Innovation Challenge Grants*	136	--	--
Community Technology Centers	65	32	32
Star Schools	60	30	28
Teacher Training in Technology(under HEA)	125	63	63
Special Education (EHA/IDEA)	7,440	8,672	10,096
Adult Education	561	591	591
Vocational/Technical	1,265	1,321	1,342
State Grants	1,100	1,180	1,200
Tech Prep	106	108	108
Safe & Drug-Free Schools and Communities	644	654	628
Charter Schools	190	200	225
21st Century Community Learning Centers	846	1,000	1,000
College Mentoring (GEAR-UP)	295	285	295
School Renovation	1,200	--	--
HEA TRIO Program	730	803	833
Small, Safe & Successful High Schools	125	142	162

* Included in Education Technology State Grants

** Does not include .65% across board cut

© Education TURNKEY Systems, Inc., 2003. Reproduction in whole or in part in any form is prohibited without credit to Education TURNKEY Systems, Inc.