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Number of Title I Schoolwide Programs Increasing to Almost 48 Percent of Title I Schools or Approximately 23,000 and Will Likely Receive a 20-30 Percent Increase Over the Next 12 Months

A new USED report based on 1999-2000 state-submitted performance reports, indicated that the number of Title I schoolwide programs has increased by 3,200 since 1999-2000, or a total of approximately 23,000 schoolwides. As expected, the number of targeted assistance schools (i.e., Title I non-schoolwide designated) dropped from 27,000 to 24,000 over the same time frame. Because all students enrolled in Title I schoolwide programs are counted as Title I students, the number of students so-enrolled increased ten percent to almost 15 million served by <u>all</u> Title I schools.

The new report also indicates there were no significant changes in participation by grade level, types of students (e.g., disabled, migrant, homeless, LEP). The report also identifies some interesting trends which have implications for products and services and the types of schools to target, including:

- In targeted assistance schools, the number of students participating in reading programs remained level at about 90 percent, while the percent participating in mathematics programs increased slightly.

- The number of Title I schools providing afterschool programs increased almost 60 percent since 1999-2000 to about 16,000 such extended learning programs.

- The percentage of Title I districts providing at least one family literacy program increased from 15 percent to 22 percent.

- In 1999-2000, about 8,500 schools participating in Title I were identified for improvement under the definition and criteria in the old law; this was a slight

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decrease from 1998-99, with most of the decrease related to reductions in the number of schoolwide programs under improvement.

Based on limited surveys of Title I directors in large districts and other recent reports from various sources on what large districts -- particularly those which have been forced to reduce spending from local resources -- are doing, we estimate that the number of Title I schoolwide programs could increase 20-30 percent to more than 30,000 over the next 12 months. One of the major reasons, as noted in the last Washington Update, is that many district superintendents, particularly those with recent local and state budget cuts, will attempt to use Title I and other Federal programs to make up for local shortfalls, a form of "supplanting" which heretofore would have been a serious and flagrant violation of Federal aid-to-education legislation. Not only is the new No Child Left Behind clear in not requiring schoolwide programs report how Title I, as well as other funds which can be commingled with Title I (including IDEA), are used on a program-by-program basis, but the May 22 USED guidance requires states to reduce the fiscal auditing and reporting of how funds from various sources are used in Title I schoolwide programs. The most likely form of such supplanting would be to pay using Title I funds the salary of teachers in Title I schoolwide programs previously was paid out of local or state funds. A second major reason for the increase in the number of schoolwide programs is that, under the new transferability provisions, districts can reallocate up to 50 percent of funds from most other ESEA titles, to Title I and, in turn, to Title I schoolwide programs. This has the effect of increasing the total amount of funding available to most Title I schoolwides from a 20-30 percent increase. Pressures to use Title I and other ESEA funds to supplant local and state funds are most likely to be successful in districts where the Title I director is very new and looks upon his or her position as a steppingstone for promotion to higher levels by the superintendent. Resistance will be greatest among Title I directors who have been in the same or similar positions in Title I for 15 or more years.

Superintendents are less likely to pressure Title I for supplanting if the district has a policy of reporting on Title I student performance by subgroups of students, including those that are disadvantaged (i.e., low-income families). Conversely, where the Title I evaluation reporting system has not planned to disaggregate data, at least initially, the least resistance can be expected because average student scores by school could camouflage the lack of progress being made by certain groups of students, particularly those from low income families.

The major disincentive for an eligible (one with 40 percent or more enrollment of students of low-income families) school to be designated a schoolwide is if the school has aides or teachers that currently do not (or plans to hire aides and teachers who will not) meet the high quality standards (e.g., a college degree or license for teachers; two-year college degree for aides). Unlike targeted assistance schools where only Title I-paid teachers and aides have to meet such requirements, especially for new hires, in a schoolwide program, all teachers and aides paid from any source must meet the new high quality requirements. In the latter situation, a Title I director is less likely to want to tell the district special education coordinator who may have placed aides in such schoolwide programs, that the aides paid under their office have to meet the new Federal minimal requirements. Or, that the Title I office would be required to pay for such training and then assessment of both non-Title I paid teachers and aides.

The bottom line is that funds, in addition to Title I, are likely to be transferred into Title I for schoolwide programs because of increased flexibility, lesser or no requirements to audit and report on how funds are spent, and the desire to serve all children in such schools. Hence, Title I schoolwide programs -- both those currently designated and the 4,000-5,000 new ones to be created this school year -- offer the priority prospects, particularly those 10,000+ schoolwide programs in the 800+ districts that are receiving a large percentage of the $2 billion Title I increase this year. For more information about these districts and schools, give me a call. The list can be ordered from Mailings Clearing House whose contact is Mary English, 800/776-6373.

Implementation of New ESEA Title I Provisions and Regulations Will Vary Significantly Among States and Faced With Uncertainties and the Lack of Guidance Many Districts are Deferring Purchasing Cycles

Implementation of new Title I provisions will be uneven, varying significantly in some cases, across states because of uncertainties confronting districts on issues such as how many schools will have been placed on the targeted list by the SEA and purchasing cycles that, in some cases, have been postponed.

The following inferences are based upon surveys reported in Education Week, Title I Reports, and our own district-level survey of Title I directors.

One such area of wide state variance relates to the basis for identifying targeted schools. Following a strict interpretation of the law, as Title I Reports notes, California, Alaska, and Vermont will include, on its list of targeted schools, those that have been targeted for improvement as of January 2002. However, based upon our discussions, we believe that a larger number of states plan to review the 2001-2002 test scores and, where possible, opt to take off the list those schools targeted two years ago but which have met AYP criteria for the previous year. However, they are not likely to add schools to the targeted list based upon 2001-2002 test scores. States and districts are beginning to realize that, not only is there a possibility that funds will follow the child out of the district to outside supplemental service providers for schools targeted for two consecutive years, but also create administrative nightmares when negotiating individual contracts with parents, principals, and service providers selected by the parents.

While this year's test results in states such as Texas, Florida, and New Jersey identified large numbers of schools that were "failing," none of these schools have been targeted because they must have been failing for two consecutive years. According to Title I Reports, Illinois has determined that schools failing to make AYP in 1999-2000 and

2000-2001 do not have to offer choice if they make AYP successfully on this year's test. This differs from the law which requires two consecutive years of AYP being met to be removed from the targeted status.

Another related issue for those districts with targeted schools is to determine how much of their Title I allocation should be reserved at the central Title I office to cover the cost of transportation and possibly supplemental services. As noted in the enclosed Special Report, it is illegal for Title I to pay for transportation costs and then use parent choice option <u>if</u> the district already has a parent choice option in place and covers the cost of district-wide transportation with local funds. Only 30 percent of a district's Title I allocation began to flow to the states and, in turn, to districts in July. Once a district acknowledges that one or more schools have been targeted for improvement (as having failed two or three consecutive years), there is also uncertainty as to how many parents of Title I-eligible students in targeted schools will actually exercise their choice option of having the school cover the transportation cost of transferring their student to another public school in the district. As reported in <u>Education Week</u> (August 7), very few parents appear to be exercising their school choice option this Fall. Of the 2,400 families who were informed that their student was in a failing school in Colorado Springs, only 37 (less than two percent) plan to exercise their option. In Clark County, Nevada, only 109 out of 4,500 eligible students from five targeted schools will likely be transported to other schools. School district officials with whom we have talked recently are also very upset that the draft guidance made available on August 6 requires that Title I <u>must</u> pay for transportation for students going to a supplemental service provider site. These districts were aware that this regulation was in conflict with the law which states that a district <u>may</u> pay, if it so desires, such transportation costs. They are also upset that proposed regulations do not require supplemental service providers to use products designed through scientifically-based research nor to use the highly-qualified teachers and aides that schools must use.

During the June Supplemental Service Providers Conference, one state Title I director stated he would do his "damnedest" to ensure the minimum number of schools in his state will be targeted for improvement. As reported in Education Week (August 7), initially 760 schools were targeted in Ohio; after the most recent test results were tallied, the number dropped to 415; and, as of August 16, the unofficial number had dropped to 181. These and other factors associated with No Child Left Behind implementation have created a market paralysis. The Title I programs that are spending money now are mostly those who received large increases in funding last year, but did not receive most of the increase until late Fall or Winter. These districts are now using FY 2001 funds to establish Title I programs in new schools. New Title I schoolwide programs in districts receiving large increases this year are also beginning to purchase products and services, although some districts will allow these first time schoolwide programs several months for planning and training. For updates on funding and purchasing cycles, contact Charles Blaschke directly.

According to a Recent USED Press Release Secretary Paige Touts Technology

During his 14th stop of the No Child Left Behind tour, Secretary Roderick Paige touted technology as a critical means to implement many of the provisions of No Child Left Behind, particularly those related to assessments and disaggregated student reporting on a timely basis. The new law almost requires states and districts to use technology to conduct assessments, to score results, and to report individual and disaggregated data, including objective item analyses, on individual students to schools and staff prior to the beginning of the next school year. In previous speeches, he has extolled the virtues of data warehousing and data mining as a means to identify problems and come up with solutions. Although the Secretary, the Under Secretary, and other USED officials continue to promote the use of certain technologies such as those noted earlier, the Administration and Republican leadership in Congress have not only failed to provide the necessary funding for states and districts to purchase and use such technology, but in certain instances have significantly reduced the amount of Federal funds available for 2002-03 from previous years. Several facts bear this out.

In order to obtain support from associations who advocated and supported the use of technology, the Administration stated on numerous occasions in 2001 that it would ask Congress to increase the total of about $830 million for five categorical technology programs to $1 billion if they would support the block grant consolidation and transferability provisions (i.e., which would allow up to 50 percent of most ESEA titles to be reallocated to other ESEA titles -- with the exception of Title I; funds could be transferred into but not out of Title I). When the budget "smoke and dust" settled in December 2001, the total amount earmarked for consolidated technology funding was only $701 million and as a result of transferability and more recent policy decisions, it is likely that most of the formula funds under the Technology/Title II B block grant will likely be transferred to other Titles resulting in a de facto budget availability of slightly over $550 million, substantially less than the promised $1 billion. After the FY 2002 budget was passed and the Law signed in early January 2002, the President proposed a major rescission in the education budget which would have zero-funded somewhere between $55 million and $100 million of technology "earmarks" in the FY 2002 budget. This would have eliminated approximately $50 million earmarked for construction and renovation in Iowa, whose Senator Tom Harkin is Chairman of the Senate Appropriations Committee, as well as substantial earmarks that were sponsored by Senator Robert Byrd (West Virginia). The Administration's rescission proposals were not considered by Congress.

As reported in the TechMIS May 2001 Special Report, Tducation Committee Chairman John Boehner, who played a major role in the ESEA reauthorization, was reminded that the current version at that time had only a very weak "supplement not supplant" provision and that such a situation could an invitation to many districts, especially in light of state and local budget cuts, occurring at that time (which have since become even more serious), to transfer portions of ESEA titles into Title I schoolwide programs where, under Federal law, schools could spend the funds in a very flexible way without fear of any Federal audits. As reported in the June 2002 TechMIS Special Report, Chairman Boehner was told that some of the largest school districts in the country were actually doing what was predicted over a year ago. He claimed to be "somewhat concerned" about such supplanting and indicated he would check into it with the Secretary. In the meantime, however, Title II guidance from USED stated that, if the legislature passed an unfunded mandate such as requiring all teachers to be certified in specific content areas, but provided no funds, Title II funds could be used to pay for such unfunded mandates. Earlier, on May 22, the nonregulatory guidance relating to the requirements states would have to address in submitting their consolidated plans, went even further than the Federal provision not allowing Federal audits of how Title I schoolwide funds were spent, by chastising SEAs for having required unnecessary accounting and reporting on how funds in schoolwide programs were spent. The May 22 guidance would require states to report on initiatives to reduce such reporting and related barriers which impede the Title I schoolwides' efforts to take advantage of the enormous flexibility Congress has provided them. This, too, becomes an open invitation for supplanting and transferring technology as well as other funds into Title I schoolwides. On one hand, this could be a boon to firms that have basic skills, remedial, and related products that are often purchased by schoolwide programs and could assist them in placing a priority on targeted schoolwide programs. On the other hand, there is no reason to believe funds previously earmarked for technology will, in fact, be used for such purchases.

One of the reasons why schools may be hesitant to purchase technology using transferred and commingled funds is that in the May 22 guidance, USED agreed with those who criticized the need to report on numerous technology-related requirements in the Law because the impact of direct use of technology on student academic performance is unclear. Moreover, as noted in the July 2002 Washington Update, not only does the May

22 guidance not-so-subtly hint about using technology to improve student academic scores, but, regarding its use in developing technology literacy skills, it went even further by no longer requiring states to report annually on the percentage of students who are technology literate by the 8th grade level as mandated in the Law. It also dropped provisions in the previous draft that would have required annual reporting of the number of teachers who are trained and capable of using technology and the percent of students who have classroom access to the Internet. Hence, if the states are not required to report to USED on progress related to technology use, there is even more reason for expecting funds to be transferred from technology to other high priority areas such as financial incentives to attract qualified teachers and aides. Moreover, without any state reporting on such progress, Congress will not have benchmarks to assess how effective technology is being used and is, therefore, likely to cut Title II B funding even more.

New AASA Report Strongly Suggests that a Significant Portion of the $3 Billion Title II/Teacher Quality Funds Will be Used to Provide Financial Incentives for Highly Qualified Teachers to Transfer to Failing Title I Schools

Under Title II/Teacher Quality, the No Child Left Behind provisions require districts to develop plans and report annually on actual progress in reducing the teacher quality gap between Title I (high-poverty) and non-Title I (wealthy) schools. The new AASA report argues that "the incentive has to be large enough to matter based upon lessons learned from previous attempts." In the section entitled "Lessons Learned," it notes that 600 New York City teachers who applied for transfers to the cities 39 lowest performing schools had to be offered 15 percent pay raises. It also cites studies by well-respected economists that conclude pay raises of 20, 30, or even 50 percent may be needed to offset the disadvantages that some schools face in teacher labor markets. The report also cites numerous examples of state-funded initiatives to reduce the teacher quality gap being cut. For example, in February, the California legislature repealed $98 million that had been allocated to Teaching as a Priority grants --- discretionary grants that districts had been using to provide bonuses and other incentives to recruit and retain fully certified teachers in low-performing schools.

AASA staff who prepared the excellent report expressed serious concerns that much of the nearly $3 billion under Title II/Teacher Quality could be absorbed by providing financial incentives to recruit highly qualified teachers required under Title II and then attract them to go to failing, high-poverty Title I schools. For example, in 2000, state legislatures in 41 states introduced more than 450 bills pertaining to teacher recruitment, many of which involved incentives. However, as noted in the California example above, many have been discontinued or the amount of financial incentives has been reduced. The numbers add up very quickly if one considers the following example. If one highly qualified teacher highly qualified is given a $20,000 increase in salary to go to each Title I school in the country, the total cost would be more than $800 million. And, if one teacher in each school, currently paid out of local funds, is now paid out of Title I funds for an average of $50,000 per teacher, the total cost would be in excess of $2 billion. As noted in the last TechMIS Washington Update, in Title I schoolwide programs the new law encourages supplanting because there is no requirement for separate accounting of how such funds are used. Under Title II guidance, if a state has an unfunded state mandate related to teacher quality which encourages use of Federal funds to supplant otherwise state-funded activities, Title II funds can be used to cover the cost. As the AASA report concludes, "Districts cannot do it alone." Moreover, as the report states, "Only states can reallocate resources among districts to give poorer schools a fair chance to compete for good teachers. And some types of incentives, such as tax credits, must be initiated at the state and federal levels…. Districts --- be they small or large, urban or rural --- do not have the financial or human resources to fix working conditions enough or increase salaries enough to reach deeper into the larger supply of credentialled teachers." For a copy of the report go to www.aasa.org or contact Cynthia Prince, the author, at cprince@aasa.org.

National Conference of State Legislatures Reports that State Budget Gap Will Deepen Next Year to Almost $60 Billion From $36 Billion Last Year, However K-12 Education State Budgets Overall Will Increase by Almost 5 Percent

Based upon data collected from 47 states who had passed state budgets by July 24, NCSL projects the overall budget gap -- in terms of state revenues and expenditures -- will increase to $57.9 billion, up from $35.9 billion last year. According to NCSL, California's astonishing $23.7 billion gap accounts for over 40 percent of the total, while 13 other states report gaps in excess of 10 percent. To reduce the projected gap for FY 2003, 26 states are cutting spending, 23 are tapping a variety of state reserve funds, and 16 are using tobacco settlement funds. The aggregate balance of "rainy day" funds dropped from $16.5 billion at the end of FY 2001 to $10.8 billion at the end of FY 2002. Such rainy day funds, including tobacco settlement funds, represent almost 60 percent of year-end balances at the close of FY 2002. While state K-12 education budgets for FY 2003 have been reduced in the biennium budgets in a number of states, overall K-12 education is scheduled to receive a 4.8 percent increase -- second only to Medicaid (which will receive an 8.2 percent increase). While only two states (Wisconsin and Oklahoma) reported revenue growth above five percent in FY 2002, slippages in revenues of five percent or more occurred in Alaska, Idaho, Iowa, Connecticut, Wyoming, Georgia, Vermont, and Utah. For FY 2003, eleven states reported cutting K-12 education, with another 11 cutting local-revenue sharing. Unlike FY 2002, more states are turning to tax increases to reduce the gap in FY 2003, with at least billion-dollar tax increases enacted in Indiana, New Jersey, Pennsylvania, and Tennessee. Fewer states are tapping their rainy day funds for FY 2003 because their balances have already been reduced considerably and some states, such as Ohio, report that their rainy day fund has no balance left.

For more information go to www.ncsl.org/programs/fiscal/presbta02.htm.

New ESEA Provisions Likely to Result in More Title I Funds Being Held in Reserve for Potential Transportation Cost of Homeless Children Which Will Further Defer the Purchasing Cycle for Other Products and Services

The new ESEA holds all districts receiving Title I and McKinney/Vinto funding accountable for serving the almost one million homeless students across the country. Previously, only districts receiving McKinney homeless assistance funds were held accountable. In large urban districts with proportionately higher numbers of homeless children, many state and district Title I officials are concerned that transportation costs paid out of Title I may increase dramatically. Under the new Law, if a parent or guardian requests, districts are required to transfer children to the school in which they first enrolled when school opened. Moreover, if the student moves during the year to another district, the districts must share the cost and responsibility of transporting the student daily back to the school where the student was initially was enrolled. An official in the Illinois SEA estimated that the real number of homeless children in Chicago alone, many of which have not been identified, would be several hundred thousand.

Other important provisions are included in the reauthorized ESEA, such as: (a) all districts must have a person who directs an outreach effort to identify homeless children and make sure they are enrolled in school; and (b) parents of homeless children must be informed of their children's rights under ESEA and have the same opportunities to participate as other parents do.

Moreover, in districts with large numbers of schools which have been targeted for improvement (failing two or three consecutive years), the new regulations call for up to 20 percent of Title I funds to be put into a Title I reserve for transportation and supplemental services. (See related item) Contingent reserves for transportation costs will likely cause a deferral in purchasing other products and services in some districts.

The new accountability provisions relating to districts' increasing the academic performance of homeless children also create opportunities for products that can be used by students with high mobility rates. In fact, as reported in the April TechMIS Special Report on the NAFEPA Conference, Congressional aides involved directly in drafting the new legislation indicated that, if it is less costly to take the "learning" to the child wherever he or she is, then districts could use funds set aside for transportation to cover technology-based solutions, such as distance learning.

E-Rate Update

A number of important recent events and decisions could have major implications for E-Rate funding available to applicants. A decision by the FCC could result in almost a billion dollars of unspent E-Rate funds being returned, in the form of a credit, to telecommunication carriers, according to a front page article in e School News (August 2002). As previously reported, as of April 2003, all unused E-Rate funds will be carried over to the following year for allocations to approved applicants. In making its decision, the FCC indicated that its contribution rate for telecoms has been increased as a result of declining interstate revenues which has led to higher phone bills for consumers. The amount of funds at stake is difficult to determine. Early in the year, it was reported that about $970 million of E-Rate funds was left over. However, since then, as noted in the February 19 TechMIS Special Report, hundreds of millions of dollars in meritorious appeals going back as far as 1998, have been committed to applicants. In the FCC's quarterly report, the amount of meritorious appeals dropped significantly from the second quarter as reported on February 19. The e School News article quotes an SLD official stating that about a quarter billion dollars in unused funds will be returned in the form of credits to telecom carriers to reduce their contributions for the third quarter of 2002. Additional credits would be provided for the fourth quarter of 2002.

In a subsequent conversation Mel Blackwell, spokesperson for the SLD, indicated to us that the specific amount of money being reallocated for credits beginning this quarter is coming out of unused funds from Year Two. He also indicated there are no more appeals pending for Year Two. The amounts to be allocated for credits for the next two quarters until April 2003 to reduce telecommunication carriers fees, will be an amount of unused funds in <u>excess of the reserve being held for contingent meritorious appeals</u>. Hence, any appeal that is still in the process of being determined to be meritorious will be covered by the contingent fund. The amount of funds contingent upon meritorious appeals has not been disclosed. However, in February when asked, George McDonald of the SLC indicated that, last year, approximately $3 billion of E-Rate funds were committed which implies that approximately $700 million went out as meritorious appeals. He also indicated that $1.8 billion of the total of $3 billion was reimbursed under the BEAR process; this suggests that a significant amount of funds, perhaps as much as a billion dollars, was freed up for purchasing a number of noneligible technology items such as hardware, software, and staff development.

Although the number of meritorious appeals, in terms of sheer numbers of applicants and absolute amounts of funding, are much lower than reported in earlier quarters, Attachment A identifies approximately 30 applicants that received funding commitment letters during the last quarter of more than $100,000 in E-Rate refunds, primarily for appeals found to be meritorious going back as far as 1999. Some of these were quite sizable; Lee County (Arkansas) received $6.4 million, Harrisburg (Pennsylvania) received $6.2 million, and Green County (Alabama) received $5.6 million. In many, but not all cases, these districts paid the pre-discount price for eligible products that were being contested in the appeal. Hence, these applicants will be able to use the BEAR process (Form 472), to request a check rather than a credit. These returned funds can be used for any purposes ranging from allocating them to the general school fund or purchasing noneligible E-Rate items such as instructional software and staff development. The most likely contact in these districts will be the MIS office or other office with E-Rate responsibilities.

During the August 14, 2002, service provider conference call, SLD officials indicated that determination of the proration formula for Priority 2 (90 percent discount), for eligible and approved applicants will not be available until the end of September. For some good news, the BEAR process will be modified such that if a line item on the Form 472 is not approved for reimbursement, the remaining line items that have been approved will be released to service providers and, in turn, to applicants. Previously all line items on the form had to be approved. This should have the effect of quickening the funding flow to districts.

The SLD has included on its website new CIPA guidance related to public libraries that receive E-Rate discounts; this guidance has been necessitated because of the recent court case won by the ACLU overturning CIPA requirements for libraries. The judges' decisions, however, do not have any effect on school libraries or school district applicants generally as they apply for E-Rate funds for Year Six (or new year 03).

And last, the next E-Rate training session will be held on October 17-18 at the Marriott Crystal City in Arlington, Virginia. The SLD will be accepting attendee registration beginning on August 26 and will likely be continued until the maximum of approximately 125-150 attendees is met.

New SREB Report Challenges States to Use Alternative Means To Fund Web-Based Courses for K-12 Students

A new report by the Southern Regional Education Board (SREB) suggests alternative funding sources and approaches which states should consider in supporting expansion of web-based courses for K-12 students. It estimates that almost 50,000 middle and high school students were enrolled in online courses during the 2001-2002 school year. According to SREB, "Over half of the states nationally have created state 'virtual schools' to coordinate and gather information, deliver courses, or serve as a broker for school districts to assess course quality and obtain best prices." The SREB report is one of the first to recognize that state virtual high schools and related entities are beginning to provide a very important brokering role in negotiating volume discount prices and licenses from publishers of online instruction and staff development courses. For example, in 2000, the West Virginia legislature (Senate Bill 584) recognized the potential cost savings by "leveraging the state's ability to serve as a broker on behalf of school districts through the West Virginia Virtual School." In April 2002, the Maryland legislature authorized the creation of the Maryland Virtual Learning Opportunities Program, which is designed to reduce costs for participating schools as the result of economies of scale.

According to SREB, web-based courses may be good alternatives to meet the needs of students who:

- are failing courses or grades or who need remediation in order to pass exit exams;
- need one course to graduate but are unable to take the needed course because of scheduling reasons;
- are assigned to alternative education programs because of behavioral or related problems; there are currently more than 16,000 such alternative schools and settings; or
- cannot attend school because of disabilities or health reasons.

The number of students falling into one or more of the above categories is going to increase dramatically. For example, as noted in the New York Profile Update, the percentage of teenagers taking GED courses has increased from 50 percent to over 80 percent of the total, partly as the result of the new New York exit exams. More and more states under No Child Left Behind are going to be required to provide remediation and related interventions funded by state or Federal funds; and it is very likely that provisions could be passed as early as this year which will increase the number of special education and other students who will be assigned to alternative schools for disciplinary reasons.

The SREB report argues that, currently, there are no incentives for school districts to use state per-pupil allocations to pay for web-based courses for students enrolled in their district. It challenges states to consider alternatives to traditional funding such as "performance-based" funding for students in schools that have not been academically successful with traditional instruction. An alternative would be to create a Virtual Access Fund similar to the Telecommunications Infrastructure Fund (TIF) created in Texas in 1994. SREB also calls for a reconsideration of reallocation of existing funds such as "textbook funds," for which web-based online access to content could be considered an alternative.

As more and more content -- including digitized textbooks -- is able to be delivered online, state virtual high schools and universities could serve in a major brokerage role with content owners and publishers. Universities that provide web-based programs should expand dramatically in light of the recent decision by USED to drop the "12 hour seat time rule" as a condition of receiving Federal aid under the Pell Grant and related funding sources. In addition to expansion of instructional intervention and remediation courses, rapid growth in online assessments, particularly for students with disabilities (because of the ease of providing reasonable accommodations), can then be expected thereby creating opportunities in this area. For more information about the SREB report go to www.sreb.org or call 404/875-9211.

New Reading First Initiative Also Includes List of Appropriate Assessment Instruments and Measures

In anticipation of passage of Reading First, an Assessment Committee at the Institute for the Development of Educational Achievements, University of Oregon, began a review of assessment measures and instruments which could be used to measure ongoing progress or outcomes in the Reading First initiative. Between November 2001 and March 2002, the team analyzed 29 reading instruments selected from "hundreds of reading assessment instruments available in the marketplace" and that were included in the Southwest Education Development Laboratory (SEDL) reading assessment database. The criteria for selecting the specific instruments included:

- currently widely used in schools (thereby precluding new assessment instruments);
- representative of the four types of assessment information to be addressed (screening, progress monitoring, diagnosis, and outcome);
- representative of the essential elements (phonemic awareness, phonics fluency, vocabulary, and reading comprehension);
- available and accessible for use in schools; and
- readily available or quickly attainable for review.

As stated in the IDEA/University of Oregon report dated May 15, 2002, "The primary goal was not only to identify and recommend a set of trustworthy measures, but more importantly, to establish criteria and a process where adjudicating the technical adequacy and sufficiency of K-3 reading assessment measures that would represent a reasonable and defensible foundation for its recommendations to the field on trustworthy reading assessment instruments." Unlike its predecessor, the Reading Excellence Act, which required outcome assessment, Reading First's use of screening and diagnostic reading assessments is a "defining characteristic" of the program according to the National Director, Chris Doherty, as reported in Title I Reports, August 2002. Because none of the instruments which were assessed meet all the criteria required to assess adequately the Reading First initiative, states and/or districts will have to select several tests for measuring outcomes and for assessing progress.

When the review process was complete, 24 assessment instruments were found to have some evidence that they could reliably meet some of the Reading First requirements. The report concluded that there are more assessment instruments that are valid and reliable for assessing outcome measures than for measuring student progress; that the progress assessment instruments in vocabulary and reading comprehension in grades two and three were more adequate than those in K-1; none of the instruments were sufficient in addressing the five essential elements under Reading First. Most of the major test manufacturers -- CTB/McGraw-Hill, Harcourt Education Management, Riverside Publishing, American Guidance Services, and Pro-Ed -- had one or more assessment instruments on the final list, as did the University of Oregon and the Texas Education Agency.

To the extent that states receiving Reading First funding have narrowed the number of instruments to a few and will require districts to use these assessments in assessing outcomes and student progress under Reading First, there could be significant implications for publishers whose instructional materials are closely aligned with specific outcome assessments. Certainly, information regarding high correlation between instructional materials and selected outcome assessments should be noted in positioning products. For a copy of the IDEA/University of Oregon report, go to http://idea.uoregon.edu/assessment. The report is not available from USED.

President's Commission on Excellence in Special Education Recommends Significant Changes in IDEA But Refuses to Make IDEA Funding Mandatory In Order to Provide 40 Percent of the Estimated Total Cost of $78 Billion Annually

The President's Commission recently released its report and recommendations on changes in IDEA and special education programs generally. At a general level, the proposed changes would incorporate many of the assessment and accountability provisions in No Child Left Behind into the reauthorized IDEA. The Commission, however, would continue IDEA as a discretionary rather than a mandatory budget item, thereby requiring politically-sensitive annual appropriations by Congress. IDEA would attempt to target funding levels, not at the 40 percent as authorized in 1975, but at thresholds to be determined by individual states. Any increases above that would be contingent upon the state planning and implementing an accountability system similar to No Child Left Behind for students enrolled in special education. It recommends a greater emphasis on early interventions and preventative measures that would require a somewhat concurrent initial assessment as well as use of alternative intervention strategies which are research-based; it would attempt to remediate reading problems and therefore not have to place students in special education in a manner very similar to the overall objective of the new Reading First initiative under No Child Left Behind.

The new report of the President's Commission on Excellence in Special Education provides some interesting information regarding the estimated spending on education for students with disabilities -- approximately $78 billion in 1999-2000. Of this, approximately $50 billion is actually spent on special education services, with an additional $27.3 billion spent on regular education services for special education students. An additional $1 billion was spent on special needs services such as Title I, English language acquisition and gifted and talented services. The report estimates that the total spending used to educate the average student with a disability was $12,639 of which $8,080 was spent on special education services and the remainder spent on regular education services. These estimates suggest that over 21 percent of the total $360 million spent on K-12 education in the U.S. is spent on special education services.

The Commission also tends to support the notion advocated by many nonpartisan groups that IDEA should provide increased flexibility by allowing states to allocate more funds to students with high-cost disabilities which represent only a small percent of the total number of students placed in special education programs. It would also allow districts to allocate unspent IDEA funds in one year to a reserve that could be tapped to provide services or cover litigation relating to provision of high cost special education services. Up to 10 percent of each state's allocation under Part B would also be set aside at the state level as a rainy day reserve for similar purposes.

Several IDEA growth areas, such as technology, were not addressed by recommendations or even discussions. For example, the only reference to education technology was in the area of assessment. Here, "the Commission recommends that all measures be used to assess accountability and education progress be developed according to the principles of universal design so that modifications and accommodations are built into the test that will not invalidate the results." This would have the effect of making technology-based assessments Section 508 compliant. However, mention of the use of technology to improve or deliver instruction is conspicuous by its absence. In the recommendations related to the special education research agenda, the use of technology to provide better instruction was also absent, especially in light of the long tradition of USED support for the development of such products under the Small Business Innovation Research (SBIR) program. One of the commissioners was Steve Bartlett, who in the 1980s was a leading special education advocate and who was responsible for increased funding for USED to conduct some of the initial development of software and adaptive devices used in special education programs. One of the key consultants to Assistant Secretary Bob Pasternak, who was heavily involved in the development of the report, is Dr. Doug Carnine, who during the 1980s was one of the key developers of the Core Concepts videodisc program with Ziggy Engleman.

Also missing was any attention to issues related to the process that school districts go through in claiming reimbursements under Medicaid and Child Health Insurance Program (CHIP) for related services. As noted in a previous TechMIS report, districts thus far have received approximately $1.5 billion in reimbursement under CHIP; however, an additional billion dollars in eligible reimbursements has, for a variety of reasons including the complexity of the reimbursement process, not been applied for by districts.

Appointed by President Bush, the Commission has taken the "party line" regarding incorporating No Child Left Behind Act provisions into the IDEA reauthorization process. For example, it emphasizes the need to increase expectations of special education students in achieving the same high academic proficiency levels that all students must achieve by the year 2012. On the other hand, as reported in the last TechMIS issue, the Public Agenda survey of parents of special education students found that less than 10 percent of these parents felt that increased academic achievement expectations for their child was an important issue. For a copy of the report go to www.ed.gov/inits/commissionsboards/whspecialeducation/reports/pcesefinalreport.pdf.