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M E M O R A N D U M

DATE: March 1, 2006
TO: TechMIS Subscribers
FROM: Charles Blaschke
SUBJ: FY 2006 Budget, SES Survey and Trends, and State Profile Updates

The enclosed Special Report highlights the FY 2006 education budget cuts and their implications for district purchases of certain types of products and services the remainder of this school year and next. About half of the states will receive moderate budget cuts in Title I while only a limited number of districts -- after adjustments are made by the SEA (for hold harmless provisions) --- will receive moderate increases. Preliminary district allocations should be available shortly and will be made available to TechMIS subscribers with our analysis of the impact of subsequent adjustments. For firms with certain types of products and services, prioritizing states, and particularly districts, to target based upon Federal funding allocations would become even more critical than last year. Call us if we can help.

The Washington Update includes the following:

- A recent analysis using state-provided AYP data has found that fewer districts are being “identified for improvement” thereby providing some increases in opportunities for partnering with districts to operate their own SES programs. At the same time, the number of schools identified for improvement and thus having to provide supplemental educational services last year doubled to about 7,500, suggesting more of the 20 percent earmarks for SES will be spent this year and next.
- Improved relations between districts and third-party SES providers is critical to increasing participation rates in SES programs according to providers attending the Education Industry Association Congressional Briefing in mid-February. However, private providers and USED officials demonstrated naiveté as they attempted to answer questions about the effects of certain FY 2006 Federal education budget cuts upon SES participation rates.

- A related update on the results of a survey of SES providers released at the Education Industry Association Congressional Briefing, which represented the perspective of third-party, but not district, SES providers.
- A new report from the Congressional Research Service highlighting the current status of Reading First implementation issues and controversies, including two official investigations of whether the USED approval process was consistent with Congressional intent regarding scientifically-based research provisions.
- A new report by Harvard University's Civil Rights Project documenting the negotiated changes between USED and individual states regarding AYP sanctions which could be very useful to firms with specific products or services trying to decide what states to target.
- Observations and reflections gathered from high-level business officials and knowledgeable and influential superintendents during the recent AASA conference, which strongly suggests some trends that could have implications for education publishers and related vendors.

The updated profiles on a number of states confirm the trends identified in the last TechMIS issue: (a) states with exit or graduation/promotion exams are increasing state funding for remediation, tutoring, and related activities; and (b) following the recommendations of the National Governors Association about twelve months ago, the number of states proposing to make high school math and science courses more rigorous has significantly increased, while at the same time in some states, the "cut-off" scores for high stakes tests, including those required for graduation with a regular high school diploma, are being debated and, in some cases, lowered. Clearly more state-level attention is being paid to the area of middle and high school mathematics where NCLB sanctions could apply.

As always, if anyone has any questions please contact me directly.