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M E M O R A N D U M

DATE: June 13, 2007
TO: TechMIS Subscribers
FROM: Charles Blaschke
SUBJ: FY 2008 House Proposal Proposed Funding Levels and Final State Title I Allocations

During the last week, two education funding developments occurred. The first, and most important, was the release by the House Appropriations Subcommittee, whose Chair is Congressman David Obey, of the proposed FY 2008 Education Appropriations which would increase Title I funds by almost \$2 billion -- the largest increase ever -- and reduce Reading First funding by over 50 percent. Negotiations with the Senate and then with the White House will change some of the numbers, however, the final results are likely to be very positive.

The second development was the notification of final funding allocations for Title I to each state. In our March 30th report, we calculated the estimated state-by-state allocation which generally was within one percent of the final allocation, with a couple of exceptions. The SEAs will likely begin to shortly make adjustments for the preliminary district allocations which will reduce preliminary district increases in some states, but not others, which are identified in this update. Please call me if you have any questions.

**House Appropriations Subcommittee Proposes
to Increase Title I Funding
by Almost \$2 Billion, While Cutting Reading First Over 50%:
Now the Negotiations Begin**

A Technology Monitoring and Information Service (TechMIS)
SPECIAL REPORT

Prepared by:
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June 13, 2007

On June 7th, the House Labor, HHS, and Education Appropriations Subcommittee posted its FY 2008 markup which would increase Title I funds by \$1.9 billion while cutting funding for the Reading First program by \$625 million (see Exhibit). IDEA Special education state grants would increase by only \$174 million, which is \$465 million more than President Bush had requested earlier this year. The Title IID Enhancing Education Through Technology state grant program would be level-funded at \$272 million. The 21st Century Community Learning Centers would receive an increase of \$125 million and Title IIA Improving Teacher Quality would receive an additional \$300 million. The Striving Readers Program would be level funded at about \$32 million and the President's Math Now Initiative would continue to receive no funding. Below, we describe some of the implications, if the 2008 full Appropriations Conference Committee markup is similar to that proposed by Subcommittee Chairman Dave Obey.

Under the assumption that the current Title I formula would remain intact (which many groups want to change) and if previous Congressional patterns are followed, most -- if not all -- of the Title I state grant increase of \$1.25 billion will be put in two of the four Title I formula components, namely "incentive" and "targeted" grants. The major beneficiaries of the increase would be large, mostly urban, districts with highest numbers of poverty students enrolled. Indeed, the FY 2007 Continuing Resolution, which begins funding allocations in July 2007, provided an increase of \$125 million at the direction of Chairman Obey into these two components. And, while the FY 2007 Continuing

Resolution provided \$125 million for School Improvement Grants, the FY 2008 proposed level of \$500 million would go to states for a combination of state SEA capacity-building and for reallocating funds to districts, which for example, have the largest numbers of schools in “corrective action” or “restructuring,” (these are also likely to be the large urban districts). Given the magnitude of the increase, most states would be able to set aside an additional four percent of their total Title I allocation for additional School Improvement funding through reallocations to districts. If this scenario plays out, then it becomes clear that the districts which received the largest increases in Title I funding in 2005 will once again receive the largest portion of Title I funding increases beginning in July 2008.

However, the above scenario could be significantly affected by negotiations between the House and Senate Appropriation Committees and then between these committees and the Administration, particularly regarding funding for Reading First. As reported in the June 8th Education Daily, Chairman Obey has promised not to restore funding to the troubled Reading First program “until ED provides an explanation about the shenanigans at the department,” referring to the findings of the Office of Inspector General’s report and investigation reports by the Senate HELP Committee and GAO. If the USED releases credible reports indicating that Reading First has contributed to significant gains and generally has been effective, then some of the funds may be restored or, at least portions of Title I funds in Reading First districts will be used for “continuation funding” for Reading First schools. On the other hand, if the Senate Reading First hearings, which have yet to be scheduled, are even more damaging regarding conflict of interest and lack of government “ethics,” then restoration of cuts could be questionable. The Administration may also negotiate for a portion of the Title I increase to be allocated for middle and high school initiatives such as increasing “Striving Readers” and funding for Math Now.

Another bone of contention on both sides of the political aisle, which has already surfaced, is the relatively small increase in IDEA state grants programs of \$174 million above the FY 2007 level. Groups such as AASA strongly support increases in IDEA

funding as up to 50 percent of any district's increase in one year can be used by superintendents to fund so-called "pet projects" that may or may not have anything to do with serving special education students.

The next step in the negotiation process will be a markup by the Senate Education Appropriations Committee after which time committee markups will go into conference marking up the FY 2008 budget hopefully by the end of August or in September.

Obviously we will continue to follow developments in this area. For a copy of the House Subcommittee markup for FY 2008, go to:

<http://appropriations.house.gov/pdf/LHHSChart.pdf>

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

(millions of dollars)

| | FY2006 | FY2007 Continuing Resolution | FY2008 Chairman's Mark-up |
|---|---------------|---|--|
| Title I (Total) | 14,481 | 14,726 | |
| Total LEA Grants (Part A) | 12,713 | 12,838 | 14,363 |
| Basic | 6,808 | 6,808 | |
| Concentration | 1,365 | 1,365 | |
| Targeted Grants | 2,270 | 2,332 | |
| Finance Incentive Grants | 2,270 | 2,332 | |
| Migrant | 387 | 387 | |
| Even Start | 99 | 82 | 99 |
| Reading First/Early Reading First | 1,132 | 1,029 | 400 |
| Striving Readers | 30 | 32 | 32 |
| School Improvement Grants | -- | 125 | 500 |
| State Innovation Grants(Title V A) | 99 | 99 | 99 |
| Improving Teacher Quality(Title II A) | 2,887 | 2,887 | 3,187 |
| English Acquisition | 669 | 669 | 775 |
| Math Science Partnerships | 182 | 182 | 182 |
| Advanced Placement | 32 | 37 | 50 |
| Teacher Incentive Fund | 99 | * | 99 |
| Technology State Grants(Title II D) | 272 | 272 | 272 |
| Special Education (EHA/IDEA) | 11,653 | 10,783 | 10,957 |
| Adult Education | 580 | 564 | 589 |
| Vocational/Technical | 1,296 | 1,182 | 1,182 |
| Safe & Drug-Free Schools and Communities State Grants | 347 | 347 | 300 |
| 21st Century Community Learning Centers | 981 | 981 | 1,106 |
| College Mentoring (GEAR-UP) | 303 | 303 | 323 |
| HEA TRIO Program | 828 | 828 | 868 |

* reduced to \$200,000 in FY 2007

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Notification of Final State Title I Allocations Made to States

*A Technology Monitoring and Information Service (TechMIS)
SPECIAL REPORT*

*Prepared by:
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June 13, 2007

In March, we sent to TechMIS subscribers a state-by-state listing of preliminary Title I/Part A (LEA grants) allocations. On June 5, states were notified of their final Part A allocations. The attached exhibit shows the final state allocations and each state's increase or decrease from its preliminary allocation.

A total of 18 states had their allocations increased over the preliminary numbers, while 34 states and territories had decreases. Most of the changes are small -- less than \$1 million difference between final and preliminary. No state except Kansas had a change of more than one percent. Only California (\$13.8 million increase), Kansas (\$2.7 million increase), Kentucky (\$1.9 million), and Mississippi (\$1.5 million) had increases in excess of \$1.5 million. Similarly, only three states -- Illinois (\$2.4 million decrease), Pennsylvania (\$2.1 million decrease), and Puerto Rico (\$1.6 million decrease) -- had decreases of more than \$1.5 million.

In our March 30, 2007 Special Report on Preliminary Title I Allocations to States and Districts, we suggested that districts received a \$200,000 or more increase (over the previous year) in Title I funds (or a 20 percent or greater increase) in the following states are likely to maintain some of their increase even after the SEA makes adjustment for the 4% set-aside or district reallocation because of hold harmless provisions: Ohio, Pennsylvania, North Carolina, South Carolina, Nevada, Missouri, Indiana, Connecticut, Illinois, Iowa, Kansas, Maryland, Michigan, Minnesota, New Hampshire, Rhode Island, Utah, and Wisconsin. As a result of the recent final state Title I allocation notification, a

higher priority should be placed upon districts receiving increases in Kansas because of a three percent increase in final allocations (over preliminary estimates) the state will receive. Another reason is that the Former Deputy Secretary of Special Education Programs within USED was recently appointed SEA Commissioner for Kansas. She had been outspoken, calling for funds for early intervening services to be allocated to Title I schoolwide programs, thus providing even more of a demand for certain types of interventions to be used with borderline students to determine whether or not they should be placed in special education programs.

The list of final district Title I allocations (before state adjustments), likely to be published by USED in July or August, will indicate the amount of Title I funds which are allocated per eligible Title I student, which determines the limit of the fee that can be charged by third-party SES providers. We will provide such a list, as we have in the past, when it becomes available.

Please call Charles Blaschke if you have any questions.

**ESEA Title I Grants to Local Educational Agencies
(Basic, Concentration, Targeted, and Education Finance Incentive Grants)**

| State or Other Area | Preliminary 2007 Estimate | Final 2007 Allocations | Change From Preliminary | Percent Change From Preliminary |
|--------------------------------|--|---------------------------------------|--|--|
| Alabama | \$194,727,972 | \$194,251,412 | -\$476,560 | -0.2% |
| Alaska | \$33,914,024 | \$34,024,598 | \$110,574 | 0.3% |
| Arizona | \$264,053,219 | \$263,204,306 | -\$848,913 | -0.3% |
| Arkansas | \$122,255,292 | \$122,031,484 | -\$223,808 | -0.2% |
| California | \$1,629,665,898 | \$1,643,496,281 | \$13,830,383 | 0.8% |
| Colorado | \$124,364,148 | \$123,928,378 | -\$435,770 | -0.4% |
| Connecticut | \$111,703,572 | \$111,879,468 | \$175,896 | 0.2% |
| Delaware | \$34,116,719 | \$34,110,286 | -\$6,433 | 0.0% |
| District of Columbia | \$46,075,787 | \$46,025,737 | -\$50,050 | -0.1% |
| Florida | \$590,494,576 | \$589,157,126 | -\$1,337,450 | -0.2% |
| Georgia | \$411,285,118 | \$410,011,238 | -\$1,273,880 | -0.3% |
| Hawaii | \$39,731,536 | \$39,638,957 | -\$92,579 | -0.2% |
| Idaho | \$41,330,996 | \$41,327,392 | -\$3,604 | 0.0% |
| Illinois | \$595,506,080 | \$593,136,349 | -\$2,369,731 | -0.4% |
| Indiana | \$229,808,390 | \$230,085,248 | \$276,858 | 0.1% |
| Iowa | \$69,161,932 | \$69,213,583 | \$51,651 | 0.1% |
| Kansas | \$85,406,090 | \$88,061,074 | \$2,654,984 | 3.1% |
| Kentucky | \$183,919,763 | \$185,854,297 | \$1,934,534 | 1.1% |
| Louisiana | \$277,658,941 | \$277,649,636 | -\$9,305 | 0.0% |
| Maine | \$43,783,842 | \$43,870,320 | \$86,478 | 0.2% |
| Maryland | \$188,390,322 | \$188,034,165 | -\$356,157 | -0.2% |
| Massachusetts | \$212,227,583 | \$211,607,027 | -\$620,556 | -0.3% |
| Michigan | \$461,587,383 | \$460,301,629 | -\$1,285,754 | -0.3% |
| Minnesota | \$115,545,095 | \$114,582,991 | -\$962,104 | -0.8% |
| Mississippi | \$173,147,156 | \$174,679,246 | \$1,532,090 | 0.9% |
| Missouri | \$202,517,452 | \$201,451,741 | -\$1,065,711 | -0.5% |
| Montana | \$38,707,284 | \$38,634,910 | -\$72,374 | -0.2% |
| Nebraska | \$51,094,312 | \$50,662,136 | -\$432,176 | -0.8% |
| Nevada | \$79,969,840 | \$80,298,566 | \$328,726 | 0.4% |
| New Hampshire | \$34,706,167 | \$34,248,186 | -\$457,981 | -1.3% |
| New Jersey | \$251,536,915 | \$252,408,502 | \$871,587 | 0.3% |
| New Mexico | \$103,695,026 | \$103,846,928 | \$151,902 | 0.1% |
| New York | \$1,211,195,762 | \$1,210,071,290 | -\$1,124,472 | -0.1% |
| North Carolina | \$301,540,621 | \$301,103,680 | -\$436,941 | -0.1% |
| North Dakota | \$29,849,438 | \$29,825,087 | -\$24,351 | -0.1% |
| Ohio | \$450,667,718 | \$449,254,685 | -\$1,413,033 | -0.3% |
| Oklahoma | \$127,691,993 | \$128,266,400 | \$574,407 | 0.4% |
| Oregon | \$122,268,087 | \$121,425,431 | -\$842,656 | -0.7% |
| Pennsylvania | \$518,545,107 | \$516,459,476 | -\$2,085,631 | -0.4% |
| Rhode Island | \$50,311,309 | \$50,390,387 | \$79,078 | 0.2% |
| South Carolina | \$187,854,257 | \$187,901,935 | \$47,678 | 0.0% |
| South Dakota | \$37,206,830 | \$37,273,903 | \$67,073 | 0.2% |
| Tennessee | \$206,450,176 | \$205,727,619 | -\$722,557 | -0.3% |
| Texas | \$1,169,373,910 | \$1,169,499,588 | \$125,678 | 0.0% |
| Utah | \$58,143,489 | \$58,196,911 | \$53,422 | 0.1% |
| Vermont | \$27,202,672 | \$27,198,995 | -\$3,677 | 0.0% |
| Virginia | \$205,686,773 | \$204,733,095 | -\$953,678 | -0.5% |
| Washington | \$183,154,012 | \$182,795,119 | -\$358,893 | -0.2% |
| West Virginia | \$89,305,762 | \$89,220,610 | -\$85,152 | -0.1% |
| Wisconsin | \$202,684,280 | \$201,600,575 | -\$1,083,705 | -0.5% |
| Puerto Rico | \$457,161,212 | \$455,589,077 | -\$1,572,135 | -0.3% |
| Total | \$12,678,381,838 | \$12,678,247,060 | | |