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MEMORANDUM

DATE: February 7, 2008
TO: TechMIS Subscribers
FROM: Charles Blaschke
SUBJ: Administration's Proposed FY 2009 Budget and Reauthorization Proposal

Enclosed is our analysis of the President's proposed FY 2009 education budget which also includes many of the Administration's proposed changes in NCLB. While the overall budget is likely to be dead on arrival in Congress, the proposed changes reflect the Administration's priorities about how increased funds would be used in certain portions of Title I and IDEA. Before President Advisor Carl Rove left the White House last summer, he noted that if Congress did not make the changes the Bush Administration wanted in NCLB through the normal reauthorization process that the Administration would make them through the regulatory process. And from all accounts and discussions we have had with key officials and observers, this route is being undertaken, as these proposed funding levels for FY 2009 by the President have evoked "serious concerns" of the Democratic leadership who are key to the NCLB reauthorization this year.

As always, if you have any questions please contact me directly.

The Proposed FY 2009 Education Budget Reflects the President's Priorities and Assumes the Administration's Proposed Changes Will Be Incorporated Into NCLB Reauthorization; However, While Most Legislative Changes and New Initiatives Will Be Dead on Arrival in Congress, the Administration Will Attempt to Implement Some Through the Regulatory Process

A Technology Monitoring and Information Service (TechMIS)
SPECIAL REPORT

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A few days after his State of the Union Address, the President's proposed budget for FY 2009 was formally released on February 4th, even though several leaks appeared in the press immediately after the State of the Union address. The proposal continues to reflect the Administration's priorities in the various NCLB titles -- including Title I and IDEA -- and assumes that there will be several new initiatives, including one which would replace 21st Century Community Learning Centers. While most of the proposed budget is considered dead on arrival in Congress, it does reflect increases in certain "pots of money" which Congress is likely to support. The Administration will likely attempt to implement some of the proposed changes, if NCLB reauthorization does not occur soon, through the administrative and non-regulatory guidance process, particularly those related to supplemental educational services, parent choice and the use of set-asides. Unlike last year's proposed budget document, many of the details are left out and differences exist in certain areas between the budget proposal available on the USED website and its counterpart on the White House website, produced by the Office of Management and Budget, which has taken a lead role in deciding what education programs would be eliminated or reduced.

At least on the surface, Title I appears to be a winner with a \$406 million or 2.9 percent increase over FY 2008 in Title I formula grants to districts. One interesting departure from the past is that all of the \$406 increase in *Title I formula funds* will be under the "targeted" component, which basically will increase funding to districts with large percentages and/or numbers of poverty students. Moreover, a new data set of poverty numbers on each district, as reported by the Census Bureau, will be used in determining the number of poverty students enrolled in districts. Hence, the volatility of Title I funding allocations by district could be even greater in the 2008-09 school year than has been observed over the past several years.

According to the USED website, the Administration would “more fairly distribute Title I resources to the high school level, strengthen assessment and accountability in our high schools, provide more choices to students and parents, and encourage more effective restructuring of chronically low-performing schools.” In last year’s proposed budget, 90 percent of the increase in Title I funding would have been redirected to eligible high schools. For FY 2009, the Administration’s proposal calls for approximately one-fifth of each district’s Title I allocation to be provided to high schools eligible for Title I services. Under the Department’s proposed NCLB reauthorization, high school students would have to take state assessments in two additional grade levels, with a large portion of the *State Grants for Assessment* (\$400 million) allocated to help states develop such new assessments in math, reading, and science. Another priority, included in the White House/OMB version, would be to increase funding to include science in accountability determinations, which would require a change in NCLB reauthorization.

The President’s budget would level-fund the *School Improvement Grants* program at \$491 million. The OMB document claims that an additional \$570 million from the SEA four percent set-aside would also be used for this purpose. Because of the “hold harmless” provisions in Title I and for other reasons, according to the Center on Education Policy, the amount that states were actually able to set aside for last year was closer to \$350-400 million. Under the Administration’s NCLB reauthorization proposal - - on which the proposed budget is based -- SEAs would be required to withhold the full four percent set-aside for school improvement, even if it reduces the regular Title I allocations to districts below the prior year level. Essentially it would repeal the “hold harmless” provisions currently in place. Results of studies conducted by the Government Accountability Office and the Center on Education Policy have found that, over the last two to three years, districts have used portions of the Title I formula, four percent SEA set-aside, and local funds to help schools in restructuring or corrective action by expanding professional development and replacing curricula, among other options. Under the President’s proposed use of the Title I *School Improvement Grants* -- to be level-funded this year in spite of an expected significant increase in the number of affected schools from 4,500 in 2006 to 7,000 or 8,000 in 2008 -- “states would be permitted to reserve up to 50 percent of their formula allocations to build their capacity to lead LEA and school improvement efforts.” Even though language in the SIG provisions states that 95 percent of SIG grants be allocated by the SEA to districts with schools in corrective action or restructuring, during the recent National State Title I Directors Association conference in Nashville, USED officials equated SEA-provided technical assistance and professional development with “direct” Title I dollars being allocated to such districts.

Between the provision allowing up to 50 percent of *School Improvement Grants* be used by SEAs for capacity building and the requirement for states to set aside four percent of Title I Formula funds for school improvement, most districts that will receive “preliminary” increases in their Title I allocations will have them reduced after SEA

adjustments are made. Hence, these districts' regular operating Title I budgets will suffer with funds being allocated to districts with schools in restructuring or corrective action or used by SEAs to hire new staff (or perhaps reassign SEA Reading First staff to Title I) or contractors to provide technical assistance and support to districts.

During the National State Title I Directors Association conference, numerous USED officials stated the virtues of growth models which Secretary Spellings considers one of USED's high priority reforms allowing more states to use them in calculating AYP. One of the conditions for states to be approved to use growth models is whether the state has in place a comprehensive longitudinal student data system for monitoring or reporting individual student achievement. The Administration's FY 2009 budget proposal would increase from \$48 million to \$100 million funding to "improve student achievement by helping states create comprehensive P-16 longitudinal data systems for collecting, analyzing, and using performance and outcome data to guide education decision-making." The OMB document notes that funding within the proposed \$100 million for state data coordinators could be awarded to public or private organizations or agencies to improve data collection rather than only to states.

In a major shift, the FY 2009 budget proposal "would radically reform" the low-performing 21st Century Community Learning Centers program into an academically focused after-school and summer school scholarship program. The 21st CCLC program, which for FY 2008 received a \$100 million increase to \$1.1 billion, would have to be reauthorized and would be renamed the *21st Century Learning Opportunities* program, funded at \$800 million. According to the USED document, "Under the revised program, state education agencies would make competitive awards to public or private non-profit organizations to administer scholarships for students from low-income families who attend schools that have been identified for school improvement corrective action or restructuring." As David Hoff noted on January 31st in his "NCLB: Act II" blog, "The proposal would give parents money to pay for after-school and summer programs designed to improve student achievement. Faith-based providers would be eligible to receive the money." This new initiative, which normally Congress would have to pass, reflects the Administration's position that school districts which have to set aside funds for supplemental educational services or which are encouraged to develop partnerships with community-based organizations and faith-based organizations to operate 21st Century Community Learning Centers have too much control over the "purse strings." With only 15 percent of eligible students receiving SES, this initiative is an attempt to increase the equivalent of SES by allowing eligible parents to request scholarships for their children and have a more direct influence with after-school providers. Similarly, the Administration would create a new \$300 million *K-12 Pell Grant for Kids* program which would allow students attending schools which are in restructuring or which have graduation rates of less than 60 percent to receive scholarships to transfer to out-of-district public schools or local private schools, including public or private non-profits such as faith-based organizations and CBOs. In addition to the scholarship amount, which would cover tuition, fees, transportation and related costs, IDEA and Title I funds

would “follow the child” to the new out-of-district public school, private school, or non-profit organization. Unless Congress changes its attitude toward “voucher-type programs,” these two initiatives are not likely to be funded; however, they do reinforce the Administration’s policy of using Federal funds to fund private entities to compete with public schools.

The Administration’s NCLB reauthorization proposal for supplemental educational services programs would double the allowable fee for serving students with disabilities, limited English proficient students, and students in rural districts compared to fees now charged for serving other students eligible for SES (e.g., about \$1,500 to \$2,000). In addition, SES could be provided during the first year a school is identified for improvement.

IDEA would receive a 3.1 percent increase in its Part B state grants program to \$11.3 billion; however, only about a third would be available beginning in July 2009, with the remainder advanced funded, to be available after October 1st. This could affect plans in districts which wish to provide early intervening services to at-risk students in order to remediate problems before placing them in special education. In order to receive state funds for students who will be placed in special education, a district must place them before the December 1 count for state reporting. While the *State Personnel Development* Part D funding has increased from \$22 to \$48 million, the *Technology and Media* program, which is responsible for the development and evaluation of response-to-intervention approaches, would be cut more than 20 percent to \$31 million.

Under the proposed budget, *Striving Readers* would receive \$100 million -- or about \$65 million more than the FY 2008 level -- to help struggling teenage readers, while *Math Now* would receive its first funding level of \$95 million for students struggling with math at the K-9 level. Also part of the American Competitive Initiative signed into law last year, \$70 million would be provided for *Advanced Placement* and *International Baccalaureate* programs, an increase of \$26 million. Also as authorized under the America Competes Act, \$24 million would be provided for the first time to the *Advancing America through Foreign Language Partnerships* in the form of grants to higher education institutions which partner with school districts.

While the FY 2009 budget proposal would essentially level-fund education overall, some of the above increases come at the expense of programs whose budgets are reduced and the elimination of 47 programs, which would save about \$3.3 billion. In addition, USED states that almost 760 “earmarked projects” totaling \$328 million would also not be funded. Some of the programs which would be zero funded include *Even Start*, *Smaller Learning Communities*, and *Education Technology State Grants*. Other programs receiving large cuts are state grants under the *Safe and Drug-Free Schools* (66 percent reduction) and *Assistive Technology* programs (14 percent reduction).

Although key Congressional committee aides, a week before the proposed budget was

released, were optimistic about possible NCLB reauthorization this year, after the budget release, Chairman Kennedy stated, “I am particularly concerned that the President has once again inadequate funding for the laws important reforms.” If any of the proposed new initiatives and/or changes in NCLB provisions (upon which the Bush proposed budget is based) occur, then they are more likely to be made through the regulatory or guidance process than through reauthorization this year. The most likely changes through the regulatory process relate to SES provisions (e.g., allowing SES to be offered along with parent choice when a school is identified for improvement for the first time) and increased Title I funding for high schools, which could garner bipartisan support from Congress.

For a copy of the FY 2009 budget summary and/or the entire budget go to:
www.ed.gov/about/overview/budget/budget09/index.html

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

(millions of dollars)

	FY2007 Joint Resolution	FY2008 Omnibus Bill	FY2009 President Request
Title I (Total)	14,726	15,489	16,917
Total LEA Grants (Part A)	12,838	13,899	14,305
Basic	6,808	6,598	6,598
Concentration	1,365	1,365	1,365
Targeted Grants	2,332	2,968	3,374
Finance Incentive Grants	2,332	2,968	2,968
Migrant	387	380	400
Even Start	82	66	---
Reading First/Early Reading First	1,147	506	1,113
Striving Readers	32	35	100
School Improvement Grants	125	491	491
Math Now	---	---	95
State Innovation Grants(Title V A)	99	---	---
Improving Teacher Quality(Title II A)	2,887	2,935	2,835
English Acquisition	669	700	730
State Assessments	408	409	409
Math Science Partnerships	182	179	179
Advanced Placement/International Baccalaureate	37	44	70
Teacher Incentive Fund	*	97	200
Technology State Grants(Title II D)	272	267	---
Special Education (EHA/IDEA)	10,783	10,948	11,285
Adult Education	564	554	554
Vocational/Technical	1,182	1,161	---
Safe & Drug-Free Schools and Communities State Grants	347	295	100
21st Century Community Learning Centers	981	1,081	---
21st Century Learning Opportunities	---	---	800
Pell Grants for Kids	---	---	300
Statewide Data Systems	25	48	100
College Mentoring (GEAR-UP)	303	303	303
HEA TRIO Program	828	828	828

* reduced to \$200,000 in FY 2007

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