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MEMORANDUM

DATE: April 11, 2017
TO: TechMIS Subscribers
FROM: Charles Blaschke and Dr. Suzanne Thouvenelle
SUBJ: Trump Proposed Education Budget Cuts Suggest Need for TechMIS Subscribers to Contact Congressional Delegations

The enclosed Special Report highlights dramatic cuts in Trump proposed FY 2018 Education budget and what is the most serious immediate concern, the FY 2017 cuts for the next five months, both of which strongly suggest the need for TechMIS subscribers to pressure their Congressional representatives to exercise their “checks and balances” opposition. While the proposed “phantom increases” for Title I on the surface should be welcomed, as we argue they are very “deceptive.” All funding cuts in funding levels will have a dramatic impact now and over the next few years on Federally-funded niche markets, creating uncertainty and significantly reduced spending in Title I, Afterschool Programs, IDEA Special Education Programs, and Title II Professional Development, among others. The new ESSA Title IV Consolidated Block Grants, which would earmark almost 60% of more than \$1 billion for technology and mostly professional development, will be “still born” during its first year!

We strongly suggest TechMIS subscribers who target Federally-funded education markets contact their Congressional representative/delegation to “stand fast” on the Continuing Resolution extension to September 30th and strike down the President’s FY 2018 proposed budget.

The remaining TechMIS reports and Washington Updates for the last TechMIS issue will be sent in several weeks and hopefully include district preliminary Title I allocations, which however cannot be determined by USED until the FY 2017 appropriations funding levels are known, which most likely will be through an extended Continuing Resolution through September 30th. Call me directly if you have any questions (703-362-4689).

Special Report:
Trump’s “Skeletal” FY 2018 Education Budget Reductions Likely to Be “Dead on Arrival” (DOA) in Congress, But Reflect New School Choice and Related Priorities, Which Suggest Alternative Means and “Tweaks” to Existing Programs Will Be Used to Implement Priorities

A Technology Monitoring and Information Service (TechMIS)

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The Trump-proposed FY 2018 education “skeletal” budget would cut funds from about \$68 billion to \$59 billion (13% reduction) and lift the Defense “sequester cap” to increase defense spending by \$54 billion. While Congress might reduce and/or postpone funding for specific “old” as well as “new” ESSA programs when the details in a full budget become known likely in May, alternative means of “bending the rules” and/or “tweaking” of guidelines/Non-Regulatory Guidance may become more apparent as to how the Trump Administration wants to “squeeze out” about \$1.4 billion for direct “school choice” activities. Below, we identify some of the most significant proposed program cuts such as Title I and after-school programs, which are of interest to most TechMIS clients; the disconnect over stated policies between USED and the White House; internal USED contradictions; and likely implications for many TechMIS subscribers.

Title I

Unlike other major programs, a \$1 billion Title I increase is called for in the “skeletal” blueprint, although in reality, the actual increase would be only about half that amount, as the School Improvement Grant (SIG) funds of about \$500 million previously in the Title I budget has not been reauthorized. As Education Week’s Politics K-12 blog (March 17th) notes, amid the “smoke and mirrors” of the new budget proposal, the additional “\$1 billion would be dedicated to encouraging districts to adopt the new ESSA system of student-based budgeting and open enrollment that allows Federal, state, and local funding to follow the student to the public school of his or her choice.” However, the funding goes to districts based on the Title I formula, not competitive grants, and for many districts which are no longer protected under a “hold harmless” provision, any such new funds they receive would likely be used to reduce the impact of their district’s cuts in 2017 (i.e., due to lack of hold harmless protections) and 2018 school years.

As Politics K-12 notes, regarding increasing school choice, the article argues, “Districts would be permitted to combine Federal, state, and local funding streams with the purpose of better directing that money to low-income students and others with particular needs, including English language learners. Among other requirements, the new formulas would have to ensure that each high-poverty school gets more per-pupil funding than it did in the previous academic year.”

However, the article argues that the formulae in the pilot would not allow for any “sort of portability for funds or any sort of parent choice...Under the pilot, the money is attached to students, but how that money flows is not ultimately at the discretion of parents or students themselves.”

Also designed to contribute to the \$1.4 billion school choice funding increase is the \$250 million proposed voucher program in which private schools, religious schools, among others, could participate and receive funding. However, congressional members and Senators from rural states (e.g., Kansas, Nebraska, Alaska, Vermont, Wyoming, among others) where districts do not have private school options would take a lead role opposing such use of Title I or other funds as they have in the past.

In light of likely strong congressional opposition to these new activities, USED would be more likely to use other means internal to USED including interpretations of ESSA statutes as we outlined in our December Special Report such as using the power of the new SEA private school “ombudsman” office in ESSA to ensure that districts’ allocation of Title I funds under “equitable services” provisions are increased for Title I eligible students that are served in new or expanded charter schools and through increased funding for the Charter School Program by 50%.

Charter School Programs

As predicted in our December report, Charter School Program grants could be increased. The new budget proposes, a \$160 million increase over the current \$333 million. Grants go to states and Charter Management Organizations (CMOs) “to create, replicate, or expand existing charter schools which have a proven track record.” As Nina Rees, President National Alliance Public Charter Schools, reportedly stated in an Education Week interview (March 16th), “The charter school movement is grateful for the President’s support...this funding will allow more high-quality charter schools to open, expand, and replicate – and will help finance facilities for charter schools – so that more students have access to the great education they deserve.” And, as we reported in the March TechMIS report, while the net increase in the number of charter schools has been the lowest, at about 2% between 2015 and 2016, increased enrollment has occurred due to existing charters’ expanded grade levels, which implies that Title I and other funds could be used to “follow the child” going to charter schools, with capabilities and range of services to serve at-risk, and particularly students with disabilities (see December TechMIS Special Report).

IDEA Special Education

The two-page budget document also states that the President’s proposed budget would “maintain approximately \$13 billion in funding for IDEA programs to support students with special education needs.” Using tweaks and regulatory changes/deletions, USED could allow more of IDEA funds to be used to expand “school choice” to support private schools and some types of charter schools, as we noted in our February TechMIS Special Report on Secretary DeVos’ top priorities. However, if the proposed replacement for ObamaCare does occur later this year, up to about \$4 billion in Medicaid “CHIP” funding used by states to reimburse districts for providing related services to about 4.5 million students with disabilities could be cut. And, since IDEA provisions do not allow IDEA funds to be used to pay for related services, pressures could be placed upon states and districts to “bend the rules” to use IDEA funding in combination with

local and other state funds to provide the required related services, which would create “tight budgets” next year and in the future in the special education market niche.

Major Programs Zero-Funded or Cut

State grants under Title II funded at about \$2.25 billion would be zero-funded. The latest USED report indicated that about \$1.1 billion was spent on professional development in 2015-16, and about \$600 million on class size reduction (i.e., hiring more teachers, or increasing teachers’ salaries). About 50% of Title II funds went to highest poverty districts. Former Secretary Arne Duncan proposed reduced funding for Title II in the waning days of the Obama Administration. Even though improvements, new set-asides, and other initiatives were created under ESSA, the Trump Administration would zero-fund the program for FY 2018. And, as noted in our March TechMIS report, if language is not changed in the Continuing Resolution, then no funding would be allowed also for 2017 because the new “Title II” program was not authorized and funded in the FY 2016 budget included in the current Continuing Resolution. Implications for firms providing professional development are rather clear.

The new ESSA Title IV Consolidated Grant Program would also be zero-funded and similar to Title IIA, if the existing Continuing Resolution is merely extended without any language changes, Title IV could also receive no funding for similar reasons in FY 2017. According to observers, the almost 50 programs consolidated that were in the FY 2016 budget, have no longer been authorized to receive any new appropriations. Significant language changes must be made if the new Title IV (authorized at \$1.6 billion) would receive any funding during school year 2017-18. Hence, the anticipated “60%” funding under Title IV for software and technology-related professional development would be a major casualty affecting the marketing strategies for firms providing such products and professional development services.

Another casualty which would be zero-funded is the 21st Century Community Learning Centers funded at about \$1.1-\$1.2 billion. Former Secretary Duncan pushed for more funding for in-school expanded learning time rather than after-school programs, and Chairman Lamar Alexander has voted in the past to zero-fund 21st Century after-school programs. While new OMB Director Pat Mulovaney “justified” cuts for after-school program because of no evidence that they worked, studies spanning the last decade compiled by Harvard and Rice Universities argue that after-school programs have shown “a host of positive academic, social, preventative, and health benefits.” It is interesting to note that the new March 13th guidance to states in submitting their state reports require states to include information only about how after-school programs can improve academic progress not mentioning the enrichment, extra-curricular sports, and other activities provided by after-school programs. One of the fastest growing niches in after-school programs has been in STEM-related areas, particularly Technology and Engineering, which would be impacted if such programs are zero-funded or significantly reduced.

Based on different media and other sources, other potential cuts, which should be detailed in the “expected” May full budget request for FY 2018 include:

- A 5% general cut for education research and the Institute for Education Sciences; even though “evidence-based practices” are required in the new ESSA, the new March 13th state guidance for submitting plans only request that states describe the types of

evidence-based approaches or assurances that will be used for interventions in low-performing schools, which have failed to improve after three years and have not exited from that status. This certainly indicates the Administration's lower priority being placed upon Federal funds being used only to support the use of "rigorous evidence-based" interventions in the 5% lowest-performing schools as soon as they are identified for the first time.

- The National Endowment for Arts and Humanities and Museums and Libraries programs would be cut by \$145 million and \$230 million, respectively. These programs fund a variety of STEM-related developmental training and other activities.
- GEAR UP funding would be reduced from the current level of \$322.8 million to \$219 million.

Other programs, which some observers feel could be cut, include Obama flagship programs such as Promise Neighborhoods (\$73 million), and the new Education Innovation and Research (EIR) Program, which is a successor to the i³ program; however, as *Politics K-12* notes, given the flexibility under the new EIR program, it may be used by Secretary DeVos as an "umbrella" for funding some of the vouchers and other more controversial pilot programs noted earlier related to increasing school choice.

Other programs that are not addressed in the two-page "so-called skinny budget" include the Preschool Development Grant program funded at \$250 million, a priority of Ranking HELP Committee member Senator Patty Murray (D-WA); Head Start (\$9.8 billion); Child Care Block Development Grant (\$2+ billion), and the Career and Technical Education "Perkins" Funding (\$1 billion). These programs could be used as bargaining chips with certain members of the House and Senate Appropriations committees and other GOP leaders to persuade them to make some of the above proposed cuts while maintaining the funding level of some of these programs. Some of these programs have been cited as a priority in Trump's statements or his close advisors (e.g., early childhood was stated as a major priority of his daughter, who now has an office next to his in the White House).

Update: Proposed Cuts for FY 2017

On March 29th, *Politico Morning Education* reports that the Trump Administration has called on Congress to cut \$3 billion in education funding for the five remaining months of this fiscal year when it extends the FY 2016 Continuing Resolution on April 28th. Of all immediate proposed cuts across many agencies, the greatest reductions would be at the USED related to preK-12. Beyond a \$1.3 billion cut in Pell grants, Congress has been instructed to make cuts in the following areas:

- A 50% cut in Title IIA for the current year, or about \$1.1 billion; the proposed FY 2018 cut is \$2.2 billion noted above.
- Numerous cuts or zero-funding for programs, some of which are included in the new ESSA Title IV Consolidated Grant program, including physical education (-\$47 million), counseling (-\$49 million), math and science programs (-\$152 million).

It would appear the Trump Administration is attempting to cut the above existing programs which were authorized in the FY 2016 budget, which are included in the Continuing Resolution; if no language changes are made in the Continuing Resolution, this would preclude most funding

for the Title IV Consolidated Grant program, as well as Title IIA program, as we discussed in the February TechMIS issue. The last time these mid-year deep cuts happened was in 1996 when the newly-elected Speaker Newt Gingrich, cut Title I funds by a third mid-year, which was a disaster and prompted the creation of the concept now used in Title I called “forward funding.” Congressmen with an “institutional” memory of the destructive nature of such cuts in the 1990s are likely to vigorously oppose such cuts. As *Politico Morning Education* states, “Top congressional appropriators have indicated that they’re prepared to reject Trump’s calls to cut programs that they deem important – and some have said the White House weighed in too late in the appropriations process to affect the outcomes for the current fiscal year.”

And, on top of this proposed \$3 billion immediate cut, *Politico Morning Education* also reported (March 28th) that the Heritage Foundation FY 2018 budget proposal, which many believe will be the basis of the final Trump-proposed full FY 2018 budget in May, calls for even deeper cuts to education-related programs than Trump’s “skeletal” two-page budget. The Heritage Foundation, which has become the Trump “think tank,” would reduce funding for Head Start and eventually zero-fund the program; cut in half the USED Office of Civil Rights budget; eliminate competitive grant programs under ESSA; and reduce formula grant programs for K-12, including Title I and IDEA by ten percent.