



# **Finding The Money:**

## ***Federal, State, and Private Funds for Schools***

***The following was adapted from remarks made by Sarah Truelsch, Senior Associate for School Funding Services of New American Schools, as part of the Heller Report's EdNET Virtual Roundtable entitled "Finding the Money — School Funding: Federal, State, and Private Monies." The discussion took place on September 26, 2003.***

### **Introduction**

First, I would like to echo Blanca's (Blanca Rodriguez, Director, Grants Policy and Oversight Staff, U.S. Department of Education) comments on the importance of tapping into federal grants that are available through State Departments of Education. In fact, at School Funding Services, we help you do exactly that. We track key programs in No Child Left Behind (NCLB) as they're implemented across the states. Our web site features a searchable database of NCLB grants in all the states, as well as reports, reference tools, and a funding newsletter.

Today, I'd like to share with you some information we've gathered about two grants in particular: Enhancing Education Through Technology and the 21<sup>st</sup> Century Community Learning Centers programs.

But first, Nelson (Nelson Heller, President and Publisher, The Heller Reports, A QED Company) has asked to me to provide a brief overview of the current picture of education funding in this country. Very basically, American schools rely on funding from three sources: the federal government, the states, and local governments. These funds are also supplemented by grants from private givers, like foundations, corporations and individuals.

Together, the states and local government pay for about 90% of elementary and secondary public education. Different states, and different districts within states vary in their dependence on local versus state funds. As you all probably know, there is great diversity in the ability of school districts to raise funds locally. Accordingly, school districts have had varying levels of success in raising additional local revenue for the current school year.

### **State Funding**

We can speak more generally about state funding than we can about local funding, but for the current school year, the outlook is mixed. At least 11 states cut K-12 spending in 2004, but most states maintained level funding for education, and some even managed increases.

All in all, state funding for education could have been worse. Despite a massive budget deficit, California was able to fully fund K-12 education at the same rate as last year. In New York, there will be a 1 percent spending reduction to the state's K-12 budget, but state legislators were able to restore almost \$1 billion of the \$1.2 billion in cuts that Governor Pataki proposed. Florida's education budget even grew by about 6 percent.

Though the state fiscal picture could have been worse, it certainly could have been better. With rising student enrollments and inflation factored in, level funding of programs generally feels like

a cut at the classroom level. Across the country, school districts that rely on state funding will still feel very tight budgets.

The good news on this front is that after three straight years of revenue shortfalls, states may finally be turning the corner on budget deficits. According to a survey conducted by National Council of State Legislatures this summer, the majority of State Budget Officers are cautiously optimistic that state revenues will pick up this year and few are predicting budget deficits at the end of 2004. Hopefully, when we talk at this time next year we will have more positive information to report about state education budgets.

### **Private Giving**

Turning to private sources of funds for schools, I'm afraid that there is less cause for optimism. While education remains a focus of giving for all types of donors, the slumping economy has also taken its toll on private givers. Declines in the stock market have eroded the assets of the nation's private foundations, while reduced corporate profits have caused a reduction in giving by companies.

According to a March 2003 report by *The Chronicle of Philanthropy*, big US foundations saw a drop in their assets for the third straight year in 2002. As a result, many foundations are concerned about meeting their existing funding obligations, and are reluctant or unable to make new commitments.

*The Chronicle* also reported in July that giving by corporations was down. Interestingly, *The Chronicle* noted that companies have been reassessing their charitable programs, granting less cash, and instead offering more in-kind donations of products and expanding employee volunteer programs.

### **Federal Funding**

This brings us to federal funding as a source of new money for schools. Overall, federal education funding for the 2003-04 school year grew compared to last year; but the increases are targeted at a few programs, like Title I and special education, and there are already enormous demands on those funds. In most cases, formula or entitlement grants — outside of Title I — did not grow, so new funds will not simply flow into schools. To really benefit from federal funding, schools need to pursue the competitive federal grants that are distributed through their State Education Agencies (SEAs). It really behooves sales and marketing forces to be aware of these competitive grants, to align their sales and marketing efforts with them, and to help schools pursue them.

I want to talk about two federal grants in particular today: Enhancing Education Through Technology and the 21<sup>st</sup> Century Community Learning Centers grants. But I would be happy to answer questions about other grant programs in the question and answer period. If you have questions about specific states, I encourage you to go to the School Funding Services web site to search our grants database for more information.

### **Enhancing Education Through Technology**

First I would like to talk about the Enhancing Education Through Technology, or Ed Tech program. Ed Tech supports the integration of technology into classrooms. Funds can purchase hardware and software, but 25% of grants must be spent on professional development for teachers and administrators.

The Ed Tech program is split into two parts. Half of the Ed Tech funds flow to schools automatically by formula, and the other half is distributed through a competitive process run by each State Education Agency.

Ed tech is a roughly a \$700 million program: \$350 million for formula grants, and \$350 million for competitive grants. Federal appropriations were about level between 2002 and 2003, but state allocations have actually grown a bit. That's because the federal government held on to some of those funds in 2002 to pay continuation grants, and reallocated them out to states in 2003. States saw an average increase of 4 percent in their Ed Tech allocations for the 2003-04 school year, which added a couple of hundred thousand dollars to most states. That 4 percent increase will not be that significant to the Ed Tech formula grants, but it should help provide additional competitive grants in most states. Schools will typically receive fairly large grant awards under the competitive side of Ed Tech, averaging \$50,000- \$300,000 for one year. Most grants last year were for a single year, but some states made two- or three-year grants, and there will probably be more multi-year grants this year.

In the majority of states, the first year of Ed Tech grant competitions were not strongly focused on specific priorities. Instead, applicants were free to request funds for a range of different activities. Now, coming into the second year of the grant, many states are thinking more about the specific initiatives they want to fund and will be focusing their grants more closely. As a result, it is very important for sales and marketing forces to identify the right states for their offerings.

A good example of the trend to focus Ed Tech grants in the coming year is Vermont. Last year, Vermont awarded grants for a range of different technology activities with no specific priorities. Vermont just released its 2003-04 application for funds last week. This year, the state will award grants within one of five distinct categories. The categories include highly focused initiatives like a pilot One-to-One computing program, based on Maine's laptop initiative, and grants for high school collaborations with technical and career centers.

While individual states plans differ, nationally, we're noticing interest in integrating technology into the classroom, rather than just acquiring more hardware. That trend is supported by strong interest in on-going, classroom-based professional development. Therefore, teacher training should be an integrated part of your offering for schools seeking Ed Tech grants.

### **21<sup>st</sup> Century Community Learning Centers**

Now, I would like to transition into talking about the 21<sup>st</sup> Century Community Learning Centers, or 21<sup>st</sup> Century program. It's a competitive grant that supports a broad range of activities delivered outside of normal school hours, generally after school. Program funds can support tutoring, academic enrichment programs, recreational activities, and family literacy services. Grants are a minimum of \$50,000 a year, and can be as much as a quarter million dollars each year for a period of three to five years.

As with Ed Tech, the federal appropriations for 21<sup>st</sup> Century have stayed level, but state allocations are growing. In 2002, states only received \$315 million to make competitive grants. For this school year, an additional \$250 million was reallocated to the states. All the states have 75-90% increases in their 21<sup>st</sup> Century allocations this year, and will have another big increase for the 2004-05 school year.

21<sup>st</sup> Century is a great revenue opportunity because it's very broad and can be used to purchase everything thing from study materials to athletic equipment, but there is increasing

pressure from the federal and state governments to increase the academic rigor of the program. NCLB legislation required 21<sup>st</sup> Century grant applications to address a school district's academic goals, but states are now adding their own requirements. For example, Florida will now give priority to programs that describe the relationship of the 21<sup>st</sup> Century afterschool program to the state's reading initiative.

21<sup>st</sup> Century is also somewhat unique because groups other than schools can apply for this grant. In fact, states provide a priority for applications submitted jointly by school districts and community-based organizations. Therefore, if you have any existing relationships in Boys and Girls Clubs, YMCAs, and even churches, those organizations can help you access 21<sup>st</sup> Century afterschool funds.

### **Conclusion**

To recap, with state and local budgets remaining tight, and private giving down, federal funds, especially competitive grants, are one of the few places that schools can turn for additional dollars. But funding for these grants is focused and competition will be stiff this year. So it is important for you to know what grant opportunities are available in which states at which times, to target the right states for your offering, and to find about these grants within time to approach potential school customers, and if possible, to help them prepare good applications.

I encourage those of you who are interested in state-specific information or additional grant programs to visit the School Funding Services web site as at [www.schoolfundingservices.org](http://www.schoolfundingservices.org) , where you can request a free demo password.