



# **Update on Funding** **and the Market Landscape:** *Trends and Tactics You'll Want to Know*

***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 Reports' EdNET Virtual Roundtable entitled "Update on Funding and the Market Landscape: Trends and Tactics You'll Want to Know." The discussion took place on December 12, 2003.***

## **Introduction**

Good afternoon. My name is Sarah Truelsch. I am a researcher with School Funding Services (SFS), a unit of New American Schools. I would like to thank Nelson and the Heller Reports for inviting me to speak today.

Before I share my observations on the FY 2004 federal education budget, I would like to say a few words about SFS. SFS is an on-line resource for information on school grants. We specialize in tracking ten key programs in the No Child Left Behind (NCLB) Act as they are 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. In fact, you can find most of the information that I'll present today in far greater detail in our most recent *Hot Tips* (December 5, 2003) newsletter, which is available on our web site at [www.schoolfundingservices.org](http://www.schoolfundingservices.org).

## **Status of the 2004 Budget**

Before we talk about details of the federal budget agreement, I should address its political status. On November 25<sup>th</sup> the House and Senate budget conferees agreed on a Fiscal Year 2004 budget package that included appropriations for the Department of Education (ED), along with six other departments. Earlier this week, the full House passed that bill exactly as it came out of conference; but the Senate will not have a chance to vote on the budget until Jan. 20, 2004.

It is possible that Senate democrats will block passage of the budget package and Congress will have to renegotiate the budget, but it is much more likely that the Senate will pass the budget agreement as is. Furthermore, if the Senate fails to approve the budget package in January, the big debates in that negotiation will not be centered on education spending. The best bet is that the final budget for education will closely resemble the agreement that we currently have.

Therefore, bearing in mind that there is a small chance that the 2004 ED budget could change slightly, I think that it is still fruitful to talk about the agreement that the House and Senate negotiators reached in late November. It will be the blueprint for any action going forward.

## **Budget Specifics**

The budget agreement that was reached in November provides \$35.7 billion for *No Child Left Behind* programs and Special Education in 2004; i.e., a 5.4 percent (\$1.8 billion) increase over last year. As expected, the biggest funding increases are for Title I, Part A grants and state grants for Special Education. Increases to those two programs alone account for almost all of the additional spending (\$1.852 billion) in the bill.

A few other programs received modest increases, which were offset by decreases in a handful of programs. And, in order to reduce overall spending levels in the budget package, lawmakers applied an across-the-board cut of 0.59 percent to all programs. Congress used a similar cut in FY 2003, which allows them to keep bottom line budgets within agreed spending levels without singling out specific programs for cuts.

Rather than attempt to cover every program in the budget, I will just mention a few highlights. If you have questions about specific programs or areas of funding, I'm happy to address those during the question-and-answer period.

Overall, the budget reflects priorities that are aligned with the instructional goals of NCLB. In line with NCLB's goal of closing the achievement gap, the largest increases in spending are focused on underserved communities, specifically low-income students and special education students. Other notable increases are aimed at improving instruction in the core areas of reading and math and science, which are also a focus of the law.

## **Special Education (Individual with Disabilities Education Act/IDEA)**

The largest spending increase in the budget agreement is for Special Education. It would add \$1.19 billion (13.5 percent) for a total of \$10.1 billion for state grants. The budget also added slight increases to two other special education programs: Preschool Grants (for a total of \$387.7 million) and Grants for Infants and Families (for a total of \$444.4 million).

Federal increases in special education spending are also boons to the general education system. Much of the spending in special education is driven by regulations and mandates, which the states and school districts are required to implement regardless of whether they receive additional funding for them. Therefore, any increase in federal funding for special education takes pressure off the cash-strapped general education system at the state and school district levels.

## **Title I Grants to Local Education Agencies (LEAs) (Title I, Part A)**

The other key area for spending increases was Title I grants for Local Education Agencies. Title I, as you may know, provides flexible funds for improving instruction in schools with high concentrations of low-income families.

Both the House and Senate accepted the President's recommendation to increase spending for Title I grants by \$657 million, (5.6 percent) for a total of \$12.34 billion. While the increase was substantial compared to other program areas, it is the smallest funding increase to Title I since NCLB was signed into law. The FY 2002 budget added \$1.587 billion, an increase of 18 percent over FY 2001. The FY 2003 budget added another \$1.4 billion to the program, for a nearly 13 percent increase.

## **Reading First, Early Reading First, Improving Literacy Through School Libraries**

### **(Title I, Part B)**

No other programs saw hundred million dollar increases, but there are a few others that are worth talking about. Congress and the White House have continued their support for literacy programs, specifically: Reading First, Early Reading First and Improving Literacy through School Libraries.

The administration's flagship program, Reading First, which provides grants to improve K-3 reading instruction in high-need schools, has grown by \$30 million (3.1 percent) for a new total of to \$1.023 billion. Early Reading First, a companion program for pre-school age children, grew by 27 percent to over \$94 million. The Improving Literacy through School Libraries program received a 60 percent increase in funds for a total of \$19.4 million.

The increases to those programs total only \$58 million, but the large percentage increases for Early Reading First and School Libraries are signs of the President's and the Congress's continued support for spending on literacy programs.

### **Math and Science Partnerships**

There is no counterpart to Reading First for math education, but in the last two budget cycles there has been increasing interest in funding the Math and Science Partnership program (MSP), which has grown from \$12.5 million in 2002 to \$150 million for 2004 (1100 percent).

MSP supports professional development and research relationships in math and science teaching between Institutions of Higher Education and school districts. It is only a fraction of the size of Reading First, and does not present nearly as much of an opportunity for providers of instructional materials or professional development. However, it is the only avenue that Congress is using to explicitly support math and science education now. So if math and science education are your focus, it is worth trying to get in touch with the grantees in your state to see how they are spending their money.

### **Enhancing Education Through Technology (Title II, D 1-2)**

Finally, I'll say something about Enhancing Education through Technology (Ed Tech) state grants. Ed Tech has been hit by an across the board reduction in funding for the second year in a row. The program's appropriation has lost a total of \$8.7 million since FY 2002. However, school districts will be shielded from the effects of the cut because the ED will re-allocate \$22 million in funds that it retained last year out to the states, for a 3 percent growth in state allocations from FY 2003.

However, Congress eliminated \$62 million in funding for the Preparing Tomorrow's Teachers to use Technology program, which supported technology training in teachers colleges. Lawmakers have cited its redundancy with Ed Tech, which requires 25 percent of funds to be spent on professional development for educators.

### **Conclusion**

That will conclude my prepared statements, but I am happy to try to address your questions. I also encourage you to visit our web site at [www.schoolfundingservices.org](http://www.schoolfundingservices.org) for much more information.