

HOT TIPS

SPECIAL BUDGET ISSUE



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Congress Agrees to 2004 Education Budget

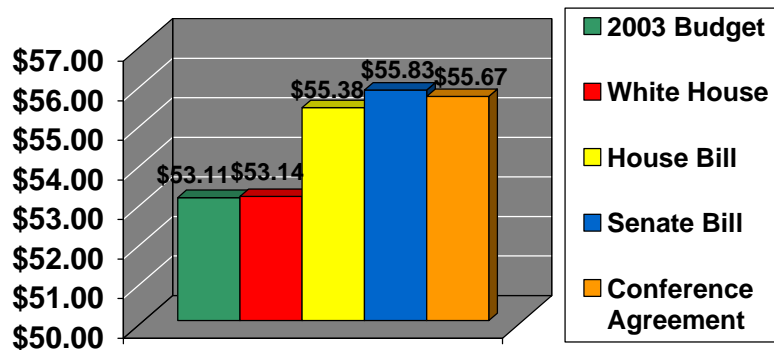
On November 25, 2003 the House and Senate budget conferees agreed on a Fiscal Year 2004 budget package (all years hereafter refer to fiscal year) that included appropriations for the Department of Education (ED). The full House and Senate must vote to approve the bill before it can be signed by the President and take effect. That process is not likely to be wrapped up until January 2004. ED will continue to operate at 2003 funding levels under a Continuing Budget Resolution until the 2004 budget is made law.

The Conference Agreement provides \$55.67 billion overall for the Department of Education in 2004. That is a \$2.552 billion (4.8 percent) increase over the previous year and contains \$24.416 billion for No Child Left Behind (NCLB) programs, \$622 million (2.6 percent) more than 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 account for \$1.852 billion in additional spending. The bulk of additional budget increases is accounted for by higher education grants.

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. Lawmakers used a similar cut in 2003, which allowed them to keep bottomline budgets within agreed spending levels without singling out specific programs for cuts. This year lawmakers were able to preserve level-funding or increases to priority programs by adding small additional increases to programs like Title I, Part A and 21st Century Community Learning Centers that off-set the across-the-board reductions.

2004 Budget Comparison (in Billions \$)



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Not all programs were spared cuts. Many programs that have supposedly been level-funded since the first NCLB-related budget in 2002, such as Even Start Family Literacy grants and Enhancing Education through Technology, have suffered a 1.2 percent cut in real appropriations dollars in the last two years. When inflation is figured along with these cuts, the dollars for these grants have more than four percent less buying power than in 2002.

Congress Level-funds Most of President's Proposed Eliminations

The vast majority of programs that did not receive funding in President Bush's 2004 education budget proposal survived the Congressional negotiations in good shape. The President's budget request, released in February 2003, suggested eliminating 45 programs, totaling \$1.5 billion, in order to offset increased funding in priority programs. Instead, Congress chose to raise the overall level of education spending and avoided making many significant cuts to individual programs by implementing a 0.59 percent across the board rescission.

Both the House and Senate largely ignored the President's suggested cuts, and some of these programs came out of the conference committee with more funding rather than less. Only four of the programs proposed for elimination did not receive any funding: Preparing Tomorrow's Teachers to Use Technology, Loan Forgiveness for Child Care Providers, State Grants for Community Service for Expelled or Suspended Students, and the Thurgood Marshall Legal Educational Opportunity Program. These four cases represent the only instances where both the House and Senate's appropriations bills aligned with the President's budget by declining to allocate funds.

While 30 out of the 45 programs suggested for elimination were level-funded, a few programs saw significant increases or decreases in their allocations. Both Comprehensive Regional Assistance Centers and Dropout Prevention Programs saw large drops in funding after failing to gain full support in the House or Senate. In several cases where the House and Senate went into conference with large discrepancies, the conference committee chose to level-fund or increase funding for programs. This ranged from an \$8.5 million (85 percent) increase in funding for Advanced Credentialing to a much smaller \$1.5 million (5 percent) increase in funding for Elementary and Secondary School Counseling.

The President's budget also proposed new priorities. These included the Choice Incentive Fund, which encourages school voucher programs, and a National Security Education Trust Fund. Congress declined to fund the new programs proposed by the administration.

Descriptions of proposed 2004 funding for key programs follows.

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

Both the House and Senate accepted the President's recommendation to increase spending for Title I grants to Local Education Agencies (LEAs) by \$657 million, (5.6 percent) for a total of \$12.34 billion. This 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 2001. The 2003 budget added another \$1.4 billion to the program, for a nearly 13 percent increase.

Reading First, Early Reading First, Literacy Through School Libraries (Title I, Part B)

Congress and the White House have continued their support for literacy programs, the biggest winners in the budget after Title I grants and Special Education, and the most prominent competitive programs to receive increases. The administration's flagship Reading First program, which provides competitive grants to improve K-3 reading instruction in high-need schools, has grown to \$1.023 billion, an increase of \$30 million (3.1 percent). Early Reading First, a companion program for pre-K age children, which is distributed directly by ED, grew by 26.7 percent to \$94.4 million. The Improving Literacy through School Libraries program, which is also distributed to LEAs directly by ED through competitive grants, received a 60 percent increase in funds for a total of \$19.4 million.

Even Start Family Literacy Grants (Title I, Part B-3)

The Even Start program, which provides competitive grants to LEAs and other non-profits for family literacy programs, was funded at \$246.9 million, just below last year's base. The President's budget would have reduced funding for the program by \$75 million, which would have provided continuation funding to existing local projects, but would not have encouraged new grants to be awarded. The President also recommended cutting \$50 million from the program for 2003, and it was also level-funded in the final appropriations bill.

Comprehensive School Reform (CSR) (Title I, Part F)

CSR is another program for which Congress rejected the President's proposal for cuts. The CSR program was the largest of the 45 programs that the President recommended be eliminated in his February 2003 budget (on the grounds that similar activities could be funded through the Title I, Part A grants). Congress restored the program to slightly more than its 2003 funding level for \$233.6 million, and, as in past years, appropriated an additional \$74 million from the Fund for the Improvement of Education (FIE) for CSR grants for which non-Title I schools are also eligible.

Improving Teacher Quality Programs and Teacher Recruitment (Title II, A)

Congress took special steps to preserve funding for the Improving Teacher Quality State Grants by adding more funding before the 0.59 percent cut was applied. The final cut to the program was less than 0.1 percent of the 2003 level, for a total of \$2.928 billion in 2004.

The fates of other, smaller professional development programs were mixed. The Advanced Credentialing program, which the President suggested eliminating, doubled in size from \$9.9 million in 2003 to \$18.3 million in 2004 and Congress level-funded the \$12.4 million School Leadership program.

Grants Tracked by School Funding Services		
Program Name	FY 03 Appropriation	FY 04 Conference
21 st Century	\$993,500	\$999,070
CSR	\$307,968	\$308,613
Ed Tech	\$695,947	\$691,840
Even Start	\$248,375	\$246,910
Innovative	\$382,497	\$385,000
Reading First	\$993,500	\$1,023,923
Safe, Drug Free	\$468,949	\$440,908
Teacher Quality	\$2,930,825	\$2,930,126
Title I, A	\$11,684,311	\$12,342,309

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However, they concurred with the President in eliminating funding for the \$62 million Preparing Tomorrow's Teachers to Use Technology, which provides funds for consortia of private and public entities to prepare student teachers to use technology in the classroom. The Senate appropriations committee noted in its report that Enhancing Education through Technology grant recipients are required to use 25 percent of their allocation for professional development, making the teacher preparation program redundant.

Congress also added nearly \$3.6 million (8.6 percent) to support alternative certification routes through the Transition to Teaching program, for a total of \$45.3 million. However, the Department of Defense's Troops-to-Teachers program, which encourages retiring military personnel to teach in high-poverty school districts, will receive nearly \$14 million (48 percent) less from ED in 2004.

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

The Enhancing Education through Technology State grant program (Ed Tech), of which 50 percent is distributed by formula and 50 percent is distributed competitively, suffered the effects of an across the board reduction for the second year in a row. The program has lost \$8.7 million in unadjusted dollars since 2002. However, school districts in most states are unlikely to feel the effects of the cuts because the Department will re-allocate \$22 million in funds that it retained last year out to the states, for 3 percent growth in state allocations over 2003.

As noted above, Congress eliminated \$62 million in funding for the Preparing Tomorrow's Teachers to use Technology program, citing its redundancy with Ed Tech.

Mathematics and Science Partnerships (Title II, Part B)

The Math and Science Partnership program, which supports professional development and research relationships in math and science teaching strategies between Institutions of Higher Education and LEAs, received a \$49 million (48.8 percent) increase to nearly \$150 million. It represents one of the largest discrepancies, in percentage terms, between the President's request for funds and the eventual budget. The President has requested only \$12.5 million for the grant.

Although the increased funding is a sign of support for one of NCLB's only funding streams dedicated to math and science, in this case, the discrepancy between the President's and Congress's funding marks are partially driven by the program's funding mechanism. For appropriation levels below \$100 million, NCLB authorizes competitive awards from ED directly to partnerships. For funding at or above \$100 million, the law dictates that funds be distributed as formula allocations to State Education Agencies (SEAs), ensuring that every member of Congress's home state will receive a share of the funding. (At the \$12.5 million level, ED combined its funding with the National Science Foundation (NSF), which will continue to run a nearly identical program in 2004). Control of the grants was handed to the states for the first time in the current school year, and so far only a fraction of the states have released Request for Proposals for the grants. At only \$100 million, it is by far the smallest federal education program administered by the states. The increase in funding will better cover state costs of administering the grants, as well as increase the number of available grants.

For more information and Math and Science Partnerships, see the April 4, 2003 Hot Tips.

English Language Acquisition (Title III)

Title III grants, which provide formula grants to school districts for the instruction of students with Limited English Proficiency (LEP) as well as recent immigrant students, sustained a very small cut due to the across-the-board reduction. The program will receive \$681 million in 2004, \$4 million (0.4 percent) less than was allocated in 2003.¹ However, states are actually set to receive a 14 percent increase in their allocations for 2004. This year ED retained nearly a third of the funds (\$200 million) for continuation grants under programs that pre-date NCLB. For 2004, more than \$71 million in grants for expiring projects awarded prior to NCLB will be redirected to the state grants program. The bulk of funds goes to school districts based on their share of LEP students, but states may reserve 15 percent of funds for additional formula grants to LEAs that have experienced the sharpest recent growth in their immigrant populations.

Under NCLB, \$650 million is the minimum that Congress can appropriate for the Language Acquisition state grants. If the appropriation is less than \$650 million, the law authorizes three discretionary grant programs for instructional services, four support services programs, a professional development program, and immigrant education formula grants — similar to the programs authorized prior to NCLB.

21st Century Community Learning Centers (Title IV, Part B)

Congress rejected the President's request to cut \$400 million from the 21st Century Community Learning Centers program (the largest suggested cut in dollar terms), which supports educational and enrichment programs outside of normal school hours. In fact, Congress took special steps to preserve funding for the program by adding \$5 million to the program to off-set the across-the-board reduction, for a final appropriation of \$999 million, a \$5.7 million (0.6 percent) increase to program over 2003. Congress was eager to avoid the impression of cutting funds for the politically popular afterschool programs, but in reality, the increase in overall funding is a small fraction of the increase in allocations that states will see due to the reallocations of funds previously retained by ED. In 2003, ED retained 43 percent of the funds appropriated for 21st Century Community Learning Centers to make continuation grants to existing programs. For 2004, \$426 million will be reallocated out to the state, for a 77 percent increase in overall state allocations.

Safe Schools and Citizenship Education (Title IV)

One of the few programs to receive substantial cuts was Safe and Drug Free Schools, which provides formula grants for schools to pay for the costs of security measures such as guards and metal detectors, as well as anti-drug education programs. The program was cut by \$20.8 million (5.6 percent), for a total of \$442.9 million. The cut in funds was off-set, as suggested in the President's budget, by \$32.3 million increase to fund the administration's new Mentoring Initiative in conjunction with the USA Freedom Corps. The initiative will support the development and expansion of school-based mentoring programs for middle-school students. Although Congress appropriated less than half of the \$100 million that the President requested for the program, it represents a 185 percent increase over 2003 funding.

¹ \$685.5 million was appropriated for Title III grants in 2003, but \$1.768 million was not obligated and transferred from the Office of English Language Acquisition (OELA) to the Title I Education for the Disadvantaged account on September 30, 2003.

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The budget agreement included similar funding levels as last year for Safe and Drug Free National programs (\$153.8 million in 2004), Character Education (\$24.7 million) and Civic Education (\$16.8 million). There were small increases for Alcohol Abuse Reduction (\$29.8 million) and Elementary and Secondary School Counseling (\$33.8 million). The Carol E. White Physical Education program grew by \$10 million (16.7 percent) to \$69,587 million, as Congress rejected the President's request to replace the program with a new Physical Education Initiative.

Innovative Education Programs (Title V, Part A)

State grants for Innovative Programs received one the most notable cuts in the budget: \$84.3 million (22 percent) less than 2003, for a total of \$298.2 million. The cut is a reflection of Congress's spending priorities. Innovative Programs is the most flexible federal funding stream, but it also one of the only federal programs not targeted toward low-income or low-performing students.

Charter Schools and School Choice Programs (Title II, Part B)

Charter Schools grants received a 10.1 percent increase (\$20.2 million) for a new total of \$218.7 million. The final budget also increases funds Credit Enhancement for Charter School Facilities by \$12.4 million (50 percent). That increase is small compared to the President's request for \$100 million. The Magnet Schools Assistance program was level-funded except for the 0.59 percent reduction for a total of \$108.6 million. The budget also added 3.6 percent to Voluntary Public School Choice grants, for a total of \$26.8 to enable states and school districts to establish or expand public school choice programs across the state or across districts.

For the second year in a row Congress declined to fund the President's request for \$75 million for a new Choice Incentive program. The Choice Incentive program would have allowed ED to make competitive awards to states, LEAs and non-profits that would provide large numbers of students with expanded opportunities to attend higher-performing public, charter, and private schools.

Assessments (Title VI, Part A)

The conference agreement provides \$389.3 million for State Assessments grants to help states develop and implement the expanded annual assessments in grades 3 through 8 required by NCLB, but that number may be increased above \$390 million. NCLB includes a provision that allows states to "defer the commencement, or suspend the administration, but not cease the development" of annual tests if the federal government does not provide at least a minimum of funding every year as specified in law. The minimum for 2004 is \$390 million. Congress had to add extra funds to the appropriation in 2003 to avoid triggering the deferment mechanism through last year's across-the-board cut .

Any funds appropriated for assessments above the annual minimum statutory requirement for Grants for State Assessments are distributed competitively as Grants for Enhanced Assessment Instruments. These grants allow states to collaborate with other organizations to improve the quality, validity, and reliability of state assessments. Seventeen million dollars was available for competitive grants in 2002, for a total of \$387 million for assessment activities, and \$4 million was available in 2003, for a total of \$384 million for assessment activities. No funds will be available for competitive grants in 2004.

Special Education (Individual with Disabilities Education Act)

Funding for Special Education represented the biggest discrepancy between the House and Senate appropriations bills going into conference committee. The House proposed adding \$1 billion to 2003 levels for Special Education Grants to States. The Senate proposed adding an additional \$1.2 billion above the House's level. The compromise agreement added \$1.19 billion (\$13.5 percent) for a total of \$10.1 billion for state grants. The budget also added slight increases to Preschool Grants (\$387.7 million) and Grants for Infants and Families (\$444.4 million).

Vocational Education (Vocational and Technical Education Act)

The President's budget plan would have transformed vocational education by shifting funding from the Carl D. Perkins Vocational and Technical Education Act to a new Secondary and Technical Education program with a focus on supporting academic achievement and accountability in high schools. The President requested no funding for most current vocational education programs, including National Programs, Occupational and Employment Information, Tech-Prep State Grants and the Tech-Prep Demonstration, which were funded for a total of \$1.326 billion in 2003. They would have been replaced by the new Secondary and Technical Education program, for which the proposal requests \$1 billion.

Both chambers recommended funding vocational education under the current law, rather than the revamped program outlined in the President's budget request. Vocational Education state grants received \$1.195 billion, 0.2 percent more than 2003. The following related programs received level-funding before the across-the-board cut: National Programs (\$11.85 million), Occupational and Employment Information (\$9.38 million), Tech-Prep state grants (\$106.7 million) and Tech-prep demonstration (\$4.93 million).

Seattle is First LEA to received Local- Flex Authority

The Seattle Public School District is the first in the nation to be approved to use the Local Flexibility Demonstration Program (Local-Flex) under the federal No Child Left Behind Act.

Local Education Agencies (LEAs) participating in Local-Flex may consolidate funds received on a formula basis under certain NCLB programs and use those funds for any educational purpose permitted under NCLB. Flexibility agreements under Local-Flex are directly between the Secretary of Education and LEAs. Participating LEAs will receive a virtual waiver from Federal education rules and requirements associated with the programs in exchange for signing a 5-year performance agreement with the Secretary of Education, in which the school district would agree to improve student achievement. LEAs will lose the authority if they fail to meet state adequate yearly progress requirements for two consecutive years.

Under Local-Flex, Seattle will concentrate on programs that address the district's diverse urban environment. These programs include substance abuse prevention and intervention, additional assistance to support students on long-term suspension as they re-enter regular school settings, and extra counseling and tutorial services for Hispanic students in schools with the largest Hispanic populations.

To learn more about NCLB's flexibility provisions, view the School Funding Service's report "State and Local Flexibility Options in NCLB," available on the Resources page of the SFS web site (www.schoolfundingservices.org).

Media Round-Up

NYC Sees Increase In Supplemental Education Services Participation

The New York City Department of Education has announced that an estimated 40,369 students will receive free tutoring this year under the Supplemental Education Services provision on the No Child Left Behind Act. Although this number has risen by one-third from last year, still just 19 percent of the 212,000 eligible students are taking advantage of the tutoring services to which they are entitled.

Of the students that will participate this year, 65 percent have chosen to utilize the programs offered by the New York City Department of Education itself. The remaining students will receive tutoring from private companies or community-based organizations. This is a change from last year when 88 percent of students that participated used the department's programs. Private tutoring companies say that the shift to more providers is an improvement from last year, and represents better awareness among parents of their options in tutors. The department has attributed the overall improvement of the program this year to better communication with families and the use of parent coordinators.

From "Free Tutoring Is Reaching More Students in the System," Jane Gross, The New York Times, November 6, 2003.

Financial Forecast for States Improves

A recent report by the National Conference of State Legislatures (NCSL) indicates that the number of states in serious financial trouble has decreased since last year. The number of states that continue to face budget deficits has dropped from 31 to 10, and the total budget gap of all states is down from \$17.5 billion a year ago to \$2.8 billion. Increased taxes, revenue growth and more control over spending have been credited for the improvement.

However, NCLS data show that some states have only managed to balance their budgets by making difficult cuts in the area of education. Without the option of repeating many fill-the-gap measures, such as tapping into reserve funds, next year, states could be faced with returning to spending cuts and tax increases.

Overall, analysts say the outlook for the economy is good but warn that steady and continued improvement will be needed to sustain a full recovery.

From "Fewer States See Red Ink, Reporter Finds," Mary Anne Zehr, Education Week, December 3, 2003; and "Study Finds Improvement in Finances for States," The Associated Press, November 28, 2003.

Student Population Growth Slows

School enrollment in both public and private schools is expected to grow at a much slower rate through the year 2013. The annual report released by the National Center for Education Statistics shows a 5 percent growth rate through 2013. This is a noticeable decline from the 19 percent increase from the late 1980's through 2001. The children of baby boomers finishing school, in addition to fewer births per woman, were noted as two key factors responsible for the slower growth rate.

From "Slower Growth Projected for Student Enrollment," The Associated Press, November 25, 2003.

2004 Education Budget Comparisons					
Program Name	FY 03 Appropriation	President's FY 04 Request	Conference Agreement (Final)	Difference 2003	Percent Difference 2003
21 st Century	\$993,500	\$600,000	\$999,071	\$5,571	0.6%
Alcohol Abuse Reduction	\$24,838	\$0	\$29,823	\$4,985	20.1%
Arts in Education	\$33,779	\$0	\$35,071	\$1,292	3.8%
Character Education	\$24,838	\$25,000	\$24,691	(\$147)	-0.6%
Charter Schools	\$198,700	\$220,000	\$218,702	\$20,002	10.1%
Choice Incentive Funds	0	\$75,000	\$0	\$0	0.0%
Civic Education	\$28,812	\$27,000	\$28,642	(\$170)	-0.6%
Community Service: Expelled	\$49,675	\$0	\$0	(\$49,675)	-100.0%
Community Technology Centers	\$32,264	\$0	\$9,941	(\$22,323)	-69.2%
Credit Enhancement: Charters	\$24,838	\$100,000	\$37,279	\$12,441	50.1%
CSR (FIE)	\$74,513	\$0	\$74,073	(\$440)	-0.6%
CSR (Title I)	\$233,473	\$0	\$233,614	\$141	0.1%
Dropout Prevention	\$10,929	\$0	\$4,971	(\$5,959)	-54.5%
Early Reading First	\$74,513	\$100,000	\$94,440	\$19,927	26.7%
Enhancing Ed Through Technology	\$695,947	\$700,500	\$691,841	(\$4,106)	-0.6%
Even Start	\$248,375	\$175,000	\$246,910	(\$1,465)	-0.6%
IDEA (Special Ed)	\$8,874,398	\$9,528,533	\$10,068,106	\$1,193,708	13.5%
Impact Aid	\$1,188,226	\$1,015,500	\$1,229,527	\$41,301	3.5%
Improving Teacher Quality (Title II)	\$2,930,825	\$2,850,000	\$2,928,445	(\$2,380)	-0.1%
Innovative Programs	\$382,497	\$385,000	\$298,230	(\$84,267)	-22.0%
Language Acquisition State Grants	\$683,747	\$665,000	\$681,215	(\$2,532)	-0.4%
Literacy Through School Libraries	\$12,419	\$27,500	\$19,842	\$7,423	59.8%
Magnet Schools Assistance	\$109,285	\$110,000	\$108,640	(\$645)	-0.6%
Math and Science Partnerships	\$100,344	\$12,500	\$149,115	\$48,771	48.6%
Mentoring Program	\$17,386	\$100,000	\$49,705	\$32,319	185.9%
Migrant Education	\$395,413	\$396,000	\$393,577	(\$1,836)	-0.5%
National Writing Project	\$16,889	\$0	\$17,894	\$1,005	5.9%
Neglected and Delinquent	\$48,682	\$48,000	\$48,395	(\$287)	-0.6%
Preparing... Teachers for	\$62,094	\$0	\$0	(\$62,094)	-100.0%
Reading First	\$993,500	\$1,050,000	\$1,023,923	\$30,423	3.1%
Ready to Learn	\$22,850	\$22,000	\$22,864	\$14	0.1%
Regional Education Laboratories	\$67,061	\$0	\$66,665	(\$396)	-0.6%
Rural Education	\$167,653	\$0	\$167,831	\$178	0.1%
Safe & Drug Free National	\$155,180	\$172,233	\$153,767	(\$1,413)	-0.9%
Safe and Drug Free State Grants	\$468,949	\$422,017	\$442,855	(\$26,094)	-5.6%
Small Learning Communities	\$160,947	\$0	\$173,968	\$13,021	8.1%
State Assessments	\$384,484	\$390,000	\$389,290	\$4,806	1.2%
Teaching of Traditional US History	\$99,350	\$100,000	\$119,292	\$19,942	20.1%
Title I, A	\$11,684,311	\$12,350,000	\$12,342,309	\$657,998	5.6%
Transition to Teaching	\$41,727	\$49,400	\$45,295	\$3,568	8.6%
Troops-to-Teachers	\$28,812	\$25,000	\$14,912	(\$13,901)	-48.2%
Vocational Ed (Carl Perkins)	\$1,192,200	\$1,000,000	\$1,195,008	\$2,808	0.2%
Voluntary Public School Choice	\$25,831	\$25,000	\$26,757	\$926	3.6%