



# FEDERAL FUNDS WATCH

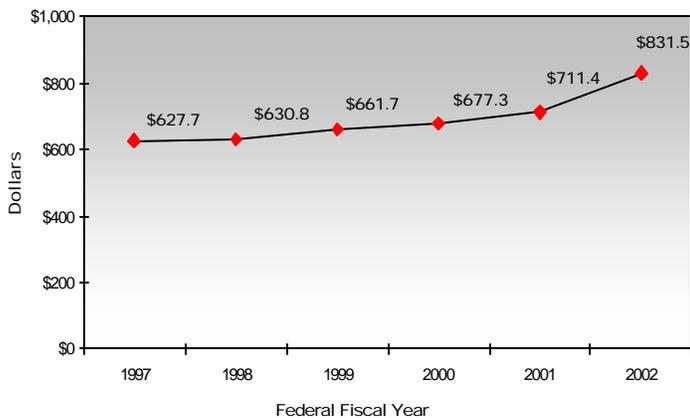
The President signed into law HR 1 the "No Child Left Behind Act of 2001," which reauthorized the Elementary and Secondary Education Act of 1964 (ESEA), on January 8, 2002. This legislation sets authorized funding levels for the main sources of federal aid to public schools. Congress determines actual funding, however, in the FY 2002 Labor-Health and Human Services-Education Appropriation bill (cleared for the President's signature on December 20, 2001). Federal funding for education increased nationally by more than 15% (\$8.2 billion) over FY 2001. The pie chart on the right displays the amounts of federal funding to Texas for various categories from the U.S. Department of Education for FY 2002.

## Title I, Part A

### Authorization

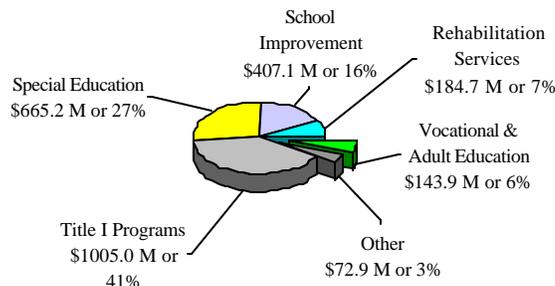
**Title I—Grants to Local Educational Agencies** are used by school districts to provide supplementary educational services for disadvantaged children to meet state academic standards. HR 1 authorizes Title I funds nationally at \$13.5 billion for FY 2002, which grows to \$25 billion by FY 2007. The previous ESEA, last authorized in 1994, provided that **Title I—Grants to Local Educational Agencies** be distributed based on four formulas (**Basic, Concentration, Target, and Education Finance Incentive Grants**). The law required that any additional funds appropriated above 1995 amounts be allocated to school districts under the Target or Education Finance Incentive formulas. Historically, however, Congress has appropriated funds using only two formulas (**Basic and Concentration**), which are based primarily on census poverty data and the cost of education in each state. The

Figure 2. Title I Funds to Texas for Grants to Local Educational Agencies (In Millions)



Source: U.S. Department of Education.

Figure 1. Estimated Federal Funding to Texas for Education Fiscal Year 2002 Total = \$2,478.8 M



Source: Legislative Budget Board.

Note: Other includes Bilingual and Immigrant Education, Education for Homeless Children and Youth, Byrd Honors Scholarship, and Leveraging Educational Assistance Partnership Program. Amounts do not include federal funds awarded directly to school districts or awarded to higher education students.

Education Finance Incentive Grant formula was modified by HR 1 to direct funds to schools based on the number of disadvantaged students, rather than the past formula which was based partly on the state school age population. The other three formulas had minor changes.

### Appropriation

Congress appropriated \$10.5 billion in **Title I—Grants to Local Educational Agencies** for FY 2002, \$1.6 billion more than FY 2001, but \$3.0 billion below the authorized amount. Although 88% of Title I funds will be distributed as before, there is funding now for Target and Education Finance Incentive Grants. Texas is estimated to receive \$831.5 million, more than \$140.0 million more than FY 2001. The increase in Title I funds for school districts in Texas since 1997 is shown in Figure 2. Amounts for each formula are provided on page 2, along with FY 2002 amounts for other federal education programs.

## Title I, Part B

The **Reading First initiative**, one of the new programs proposed by President Bush's "No Child Left Behind" plan, was authorized at \$900 million in FY 2002. This program replaces the Reading Excellence Act program and establishes reading programs for all children in kindergarten through third grade. Another new program, **Early Reading First**, was authorized at \$75 million. This competitive grant program will help in early identification and intervention of reading failure among children. Congress appropriated funds for the **Reading First Initiative** nationally at the authorized level of \$900 million; Texas' allocation is \$79.0 million.

### Title I, Parts C, D, E, and F

The **Even Start Program** remains funded nationally at the FY 2001 level. Texas' allocation was \$17.7 million for **Even Start** in FY 2001. The **Even Start Program** funds local family literacy projects that integrate early childhood education, adult literacy, and parenting education. Texas will receive \$56.1 million in FY 2002 for **Migrant Education** (a \$2.3 million increase). Title I funds to Texas for the **Comprehensive School Reform Demonstration Program** and the **Neglected and Delinquent Children and Youth Program** slightly decreased. All Title I funds account for an estimated \$1,005.0 million in FY 2002 awards to Texas.

Estimated Allocations to Texas for Selected Education Programs (In Millions)				
Program	FY 2000	FY 2001	FY 2002	Change from FY 2001
Title I				
Basic	\$567.4	\$587.8	\$612.7	\$24.9
Concentration	98.3	103.7	115.8	12.1
Target	0.0	0.0	89.1	89.1
Education Finance Incentive	0.0	0.0	13.9	13.9
Reading First Initiative	0.0	0.0	79.0	79.0
Migrant	50.9	53.8	56.1	2.3
Even Start	12.1	17.7	17.7	0.0
Accountability	11.5	19.8	0.0	(19.8)
Comprehensive School Reform	14.4	18.2	18.0	(0.2)
Neglected and Delinquent	2.8	2.9	2.6	(0.3)
Special Education				
State Grants - Basic	393.4	505.7	608.1	102.4
Infants & Families	30.7	31.4	33.5	2.1
Preschool Grants	23.7	23.7	23.7	0.0
Teacher Quality				
Class Size Reduction	105.3	131.5	0.0	(131.5)
Eisenhower Professional Development	26.6	35.5	0.0	(35.5)
School Renovation	0.0	95.0	0.0	(95.0)
Educational Technology	35.2	38.3	48.5	10.2
Innovative Education Program Strategies	27.7	29.2	29.2	0.0
Safe and Drug-Free Schools	34.4	35.0	36.5	1.5
21st Century Community Learning Centers	0.0	0.0	24.0	24.0
Community Service State Grants	0.0	0.0	4.0	4.0
State Assessments	0.0	0.0	19.5	19.5
Rural and Low-Income Schools	0.0	0.0	8.6	8.6
Bilingual and Immigrant Education	0.0	0.0	62.0	62.0
Immigrant Education	13.2	14.3	0.0	(14.3)
Vocational Education	82.3	86.2	92.7	6.5
Adult Education	29.5	32.7	35.2	2.5
Vocational Rehabilitation	167.9	171.9	177.8	5.9
<b>Total</b>	<b>\$1,727.3</b>	<b>\$2,034.3</b>	<b>\$2,439.2</b>	<b>\$404.9</b>

Source: Legislative Budget Board.

### School Improvement Programs

Congress consolidated funding for the **Class Size Reduction Initiative** and **Eisenhower Professional Development State Grants** into a new program to address teacher quality. HR 1 authorizes for five years the **State Grants for Improving Teacher Quality** at \$3.2 billion nationally each year. This program provides flexibility to states in exchange for ensuring that all

(Continued on page 3)

(Continued from page 2)

teachers hired and teaching with Title I funds are highly qualified. HR 1 requires that states' plans include measurable objectives to provide that all public school teachers be highly qualified by the 2005-06 school year. HR 1 defines highly qualified teachers as teachers with state certifications or licenses. States will receive **Teacher Quality** funds based on a formula (65% based on children and youth living in poverty and 35% based on student population). Congress appropriated \$2.9 billion nationally for **State Grants for Improving Teacher Quality** in FY 2002. Texas' estimated allocation for this program would be \$231.0 million for FY 2002, compared to \$131.5 million for the **Class Size Reduction Initiative**, and \$35.5 million in **Eisenhower Professional Development** funds in FY 2001 (for a total of \$167.0 million.)

The **School Renovation Grants to States Program** was not funded in FY 2002. This one-time funded program provided funds to states for urgent school repair and renovation, activities authorized under Part B of the *Individuals with Disabilities Education Act (IDEA)*, and technology activities related to school renovation. In FY 2001, Texas received \$94.9 million in **School Renovation Grants to States Program** funds.

HR 1 authorizes the **State and Local Technology Grants Program**, which consolidates the **Technology Literacy Challenge Fund** with several competitive technology grants into a formula-based block grant. HR 1 authorizes this new program at \$1.0 billion in FY 2002. Congress appropriated \$700.5 million for this new consolidated program, and Texas will receive an estimated \$48.5 million in FY 2002 (a \$10.2 million increase). State and Technology Grant funds are intended to promote innovative state and local programs using technology.

The **21st Century Community Learning Centers Program** was reauthorized at \$1.3 billion in FY 2002, with increases of \$25 million each year through 2007. States will receive funding based on its share of Title I Part A funds, and will distribute funds to local school districts on a competitive basis. Texas' local school districts directly applied to U.S. Department of Education and received approximately \$17.7 million in FY 2001. Congress appropriated \$700.5 million for this program in FY 2002, with Texas' share estimated at \$24.0 million. Additional federal funding for programs allocated to Texas for School Improvement programs is listed on page 2.

### **Bilingual and Immigrant Education**

HR 1 requires that the **Immigrant Education Program** and **Bilingual Education Program** be consolidated when \$650.0 million or more is appropriated by Congress for the two programs. Bilingual and Immigrant funds (a total of \$665.0 million nationally for FY 2002) will be distributed to states proportionally based 80% on a state's share of the number of limited English-proficient children and youth and 20% on a state's share of immigrant children and youth. Texas' FY 2002 estimated share is \$62.0 million. In FY 2001, Texas received \$14.3 million in **Immigrant Education Program** funds and school districts were awarded \$20.2 million in **Bilingual Education Program** on a competitive basis from the U.S. Department of Education. In exchange for flexibility to choose the method of instruction for these students, schools must test limited English-proficient students who have been in the U.S. for three years in English.

### **Rehabilitation Services**

Federal funding for the Vocational **Rehabilitation State Grants** increased by \$81.6 million nationally. Texas' estimated allocation for these funds will increase to \$177.8 million (an increase of \$5.9 million more than FY 2001).

### **Adult and Vocational Education**

Congress appropriated an increase of \$80.0 million nationally to fund the **Vocational Education Basic Grants** for FY 2002. An increase of \$6.5 million is estimated for Texas (\$92.7 million in FY 2002). **Adult Education State Grant** funds increased nationally to \$505.0 million for FY 2002 (an increase of \$35.0 million from FY 2001). The estimated FY 2002 allocation of **Adult Education State Grant** funds to Texas is \$35.2 million (an increase of \$2.5 million).

### **Individuals with Disabilities Education Act (IDEA)**

IDEA funds to Texas for schoolage children received the largest increase. Texas will receive about \$608.1 million in FY 2002 for the **Special Education—Basic State Grant** (\$102.4 million increase). The **Special Education Grants for Infants and Families with Disabilities** program was appropriated an 6.7% increase nationally for FY 2002. Texas' FY 2002 allocation is an estimated \$33.5 million (an increase of \$2.1 million). National funding for **Special Education Grants for Preschool Children** remained level at \$390.0 million (\$23.7 million to Texas for FY 2002).

## Flexibility

To better address specific needs, states are allowed to transfer up to 50% of non-Title I formula state activity funds not allocated to school districts. School districts are given the flexibility to transfer up to 50% of funds from the non-Title I programs without state approval. Non-Title I formula grants include **Teacher Quality Grants**, **Technology Grants**, **Safe and Drug Free Schools**, and **Innovative Education Programs Block Grant**. In addition, states can also transfer state activity funds from one other non-Title I program, **21st Century Community Learning Centers Program**. A performance pilot project was authorized for 150 school districts and 7 states to participate in performance agreements to combine 100% of non-Title I funds.

## Assessment and Accountability

HR 1 requires states to assess and measure student achievement in all public schools that use federal funds. Congress authorizes funds for states to develop assessments and standards, or improve the quality of existing assessments. Congress appropriated \$387.0 million nationally; Texas will receive an estimated \$19.5 million to improve assessments. The table below compares the requirements of HR 1 with the Texas Public School Accountability System (including changes to the system beginning in the 2002-03 school year). Texas will meet the requirements of HR 1 with two exceptions: testing science at least once in grades 6-9 by the 2007-08 school year and designating an academic indicator for elementary schools.

Assessment and Standards		
Requirement	Federal	Texas
Testing	Grades 3-8: Reading, Math Test science: at least one time in Grades 3-5, 6-9, 10-12.	Grades 3-9: Reading, Math Grades 4&7: Writing Grades 5: Science Grade 8: Social Studies Grades 10-11: English Language Arts, Math, Science, Social Studies
Measures of Adequate Yearly Progress	States must define adequate yearly progress so that all students are expected to improve and that in 12 years all students will achieve at the state-defined "proficient" level on state reading and math academic assessments.	There are four basic standards of student achievement. Passing, Proficiency, Mastery, and Academic Recognition. Schools are rated Exemplary, Recognized, Acceptable, and Low-Performing. Districts are rated Exemplary, Recognized, Academically Acceptable, and Academically Unacceptable.
Indicators	(1) Proficiency rates on the reading and math assessments in grades 3-8. (2) Graduation rates for secondary schools. (3) Academic indicator determined by the state for elementary schools.	(1) Pass rates on reading, math, and writing at grades 3- 8, and 10. (2) Annual dropout rate, grades 7-12. (Completion/student status rate for grades 9-12 will replace annual dropout rate in 2003-2004.)
Report Cards	State Report Card and School District Report Card.	School Report Card comparing campus and district performance.
Rewards	5% of any increase Title I funding may be used by states.	Texas Successful Schools Award System issues monetary rewards to schools.
Consequences for Not Making Adequate Yearly Progress		
School Improvement	Public school choice for students (after two years). Supplemental services for students (after three years).	Limited public school choice for students (after two years). Site visits from a peer review team (after one year). Education Service Center Support.
Corrective Action	Replacing certain staff or fully implementing a new curriculum.	Multi-year state interventions for Academically Unacceptable Districts and Low-Performing Schools including: Improvement Plan and Intervention Teams.
Restructuring	State takeover. Hiring of a private management contractor. Converting to a charter school.	Multi-year state sanctions for Academically Unacceptable Districts and Low-Performing Schools including: Management Teams, Plan of Annexation, and Plan of Closure.

Source: Legislative Budget Board and Texas Education Agency's 2001 Accountability Manual.

## Outlook

Congress is set to reconvene on January 23 and may debate the reauthorization of the Individuals with Disabilities Education Act (IDEA). This legislation is set to expire in 2003 and could serve as a vehicle to further increase federal funding for special education.

The Federal Funds Analysis Team of the Legislative Budget Board (LBB) conducts research on federal legislation and federal funding issues which impact the state budget. Questions or comments may be directed to Maria Hernandez at (512) 463-1200 or electronic mail at [Maria.Hernandez@lbb.state.tx.us](mailto:Maria.Hernandez@lbb.state.tx.us)