

Archived Information

Fiscal Year 2006 Budget Summary and Background Information

TABLE OF CONTENTS

	Page
I. SUMMARY OF THE 2006 BUDGET	1
Budget and Performance Integration	10
II. THE 2006 EDUCATION BUDGET BY PROGRAM AREA	12
A. ELEMENTARY AND SECONDARY EDUCATION	12
Overview	12
Title I Grants to Local Educational Agencies	14
Title I Evaluation.....	15
High School Intervention	16
State Assessment Grants	16
High School Assessments	17
Mathematics and Science Partnerships.....	17
Advanced Placement	18
State Scholars Capacity Building	18
Improving Teacher Quality State Grants.....	19
Teacher Incentive Fund	19
Adjunct Teacher Corps Initiative	20
Troops-to-Teachers.....	20
Transition to Teaching.....	21
Teaching American History	21
Advanced Credentialing	21
Early Childhood Educator Professional Development Grants.....	22
Reading First.....	22
Reading First State Grants.....	22
Early Reading First.....	22
Striving Readers.....	23
Reading Is Fundamental/Inexpensive Book Distribution.....	23
Ready-to-Learn Television	23
Literacy Through School Libraries	24
Charter Schools Grants.....	24
Credit Enhancement for Charter School Facilities	24
Choice Incentive Fund	25
Voluntary Public School Choice	25
Magnet Schools Assistance	26
21 st Century Community Learning Centers	26
State Grants for Innovative Programs.....	26
Comprehensive Centers	27
Rural Education.....	27
Safe and Drug-Free Schools and Communities National Programs.....	28
Character Education	28

ELEMENTARY AND SECONDARY EDUCATION, continued:

	Page
Physical Education Program	29
Fund for the Improvement of Education	29
English Language Acquisition	30
Title I State Agency Programs	31
Migrant Education	31
Neglected and Delinquent	31
High School Equivalency Program (HEP)	31
College Assistance Migrant Program (CAMP)	31
Education for Homeless Children and Youth	31
Indian Education	32
Education for Native Hawaiians	32
Alaska Native Education Equity	33
Training and Advisory Services (Title IV of the Civil Rights Act)	33
Supplemental Education Grants (Compact of Free Association Amendments Act)	33
Impact Aid	34
B. SPECIAL EDUCATION AND REHABILITATIVE SERVICES	36
Overview	36
Special Education State Grants	37
Grants to States	37
Preschool Grants	38
Grants for Infants and Families	38
Special Education National Activities	39
State Personnel Development	39
Technical Assistance and Dissemination	39
Personnel Preparation	40
Parent Information Centers	40
Technology and Media Services	40
Transition Initiative	41
Rehabilitation Services and Disability Research	41
Vocational Rehabilitation State Grants	41
Client Assistance State Grants	42
Training	42
Demonstration and Training Programs	42
Protection and Advocacy of Individual Rights	43
Independent Living	43
Program Improvement	43
Evaluation	44
Helen Keller National Center for Deaf-Blind Youths and Adults	44
National Institute on Disability and Rehabilitation Research	44
Assistive Technology	45
Special Institutions for Persons with Disabilities	46
American Printing House for the Blind	46
National Technical Institute for the Deaf	46
Gallaudet University	46

	Page
C. VOCATIONAL AND ADULT EDUCATION.....	47
Overview	47
Vocational and Technical Education	47
Adult Education (Adult Basic and Literacy Education)	48
National Institute for Literacy	48
D. STUDENT FINANCIAL ASSISTANCE	49
Overview	49
Student Aid Summary Tables	50
Tax Benefits for Postsecondary Students	52
Pell Grants	52
Supplemental Educational Opportunity Grants	54
Work-Study	55
Presidential Math and Science Scholars	55
Loans for Short-Term Training	56
Federal Family Education Loans and Direct Loans	56
Student Loan Reauthorization Proposals.....	58
Student Aid Program Management.....	61
E. HIGHER EDUCATION PROGRAMS.....	62
Overview	62
Title III: Aid for Institutional Development.....	63
Developing Hispanic-serving Institutions	63
International Education and Foreign Language Studies	64
Fund for the Improvement of Postsecondary Education (FIPSE)	64
Tribally Controlled Postsecondary Vocational and Technical Institutions	65
Federal TRIO Programs	65
Scholarships and Fellowships.....	66
Child Care Access Means Parents in School.....	66
Community College Access	67
GPRA Data/HEA Program Evaluation	67
Academic Facilities	67
Howard University	67
F. INSTITUTE OF EDUCATION SCIENCES.....	69
Overview	69
Research, Development, and Dissemination	69
Statistics.....	69
Assessment.....	70
Statewide Data Systems	70
Research in Special Education	70
Special Education Studies and Evaluations.....	71

	Page
III. PROGRAMS PROPOSED FOR ELIMINATION	72
IV. DEPARTMENTAL MANAGEMENT	80
Overview	81
Department Employment	82
Program Administration.....	83
Student Aid Administration	84
Office for Civil Rights.....	84
Office of the Inspector General	84
Management Improvement	85
APPENDICES.....	88
Summary of Discretionary Funds, Fiscal Years 2001-2006	
PART Rating of ED Programs	
Total Expenditures for Elementary and Secondary Education in the United States	
Detailed Budget Table by Program	

**For further information on the Department and its activities,
visit us at www.ed.gov, or call 1-800-USA-LEARN**

It sounds odd, doesn't it, for the President to stand up and say, we need to focus on reading in high school. But that's the state of affairs. Someday, when No Child Left Behind is fully implemented and kicked in, there are not going to need to be early intervention programs or intervention reading programs in high school. But, today, we need them.

*President George W. Bush
January 12, 2005*

I. SUMMARY OF THE 2006 BUDGET

Three years ago, President George W. Bush signed into law the *No Child Left Behind Act (NCLB)*, which reauthorized the Elementary and Secondary Education Act (ESEA). The new law reflected an unprecedented, bipartisan commitment to ensuring that all students, regardless of background, have the opportunity to obtain a quality education and reach proficiency in core academic subjects. To reach this goal, NCLB refocused Federal education programs on the principles of stronger accountability for results, more choices for parents and students, greater flexibility for States and school districts, and the use of research-based instructional methods.

States, school districts and schools are still doing the hard work of implementing NCLB, but the early returns are promising. Recent studies of State achievement data show that reading and mathematics scores are up in most States, and that achievement gaps among racial and ethnic groups have begun to narrow. While many have claimed that NCLB sets the bar too high, a majority of States reported that more schools met adequate yearly progress (AYP) targets in the 2003-2004 school year than in the previous year.

Most of this progress, however, has been at the elementary school level, where No Child Left Behind programs target most of their resources. In too many school districts across the nation, the longer students stay in school, the more they fall behind, with far too many students dropping out altogether.

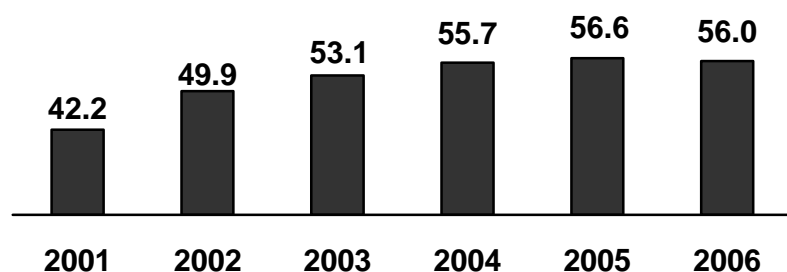
For this reason, President Bush begins his second term of office determined to finish the job with American high schools.

For 2006, the President is requesting \$56.0 billion in discretionary appropriations for the Department of Education, a decrease of \$529.6 million, or .9 percent, from the 2005 level. Even after this small decrease, the

Federal investment in education will have grown substantially over the past five years, with discretionary appropriations rising by \$13.8 billion since fiscal year 2001, or nearly 33 percent.

The 2006 request includes nearly \$1.5 billion for a new High School Initiative that would hold high schools accountable for teaching all students and provide timely intervention for those

ED Discretionary Appropriations
(Billions of Dollars)



Note: 2006 reflects the President's request level.

students who are not learning at grade level. The goal of this initiative is to ensure that every student graduates from high school prepared to enter college or the workforce with the skills to succeed.

In addition to the High School Initiative, the 2006 discretionary budget for education focuses on the following priorities: a \$603 million increase for Title I Grants to Local Educational Agencies—the cornerstone of NCLB; a \$508 million increase for the reauthorized Special Education Grants to States program; an \$834 million increase for Pell Grants, which, combined with \$420 million in new mandatory funding, would increase the maximum Pell Grant award to \$4,150; and \$500 million for a new Teacher Incentive Fund to encourage performance-based compensation systems that change the way school districts pay teachers.

The overall 2006 request—including both discretionary and mandatory funds—combines fiscal discipline with strong, continued commitment to longstanding priorities such as Title I Grants to Local Educational Agencies, Special Education Grants to States, and Pell Grants for postsecondary students. In addition, the request includes a comprehensive package of proposals for reauthorizing the Higher Education Act that would make the student loan programs more effective by reducing excessive subsidies and program costs. The resulting savings would be used to increase the Pell Grant maximum award by \$100 a year over the next five years, from \$4,050 to \$4,550; to retire the cumulative \$4.3 billion Pell Grant funding shortfall, and to expand loan benefits to students and their families. Discretionary and mandatory components of the request are shown below:

Total Department of Education Appropriations
(in billions of dollars)

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
Discretionary	\$55.7	\$56.6	\$56.0
Mandatory	11.6	14.9	13.4
Total	67.2	71.5	69.4

Mandatory costs for the student loan programs and Vocational Rehabilitation State Grants fluctuate from year to year due to changes in inflation, interest rates, and other factors. For 2006, new student loans provided under the Federal Family Education Loans and Federal Direct Loans programs will grow from \$57.9 billion to \$62.2 billion, an increase of \$4.2 billion or 7 percent. For the first time in 2006, savings from reform of the mandatory student loan programs would be used to offset Pell Grant costs. The President is proposing \$28 billion in new student benefits over 10 years, including \$19 billion to increase the Pell Grant maximum by \$500, to increase the number of Pell recipients by 138,000 to 5.5 million in 2006, and to retire the estimated \$4.3 billion Pell Grant shortfall. The President's proposal also includes other mandatory savings that would be used to increase student loan benefits and contribute to deficit reduction.

Department of Education discretionary funds make up about 8 percent of the \$514 billion that America spends annually on elementary and secondary education. Despite the size of this overall investment—more than we spend on national defense, and more per-pupil than any other nation in the world except Switzerland—educational achievement improved little over the past decade, and achievement gaps between minority students and their non-minority peers remain unacceptably large.

For this reason, President Bush has focused new education investments on programs with the most likely prospects for success in improving educational outcomes, and on programs that have been fundamentally reformed by the NCLB Act. In particular, the Administration has used the Program Assessment Rating Tool (PART) to guide its decisions on how best to allocate Federal education dollars in an increasingly tight fiscal environment, with increases in priority areas offset by reductions and program terminations in other areas.

The combination of discretionary and non-discretionary resources in the President's budget is focused on the following areas.

BRINGING NCLB TO THE HIGH SCHOOL LEVEL

President Bush has called recent evidence of poor performance by America's high schools "a warning, and a call to action." Only 68 of 100 9th graders in our public schools will graduate on time, and only 18 of those will go on to obtain a college degree. In addition, recent international assessments show that our high school students score well behind those of other nations in key subjects like mathematics. Since most well-paying jobs in our technology-based, globally competitive economy require at least some postsecondary education, the failure to prepare our high school students with the knowledge and skills to succeed literally places our national prosperity at risk.

In response, the President's 2006 request includes a comprehensive proposal that builds on the stronger accountability of No Child Left Behind to improve the quality of secondary education and ensure that every student not only graduates from high school, but graduates prepared to enter college or the workforce with the skills to succeed. The President's budget provides nearly \$1.5 billion for his High School Initiative, which includes a High School Intervention program and new High School Assessments, along with an additional \$329 million for related proposals:

- \$1.24 billion for a High School Intervention initiative that would focus on strengthening high school education and providing specific interventions, including assessment-based performance plans for each student, designed to improve the academic achievement of students at greatest risk of not meeting challenging State academic standards and not completing high school.
- \$250 million to help States develop and implement new High School Assessments in reading/language arts and mathematics. The proposal would provide State formula grants to add, by the 2009-2010 school year, annual assessments at two additional high school grades, which along with the one grade currently required by NCLB would ensure that students are assessed at least three times during high school. The request also includes a \$22.5 million increase for the National Assessment of Educational Progress to implement State-level assessments in reading and mathematics at the 12th grade in 2007.
- A \$175 million increase for the Striving Readers program, funded for the first time in fiscal year 2005, to significantly expand the development and implementation of research-based interventions to improve the skills of teenage students who are reading below grade level.

- \$120 million for a new Secondary Education Mathematics Initiative under the Mathematics and Science Partnership program that would provide competitive grants to accelerate the mathematics learning of secondary-school students.
- A \$22 million increase for the Advanced Placement program to expand the availability of Advanced Placement and International Baccalaureate programs in schools with large populations of low-income students and to train teachers for those programs.
- \$12 million for State Scholars Capacity Building to increase the number of States implementing State Scholars programs, which encourage high school students to complete a rigorous four-year course of study. This proposal would complement a \$33 million request for Enhanced Pell Grants for State Scholars, which would increase Pell awards by up to \$1,000 for students who complete a State Scholars program in high school.

IMPLEMENTING THE NO CHILD LEFT BEHIND ACT

Helping States, school districts, and schools meet the challenge of successfully implementing the No Child Left Behind Act remains one of President Bush's highest priorities. The 2006 request for education generally would support activities carried out in the 2006-2007 school year—the first year in which nearly all major NCLB requirements will be in place, including assessments in reading and math for all students in grades 3-8 and the requirement that all teachers be highly qualified. To help make the changes and improvements needed to continue delivering on the promise of No Child Left Behind, the 2006 request includes the following:

- \$13.3 billion for Title I Grants to Local Educational Agencies, an increase of \$603 million, or 4.7 percent, to help States, school districts, and schools meet the strong accountability and teacher quality requirements of the No Child Left Behind Act. If enacted, the request would result in a \$4.6 billion, or 52 percent, increase for Title I since enactment of NCLB.
- \$412 million for State Assessment Grants to maintain statutorily required levels of support for State-level development and implementation of the annual assessments required by NCLB, including the science assessments that States will implement by 2007-2008. The request would make available almost \$12 million for new competitive grants focused on using technology to support innovative test design.
- \$2.92 billion for Improving Teacher Quality State Grants to help States ensure that all teachers of core academic subjects are highly qualified, as required by NCLB.
- \$500 million for a new Teacher Incentive Fund, which would provide formula grants to reward effective teachers and create incentives to attract qualified teachers to high-need schools, as well as competitive grants to design and implement performance-based compensation systems that change the way school districts pay teachers.
- \$1.0 billion for Reading First State Grants to maintain support for efforts under way in all 50 States to provide comprehensive, research-based reading instruction for children in grades K-3. The request would fulfill President Bush's commitment to provide \$5 billion over five years to help ensure that all students can read on grade level by the end of the third grade.

- \$104 million for Early Reading First to continue the pre-school component of Reading First, which funds competitive grants to develop and support the school readiness of preschool-aged children in high-poverty communities.
- \$676 million for English Language Acquisition to support flexible, performance-based formula grants to help ensure that limited English proficient (LEP) students learn English and meet the same high academic standards as all other students. States must use a portion of their awards to increase the size of grants to districts that have experienced a significant increase in the percentage or number of recent immigrant students over the preceding two years.
- \$164 million for Research, Development, and Dissemination to maintain support for ongoing initiatives critical to the success of the NCLB Act, including research on reading comprehension, mathematics and science education, teacher quality, and cognition and learning in the classroom, as well as a new program of field-initiated evaluations of promising education products and approaches to find out what works in the classroom.

EXPANDING OPTIONS FOR PARENTS

The No Child Left Behind Act significantly expanded educational choice for students and their parents, primarily by requiring public school choice and supplemental educational services options for students attending schools identified for improvement, corrective action, or restructuring. In most school districts, however, there are too few alternatives for parents seeking a quality education for their children. The 2006 request includes the following proposals to help ensure that students and parents have meaningful choices:

- \$50 million for a new Choice Incentive Fund that would provide competitive awards to States, school districts, and community-based nonprofit organizations to provide parents the opportunity to transfer their children to a higher-performing public, private, or charter school. This proposal would complement \$14.6 million in the 2006 request for the District of Columbia to continue funding opportunity scholarships for low-income students in low-performing schools.
- \$27 million for Voluntary Public School Choice grants to give families better education options by encouraging States and school districts to establish or expand public school choice programs, including those providing choice across a State or across districts. Grants support planning, transportation, tuition transfer payments, and efforts to increase the capacity of schools to accept students exercising a choice option.
- \$219 million for Charter Schools Grants, which would support approximately 1,200 new and existing charter schools. The request includes \$19 million for the State Charter School Facilities Incentive Grants program, which assists charter schools in obtaining facilities by matching funds from State programs that make payments, on a per-pupil basis, to finance charter schools facilities.
- \$37 million for the Credit Enhancement for Charter School Facilities program to maintain assistance for charter schools in acquiring, leasing, and renovating school facilities by encouraging public and nonprofit entities to provide financing through such means as providing loan guarantees, insuring debt, and other activities to encourage private lending.

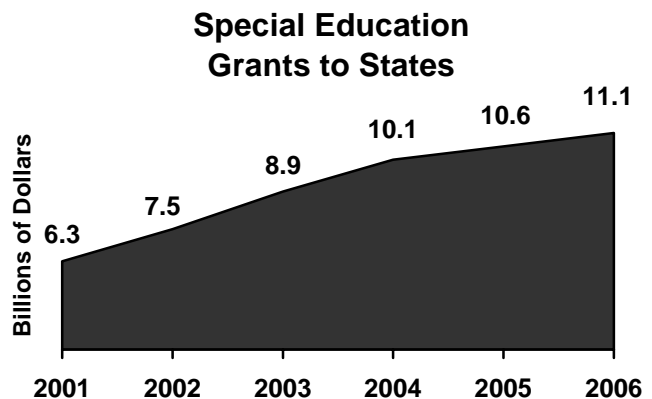
SPECIAL EDUCATION AND VOCATIONAL REHABILITATION

On December 3, 2004, President Bush signed the Individuals with Disabilities Education Improvement Act of 2004. This legislation reauthorized the Individuals with Disabilities Education Act (IDEA) to improve educational results for students with disabilities by more closely aligning IDEA with NCLB in areas such as accountability for results, flexibility and reduced paperwork, enhancing the role of parents, and research-based instruction. For example, the bill clarifies and strengthens provisions requiring special education teachers to be highly qualified; reduces paperwork burdens on teachers and schools, as well as time spent in IEP and related meetings; and provides greater flexibility in the use of Federal funds. The 2006 request for Special Education includes increased funding for IDEA programs. The reauthorized IDEA also establishes a new Center for Special Education Research in the Department's Institute of Education Sciences (IES), so that special education research will meet the rigorous standards required by the Education Sciences Reform Act of 2002. Funding for research is included under IES.

The 2006 request also maintains support for comprehensive and coordinated vocational rehabilitation and independent living services for individuals with disabilities through research, training, demonstration, technical assistance, evaluation, and direct service programs. Consistent with the Administration's multi-year initiative to reform the Federal government's overlapping training and employment programs, funds are not requested for 3 vocational rehabilitation programs in this account: Supported Employment State Grants, Projects with Industry, and the Migrant and Seasonal Farmworkers program. These programs provide services to individuals with disabilities that can be funded by the larger VR State Grants program.

The 2006 request for these activities includes the following:

- \$11.1 billion for Special Education Grants to States, an increase of \$508 million over 2005, and a total increase of \$4.8 billion, or 75 percent, since fiscal year 2001. The request would provide an estimated \$1,599 per student for some 6.9 million individuals with disabilities ages 3-21. The 2006 budget would maintain the Federal contribution at about 19 percent of the national average per pupil expenditure for all children.
- \$2.7 billion for Vocational Rehabilitation State Grants, an increase of \$84.3 million or 3.2 percent, which represents the amount necessary to satisfy the requirement to increase funding for the program by at least the percentage change in the CPIU for the 12-month period completed in October 2004.

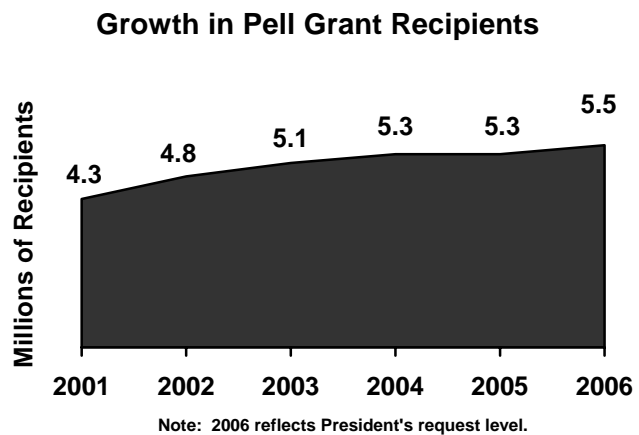


POSTSECONDARY EDUCATION

In 2006, the Department of Education will administer over \$78 billion in grants, loans, and work-study assistance to help students pay for postsecondary education, including \$62 billion in guaranteed and direct student loans and over \$13 billion in Pell Grants. While these funds help millions of Americans finance postsecondary education and training, rising college costs and the necessity of advanced training in today's technology-based economy require increased investment, especially in Pell Grants to low-income students. The President's 2006 request for Student Financial Assistance includes a comprehensive set of proposals to reauthorize the Higher Education Act (HEA) that would increase financial assistance to students while improving the effectiveness of the Pell Grant and student loan programs.

The request also increases support for institutional development at colleges and universities serving large percentages of minority students, funds opportunities for students to gain international expertise and training as language and area specialists, and promotes access to postsecondary education through outreach and student support services. Highlights include the following:

- A \$1.3 billion increase for the Pell Grant program, including both discretionary and mandatory funding, for a total of \$13.7 billion, to increase the maximum award to \$4,150 and provide grants to 5.5 million low-income postsecondary students.
- Increase the maximum Pell award by \$100 annually over the next five years, from \$4,050 to \$4,550. Annual increases would be funded through mandatory savings in other student aid programs.
- \$4.3 billion in mandatory funding to retire the Pell Grant shortfall accumulated from 2002 to 2005, restoring the program to firm financial footing and ensuring that all eligible students receive awards.
- \$33 million for Enhanced Pell Grants for State Scholars to encourage States to offer and students to take demanding high school courses by increasing Pell Grants by up to \$1,000 for an estimated 36,000 first-year, full-time students who complete a rigorous State Scholars program of study in high school.
- \$50 million for a new Presidential Math-Science Scholars program, under which the Department of Education would enter into a public-private partnership to award \$100 million annually in grants to low-income math and science students. Approximately 20,000 low-income students who receive Pell Grants would receive these separate, additional awards of \$5,000 each.



- \$125 million for a new Community College Access program, which would provide incentives to States and partnerships to improve access to a college education, particularly for low-income and minority students, through “dual-enrollment” programs offering both high school and postsecondary credit to high school students who take college-level courses.
- \$418.5 million for the Aid for Institutional Development (HEA Title III) programs to maintain support for institutions that help close achievement and attainment gaps between minority students and their non-minority peers, including Historically Black Colleges and Universities and Historically Black Graduate Institutions.
- \$95.9 million for Developing Hispanic-serving Institutions to maintain support for postsecondary education institutions that serve large percentages of Hispanic students. This program is a key part of the Administration’s effort to increase academic achievement, high school graduation, postsecondary participation, and life-long learning among Hispanic Americans.
- \$106.8 million for the International Education and Foreign Language Studies (IEFLS) programs to help meet the Nation's security and economic needs through the development of expertise in foreign languages and area and international studies. The increased complexity of the post-Cold War world, the events surrounding the September 11 terrorist attacks on the United States, and the war on terrorism underscore the importance of maintaining and expanding American understanding of other peoples and their languages.
- \$11 million for the new Loans for Short-Term Training program, jointly administered by the Departments of Education and Labor, to help dislocated, unemployed, transitioning, or older workers and students. This market-oriented program, capped at \$284 million in loans to 377,000 students in 2006, will allow participants to acquire or upgrade specific job-related skills through short-term training programs not currently eligible for Federal student aid.

Student Loan Reauthorization

The Administration’s proposals for reauthorizing the student loan programs of the Higher Education Act would increase benefits to students through higher loan limits, lower interest rates, and more flexible and lower-cost repayment options. Proposed reforms would make the student loan programs more efficient, cost-effective vehicles for helping students finance their postsecondary educations, in part through reductions in loan subsidies to financial participants in the Federal Family Education Loans Program. Highlights of these proposals include the following:

Benefits for Students

- Maintain the current variable interest rate formula on student loans so that students and families continue to benefit from projected low interest rates. Absent this proposal, the statute would fix borrower interest rates on student loans at 6.8 percent beginning July 1, 2006, substantially increasing interest rates for most borrowers. The variable-rate formula also would be applied to all Consolidation Loans.

- Increase annual subsidized loan limits to \$3,500 for first-year students, \$4,500 for second-year students, and annual unsubsidized loan limits to \$12,000 for graduate and professional students, with corresponding increases in aggregate loan limits.
- Provide all Federal Family Education Loan borrowers with immediate access to extended repayment to allow more flexible debt management.
- Make permanent the expanded loan forgiveness provisions of the Taxpayer-Teacher Protection Act of 2004, which forgive up to \$17,500 in student loans for highly qualified math, science, and special education teachers serving low-income communities.

Increase Risk-Sharing and Reduce Loan Subsidies

- Reduce the percentage of Federal loan principal guaranteed against default, from 98 percent to 95 percent for most lenders. The Administration also proposes to reduce reinsurance for most guaranty agencies from 95 percent to 92 percent.
- Reduce the amount that guaranty agencies may retain from collections on defaulted loans to the average paid to the Department's private collection agents.
- Establish a 0.25 percent annual loan holder fee on the outstanding balance of non-consolidation loans to reduce Federal subsidies, in recognition of the increased financial return available to loan holders through the use of innovative financial instruments, especially through participation in the loan securitization market. A June 2004 Congressional Budget Office study found lenders earn approximately 0.25 percent in excess interest over the statutory return level.
- Make permanent the moratorium on loans qualifying for 9.5 percent special allowance subsidies because they are funded through tax-exempt securities.
- Require guaranty agencies to collect the statutory 1 percent insurance premium on all loans guaranteed or disbursed after July 1, 2006.
- Eliminate the statutory provision limiting a borrower's ability to choose a consolidation lender, create a 1 percent origination fee in recognition of the financial advantage of reconsolidation, and increase the one-time lender fee on all new Consolidation Loans from 0.5 percent to 1 percent.
- Recall the Federal portion of the \$8 billion in Perkins Loans revolving funds held by participating institutions. The Program Assessment Rating Tool (PART) found the Perkins Loan program to be duplicative of the larger guaranteed and direct student loan programs, and its fixed 5 percent rate is more costly to students. The Administration believes the Federal share of funds held by the small number of participating institutions would better serve students if invested in Pell Grants.

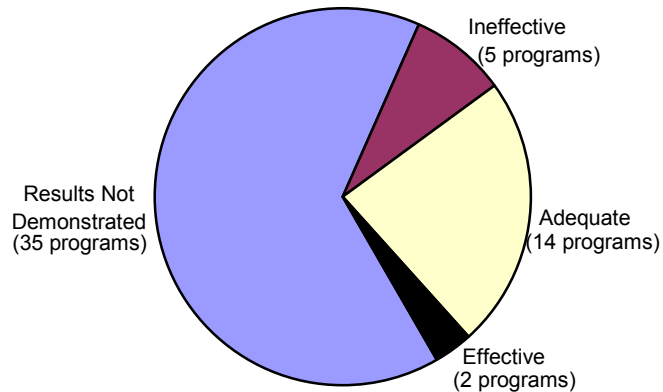
BUDGET AND PERFORMANCE INTEGRATION

As part of the President's Management Agenda, the Administration developed the Program Assessment Rating Tool (PART) to assess and improve program performance so that the Federal government can achieve better results. Each program receives scores for program purpose and design, strategic planning, program management, and program results, as well as an overall rating of effective, moderately effective, adequate, ineffective, or results not demonstrated.

Of the 56 programs in the Department assessed since the 2004 budget using the PART, the Administration rated 2 programs Effective, 14 programs Adequate, 5 programs Ineffective, and 35 programs Results Not Demonstrated (RND).

A rating of RND often indicates management issues because it typically involves problems such as the lack of long-term goals, annual performance measures, or reliable data. However, program statutes often contribute by failing to give ED the necessary tools to demonstrate success: clear and measurable objectives; strong accountability mechanisms or other means of ensuring participants focus on achieving results; and mechanisms for gathering high quality, reliable data on program outcomes. Outside of the annual budget process, to the extent possible under current law, the Department is working to improve the effectiveness of its programs. In addition, the Department hopes to work with Congress to improve program statutes by clarifying program objectives and measures and by strengthening accountability and data quality.

PART Ratings for ED programs



In the current fiscal environment, Federal discretionary programs not related to national defense or homeland security are facing an overall reduction in spending for the foreseeable future. Accordingly, the Administration is using the PART in the annual budget process to better focus the Department's limited resources on those programs and activities most likely to achieve positive results for our education system.

In general, this means investments will continue to be made in programs receiving a PART rating of Effective or Adequate, while programs rated Ineffective will be proposed for elimination. For programs rated RND, the Administration is taking a careful look to determine whether the programs are likely to demonstrate results in the future. If so, the Administration will generally support continued funding along with management or legislative improvements. However, the Administration will propose the termination of RND programs that unnecessarily duplicate other activities or suffer from such major flaws in design or execution that they are unlikely to improve their performance in the future.

While lack of reliable performance data hindered efforts to fully integrate performance information and budget policy for the Department of Education, the Administration was able to use PART ratings to inform key 2006 budget policy decisions.

For example, the PART played an important role in shaping the President's High School Initiative. Few current Department programs that focus on high school have been able to demonstrate positive results, as is reflected in Ineffective ratings for programs like Vocational Education State Grants and Upward Bound. In view of these PART results, it made sense to redirect resources from such programs to the more comprehensive, coordinated, High School Initiative, which will measure student outcomes based on test data and graduation rates and hold States and participating school districts accountable for improved student educational outcomes for at-risk youth.

PART ratings also guided the development of the Administration's proposals to reform the student aid programs. For example, the Administration is proposing to eliminate the Perkins Loans program, which received an Ineffective rating largely because it needlessly duplicates the larger and more widely available guaranteed and direct student loan programs, and redirect Perkins resources to the more effective and equitable Pell Grant program, which was rated Adequate by the PART.

PART ratings reinforced decisions to reduce or eliminate funding for a number of small, categorical programs for which RND ratings included findings regarding serious flaws in program design. These include Byrd Honors Scholarships, B.J. Stupak Olympic Scholarships, and the National Writing Project. However, for most programs rated RND, the Administration is requesting level-funding while the Department continues to follow up on recommendations identified by the PART process, including actions to establish appropriate performance measures, collect appropriate data on program outcomes, and use those data to achieve better program results.

For example, in response to PART recommendations for the Special Education Preschool Grants and Grants for Infants and Families programs, rated RND for the 2004 budget, the Department has undertaken a multifaceted approach to assist States in developing systems for collecting data on child outcomes, which can be used to assess program impact and improving program performance. The Department is making some progress to improve the quality of its data (such as data on graduation and dropping out) for the Special Education Grants to States program and is also working to develop a measure to track the post-graduation outcomes of students. The Administration is requesting increased funding for Grants to States in 2006.

II. THE 2006 EDUCATION BUDGET BY PROGRAM AREA

A. ELEMENTARY AND SECONDARY EDUCATION

Overview

In the three years since the enactment of the No Child Left Behind Act (NCLB), States have made major strides in implementing higher standards and stronger accountability designed to ensure that all students achieve at a high level, and test scores and other indicators of student achievement have begun to change as a result. The 2006 request would continue to support key NCLB programs that help close achievement gaps between poor and minority students and their more advantaged peers, ensure that States and districts hold schools accountable for improved student achievement, enable schools to place a highly qualified teacher in every classroom, and provide families and students with expanded educational choices. In addition, the 2006 budget includes new authorities to bring the reforms of No Child Left Behind to the high school level and to support the reform of teacher compensation systems.

During the past three years, all States developed, submitted to the Department, and began implementing plans for holding all schools accountable for results. Key elements of these plans included new “adequate yearly progress” definitions to measure progress toward State proficiency goals and identify schools in need of improvement, the development and implementation of reform plans in those schools, and the provision of new educational options for their students, including the opportunity to transfer to another public school or to receive supplemental educational services. All States also are working to ensure that by the end of the 2005-2006 school year, all classes in the core academic subjects are taught by highly qualified teachers.

Early signs of success resulting from NCLB reforms include the following:

- In October 2004, the Education Trust released a study of student achievement showing that in 23 of the 24 States with three years of comparable mathematics assessment data, achievement had increased, while in 15 of the 23 States with three years of comparable reading data, reading achievement had improved. The study also showed a narrowing of achievement gaps among racial and ethnic groups.
- In March 2004, the Council of the Great City Schools released a report on the educational progress of the Nation’s big-city school systems in which urban students showed gains in both math and reading at the end of the 2002-2003 school year, as well as the narrowing of achievement gaps between ethnic and racial groups.

These data suggest that NCLB reforms have spurred a relentless focus on improving academic achievement for all students that is beginning to have a positive impact in the classroom. Other data, however, reveal continuing low achievement and enduring achievement gaps at the secondary school level. For example, recent reports by organizations like Achieve and the Education Trust document that too few high school students are completing the rigorous academic courses needed for success in postsecondary education and the workplace, and that high school students are not sharing fully in the improved achievement seen at lower grade levels. Moreover, approximately half of entering college students needs to complete remedial courses before they can handle college-level work.

These reports suggest the need for an even greater emphasis on accountability and student achievement at the secondary school level. In response, President Bush is proposing nearly \$1.8 billion for a comprehensive set of initiatives that would strengthen the impact of NCLB principles in our middle and high schools.

Highlights of the budget for elementary and secondary education programs include:

- \$13.3 billion for Title I Grants to Local Educational Agencies, an increase of \$603 million, to help States, school districts, and schools carry out the reforms called for by the NCLB Act. The increase would be allocated through the Targeted Grants formula, which more fairly allocates resources to high-poverty districts and schools facing the greatest challenge in helping all students meet challenging State academic standards. If enacted, the request would result in a \$4.6 billion, or 52 percent, increase for Title I since enactment of NCLB.
- \$1.5 billion for the President's High School Initiative, including High School Intervention and High School Assessments, as well as an additional \$329 million for related proposals to support high-quality high school programs that improve academic achievement and graduation rates, particularly for at-risk high school students. The request includes:
 - \$1.24 billion for a High School Intervention initiative that would focus on strengthening high school education and providing specific interventions, including assessment-based individual student performance plans, designed to improve the academic achievement of students at greatest risk of not meeting challenging State academic standards and not completing high school.
 - \$250 million to help States develop and implement new High School Assessments in reading/language arts and mathematics. The proposal would provide formula grants to States to pay for adding, by the 2009-2010 school year, annual assessments at two additional high school grades which, along with the one grade currently required by NCLB, would ensure that students are assessed at least three times during high school.
 - A \$175 million increase for the Striving Readers program, funded for the first time in fiscal year 2005, to significantly expand the development and implementation of research-based interventions to improve the skills of teenage students who are reading below grade level.
 - \$120 million for a new Secondary Education Mathematics Initiative under the Mathematics and Science Partnership program that would provide competitive grants to accelerate the mathematics learning of secondary-school students.
 - A \$22 million increase for the Advanced Placement program to expand the availability of Advanced Placement and International Baccalaureate programs in schools with large populations of low-income students and to train teachers for those programs.
 - \$12 million for State Scholars Capacity Building to increase the number of States implementing State Scholars programs, which encourage high school students to complete a rigorous four-year course of study.

- \$500 million for a new Teacher Incentive Fund, which would provide formula grants to reward effective teachers and create incentives to attract qualified teachers to high-need schools, as well as competitive grants to design and implement performance-based compensation systems that change the way school districts pay teachers.
- \$2.92 billion for Improving Teacher Quality State Grants to help States ensure that all teachers of core academic subjects are highly qualified, as required by NCLB.
- \$1.0 billion for Reading First State Grants and \$104 million for Early Reading First to maintain support for comprehensive reading instruction, grounded in scientifically based reading research, that enables all young children to read well by the end of third grade.
- \$440 million to expand choices for parents and students, including \$219 million for Charter Schools Grants; \$37 million for the Credit Enhancement for Charter School Facilities program to assist charter schools in acquiring, leasing, and renovating school facilities; \$50 million for a new Choice Incentive Fund to support efforts to provide parents with expanded opportunities for transferring their children to a higher-performing school; \$27 million for Voluntary Public School Choice grants to promote public school choice across State or district boundaries; and \$108 million for Magnet Schools Assistance for choice-based efforts to reduce minority group isolation in elementary and secondary schools.

Title I Grants to Local Educational Agencies

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$12,342.3	\$12,739.6	\$13,342.3

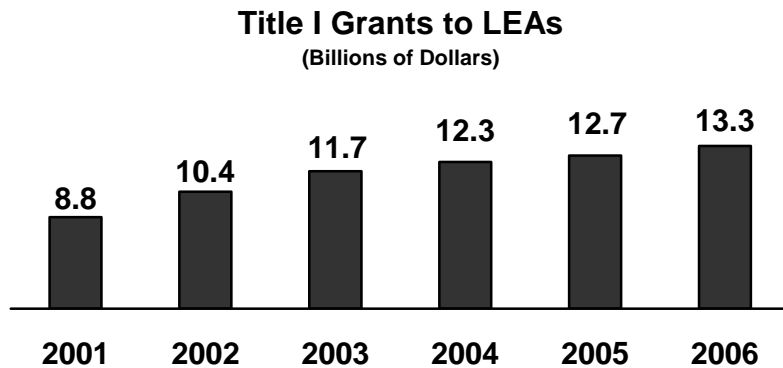
Title I, Part A of the ESEA provides supplemental education funding, especially in high-poverty areas, for locally designed programs that offer extra academic support to help raise the achievement of students at risk of educational failure or, in the case of schoolwide programs, help all students in high-poverty schools to meet challenging State academic standards. The program serves more than 15 million students in nearly all school districts and more than half of all public schools—including two-thirds of the Nation’s elementary schools.

The \$602.7 million or 4.7 percent increase requested for 2006 would help States, school districts, and schools meet the strong accountability and teacher quality requirements of the No Child Left Behind Act (NCLB). If enacted, the request would result in a \$4.6 billion, or 52 percent, increase for Title I since the passage of NCLB.

The request would support the twin goals of school improvement and expanded choice for parents and students, in part by making available about \$523 million to States and school districts for school improvement activities under section 1003(a) of the ESEA, which requires States to reserve 4 percent of Title I Grants to LEAs for this purpose. These funds, which States must distribute to those districts with the greatest need for such funds, support the implementation of school improvement plans.

The 2006 increase also would allow more parents and students to benefit from the public school choice and supplemental educational services provisions of NCLB, meeting the increased demand for those options that will result if additional schools are identified for improvement under the law.

Title I schools help students reach challenging State standards through one of two models: “targeted assistance” that supplements the regular education program of individual children deemed most in need of special assistance, or a “schoolwide” approach that allows schools to use Title I funds—in combination with other Federal, State, and local funds—to improve the overall instructional program for all children in a school. More than 26,000 schools participating in Title I use the schoolwide approach.



Note: 2006 reflects the President's request level.

Both schoolwide and targeted assistance programs must employ effective methods and instructional strategies grounded in scientifically based research, including activities that supplement regular instruction, such as after-school, weekend, and summer programs. Schools also must provide ongoing professional development for staff working with disadvantaged students and implement programs and activities designed to increase parental involvement.

Under NCLB, school districts must permit students in Title I schools that do not meet annual State adequate yearly progress (AYP) objectives for two consecutive years to transfer to another public school, with transportation provided by the school district. If schools continue not to make AYP, students may obtain supplemental educational services—paid for by the district—from the public- or private-sector provider selected by their parents from a State-approved list.

The law also requires these same schools (those that have missed AYP for two or more years) to develop improvement plans incorporating strategies from scientifically based research. Schools that do not improve are subject to increasingly tough corrective actions—such as replacing school staff or significantly decreasing management authority at the school level—and can ultimately face restructuring, which involves a fundamental change in governance, such as a State takeover or placement under private management.

The 2006 budget includes a separate \$9.4 million request for Title I Evaluation, primarily to support studies designed to produce rigorous scientific evidence on the effectiveness of education programs and practices, including practices critical to the effective use of Title I, Part A funds.

High School Intervention

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	—	—	\$1,240.0

The President’s High School Initiative, which includes both High School Intervention and the new High School Assessments, will help educators implement strategies designed to meet the needs of at-risk high school students and hold high schools accountable for providing high-quality education to their students. High School Intervention would support the development, implementation, and evaluation of targeted interventions that: (1) increase the achievement of high school students, particularly students at risk of not meeting State academic standards; (2) eliminate gaps in achievement between students from different ethnic and racial groups and between disadvantaged students and their more advantaged peers; and (3) enable all high school students to graduate with the education, skills, and knowledge necessary to succeed in postsecondary education and in a technology-based, globally competitive economy. Formula grants to States would fund competitive grants to local educational agencies (LEAs) for implementation of interventions in secondary schools that have a demonstrated need for such assistance.

Participating LEAs would ensure that targeted high schools develop and implement (in consultation with parents, teachers, and counselors) individual performance plans for entering students based on 8th-grade assessment data. LEAs also would use program funds to implement specific interventions to improve the academic achievement of students at greatest risk of not meeting State academic standards and of dropping out of high school.

Interventions could include: (1) programs that combine rigorous academic courses with demanding vocational and technical education courses to provide students with high-quality academic and technical training; (2) research-based dropout prevention programs; (3) technology-based assessment systems to provide teachers and other school officials with regular and frequent feedback on the achievement of individual students; (4) programs that, beginning in middle school, prepare students who are at risk of educational failure and dropping out to succeed academically in high school and to enter postsecondary education; and (5) college preparation and awareness activities for students from low-income families.

The Department would reserve funds to conduct needed research on specific interventions for improving high school education and raising achievement that would contribute to the relatively thin existing national knowledge base in this critical area. The program also would support continuation awards under the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), Upward Bound, Upward Bound Math and Science, and Talent Search programs, which the President’s request would eliminate as separate programs.

State Assessment Grants

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$390.0	\$411.7	\$411.7

This program provides formula grants to States to pay the cost of developing the additional standards and assessments required by NCLB and, if a State has put in place such standards and assessments, to pay for the administration of those assessments or other related activities. Funds also may be used to develop standards and assessments in subjects other than those required by NCLB and to improve the reliability and validity of assessment systems. Other allowable uses include paying the costs of working in voluntary partnership with other States to develop standards and assessments, professional development aligned with State standards and assessments, and support for data reporting and other components of the State accountability systems required under NCLB.

Under NCLB, States select and design their own assessments aligned with State academic achievement standards. Assessments in each of grades 3 through 8 for reading and mathematics must be in place by the 2005-2006 school year, and science assessments in three grade levels by the 2007-2008 school year. The 2006 request would provide \$400 million for Grants for State Assessments, the amount required under the statute to ensure that States remain on track toward meeting the 2005-2006 deadline. The remaining \$11.7 million would fund a new round of competitive Grants for Enhanced Assessment Instruments to support State efforts to improve the quality and reliability of State assessments.

The 2006 request is supported by the results of a recent PART analysis, which gave State Assessment Grants an Adequate rating. The PART review identified some areas where the Department will need to improve data collection and reporting mechanisms but, overall, found that the program has a clear purpose, is operated well, and meets an important need.

High School Assessments

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	—	—	\$250.0

This proposed initiative would provide formula grants to States to develop and implement annual assessments in language arts and mathematics at two additional grades in high school (NCLB already requires annual testing once in grades 10-12). Under the initiative, States would administer valid and reliable assessments to high school students at least three times during high school in both language arts and math. States would be required to have these assessments in place by school year 2009-10. The new assessments would inform strategies to meet the needs of at-risk high school students and strengthen school accountability at the secondary level.

Mathematics and Science Partnerships

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$149.1	\$178.6	\$269.0

The request includes an increase of \$90.4 million, or 51 percent, over the 2005 level. Combined with existing funding, this increase would support the President's high school reform strategy by funding \$120 million in competitive grants to accelerate the mathematics learning of

secondary-school students, especially those who are at risk of dropping out of school because they lack basic skills in mathematics.

Current partnerships focus on developing rigorous mathematics and science curricula, distance learning programs, and incentives to recruit college graduates with degrees in math and science into the teaching profession. However, continuing evidence of low mathematics achievement on both the National Assessment of Educational Progress and multiple international assessments justifies a stronger, more targeted emphasis on high school mathematics.

Advanced Placement

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$23.5	\$29.8	\$51.5

The \$21.7 million or 73 percent increase proposed for this program as part of the President’s high school reform strategy would help ensure that teachers are well trained to teach Advanced Placement (AP) and International Baccalaureate (IB) courses at schools that serve large populations of low-income students. A key element of high school reform is increasing the rigor of the curriculum, and such courses help to improve the entire school curriculum for all students. In addition, low-income students who take such courses are much more likely to enroll and be successful in college than non-participating peers.

Program funds support grants to State educational agencies to pay AP and IB test fees for low-income students, as well as State and local efforts to make pre-advanced placement and advanced placement courses more widely available to low-income students.

State Scholars Capacity Building

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$2.5 ¹	\$2.5 ¹	\$12.0

¹ Funded through Vocational Education National Programs.

The request proposes a \$9.5 million increase, as part of the President’s high school reform strategy, to expand support for State-level business and education partnerships that encourage high school students to complete a rigorous curriculum in the core academic subjects, including four years of English, three years each of mathematics and science, three and a half years of social studies, and two years of a foreign language.

The State Scholars program increases the number of high school students who have the solid academic foundation necessary to succeed in postsecondary education and in an increasingly competitive labor market. Under the request, the Center for State Scholars would support partnerships in approximately 26 additional States and jurisdictions over the 12 currently projected to participate through fiscal year 2005.

This proposal would complement a \$33 million request for Enhanced Pell Grants for State Scholars, which would increase Pell awards by up to \$1,000 for students who complete a State Scholars program in high school.

Improving Teacher Quality State Grants

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$2,930.1	\$2,916.6	\$2,916.6

NCLB requires States and school districts to ensure that all teachers are highly qualified—as defined by individual States according to statutory requirements—by the end of the 2005-2006 school year. Improving Teacher Quality State Grants provides a flexible source of funding to help States and school districts meet this requirement. State-level activities may include changes to teacher certification or licensure requirements, alternative certification, tenure reform, merit-based teacher performance systems, and differential and bonus pay for teachers in high-need subject areas. School districts may use funds for professional development, recruitment and retraining of teachers and principals, merit pay, mentoring, and other activities.

Program funds support high-quality professional development as a central and indispensable element of the larger effort to help all students achieve. Research indicates that such professional development can contribute to improvements in teachers' skills and practice and thereby raise student achievement. The Department also would continue developing the knowledge base on teacher effectiveness by reserving up to \$14.58 million (one-half of 1 percent) of the fiscal year 2006 appropriation for evaluation and related activities.

A PART analysis conducted in 2003 produced a Results Not Demonstrated rating for Improving Teacher Quality State Grants, because data were not available at the time to determine the program's effectiveness. The Department has initiated data collection and evaluation activities needed to support a more meaningful assessment in the next few years.

Teacher Incentive Fund

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	—	—	\$500.0

One of the most important elements of NCLB is its insistence that all public school students are taught by highly qualified teachers, with a particular emphasis on ensuring that such teachers are available in high-poverty schools serving large numbers of poor children and other at-risk students.

Teacher salaries typically depend on educational credentials and the number of years in the classroom—factors that generally bear little relationship to better teaching or higher student achievement. There also are few incentives for good teachers to seek assignment to or remain in high-poverty schools; such schools are often forced to rely on the least qualified faculty, including those hired with only emergency or other temporary credentials.

While Title II Improving Teacher Quality State Grants and Title I Grants to Local Educational Agencies (LEAs) provide significant support for professional development and other activities intended to help States and LEAs meet the NCLB highly qualified teacher goal, the proposed Teacher Incentive Fund is designed to stimulate closer alignment of teacher compensation systems with better teaching, higher student achievement, and high-need schools.

The Fund would provide \$450 million in State formula grants to reward effective teachers and to offer incentives for highly qualified teachers to teach in high-poverty schools. The remaining \$50 million would fund competitive grants to State educational agencies, LEAs, and non-profit organizations for the design and implementation of performance-based compensation systems to develop effective models that other districts could adopt to improve teacher compensation systems.

Adjunct Teacher Corps Initiative

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	—	—	\$40.0

This new initiative would create an Adjunct Teacher Corps that would draw on the skills of well-qualified individuals outside of the public education system to meet specialized teaching needs in secondary schools. Instead of the usual focus on certification or licensure of such individuals, the initiative would concentrate on helping schools find experienced professionals who would be able to provide real-world applications for some of the abstract mathematical concepts being taught in the classroom and, in some cases, provide individuals to teach temporarily in hard-to-fill positions.

Funds would be used to make competitive grants to partnerships of school districts and appropriate public or private organizations to create opportunities for professionals to teach specific high-school courses in the core academic subjects, particularly in mathematics and the sciences. Adjunct teachers might teach one or more courses on the school site on a part-time basis, teach full-time in secondary schools while on leave from their jobs, or teach courses that would be available on-line or through other distance learning arrangements.

Troops-to-Teachers

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$14.9	\$14.8	\$14.8

This program supports the Department of Defense Troops-to-Teachers program, which encourages and helps train retiring military personnel to teach in high-poverty school districts. A 2001 survey by the Government Accountability Office showed that almost 4,000 former military personnel had been hired as teachers nationwide since the program was established in 1994. Teachers recruited through Troops-to-Teachers have been twice as likely as traditional public school teachers to teach in such high-need subject areas as mathematics, science, and special education.

Troops-to-Teachers received an Adequate rating following a 2003 PART analysis concluding that while the program is accomplishing its objectives, it would benefit from short- and long-term performance measures and more transparent reporting of results. The Department has responded to these findings.

Transition to Teaching

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$45.3	\$44.9	\$44.9

This program will help meet the demand for an estimated 2 million new teachers over the next decade by supporting alternative routes to teacher certification and other approaches enabling mid-career professionals and recent college graduates to transition to careers in teaching. The request would finance more than 100 5-year projects that would train, place, and support candidates as teachers in high-need schools.

Teaching American History

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$119.3	\$119.0	\$119.0

This program makes competitive grants to school districts for professional development to strengthen the teaching of traditional American history as a separate subject in elementary and secondary schools. The request recognizes the importance of American history in preparing future generations of students to become responsible citizens and to fully participate in our democratic traditions. At the request level, the program would fund up to 145 new awards, and about \$595,000 would be reserved to complete a 3-year evaluation of the program.

A recently completed PART analysis for this program produced a Results Not Demonstrated rating, primarily due to a lack of performance measures and annual performance targets. The Department is responding to these findings.

Advanced Credentialing

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$18.4	\$16.9	\$8.0

This program supports the development of advanced credentials based on the content expertise of master teachers. Funds also support related activities to encourage and support teachers seeking advanced credentials. The 2006 request would support the American Board for the Certification of Teacher Excellence's development of an Initial Certification and a Master Certification to give States and districts more options for improving teacher quality and, most importantly, raising student achievement.

Early Childhood Educator Professional Development Grants

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$14.8	\$14.7	\$14.7

This program focuses on professional development, especially in teaching pre-reading skills to young children, for early childhood educators and caregivers working in high-poverty communities. The request would fund a new round of competitive grants to support training for preschool and other early childhood educators to help ensure that young children enter school ready to learn to read.

Reading First
(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Reading First State Grants	\$1,023.9	\$1,041.6	\$1,041.6
Early Reading First	<u>94.4</u>	<u>104.2</u>	<u>104.2</u>
Total	1,118.4	1,145.8	1,145.8

President Bush has made the Reading First initiative one of his highest priorities because of compelling evidence that too many young children do not master reading—the most basic and essential skill required for more advanced learning—during their early elementary school years. On the 2003 National Assessment of Educational Progress, 63 percent of all fourth graders in high-poverty schools scored below the "basic" reading level. Research shows that students who cannot read well by fourth grade have a greater likelihood of dropping out and facing a lifetime of diminished success. Reading First activities help increase reading gains, reduce the number of children who fall behind in reading, provide additional help to children who need it, and lower the number of children referred to special education due to low reading scores.

The request includes more than \$1.1 billion for the two components of Reading First. The Reading First State Grants program is a comprehensive, nationwide effort to implement high-quality, research-based reading instruction to help reach the President's goal of ensuring that every child can read at grade level or above by the end of 3rd grade. The request would fulfill the President's commitment, in his original *No Child Left Behind* initiative, to provide \$5 billion for Reading First over a 5-year period.

State grant funds are used to help school districts and schools provide professional development in reading instruction for teachers and administrators, adopt and use diagnostic reading assessments for students in kindergarten through third grade to determine where they need help, implement reading curricula that are based on recent research, and provide reading interventions for young grade-school children to ensure that they can read at grade level by the end of the third grade.

Early Reading First complements Reading First State Grants by providing competitive grants to school districts and non-profit organizations to support activities in pre-school programs designed to enhance the verbal skills, phonological awareness, letter knowledge, and pre-

reading skills of children from birth through age 5. Funds are targeted to communities with high numbers of low-income families.

Striving Readers

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	—	\$24.8	\$200.0

The request includes a \$175.2 million expansion for this new program, first funded in 2005, that involves States and school districts in implementing research-based interventions to help improve the skills of secondary school students who are reading below grade level. Many of those students are at risk for dropping out of school because of their poor reading skills, which can affect their performance in all core subject areas.

NCLB requires the use of scientifically proven educational practices and programs to raise student achievement at all levels, including middle and high schools. However, secondary school educators currently have little information to guide their decisions about which practices and programs are effective in helping to raise the reading achievement of teenage students. This initiative will test a variety of interventions through experimental studies to assess their effectiveness, and disseminate the results widely to school districts and schools.

Reading Is Fundamental/Inexpensive Book Distribution

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$25.2	\$25.3	\$25.3

This program is administered through a contract with Reading is Fundamental, Inc. (RIF), a nonprofit organization affiliated with the Smithsonian Institution. RIF allocates funds to local community associations that select and distribute inexpensive books to children free of charge. RIF currently reaches about 5 million children through 22,500 projects. By increasing preschool children’s access to books, and involving their parents as their child’s first teachers, this program supports the President’s goal that all children will be able to read well by 3rd grade.

Ready-to-Learn Television

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$22.9	\$23.3	\$23.3

The program supports the development and distribution of educational video and related materials for preschool children, elementary school children, and their parents in order to facilitate student academic achievement. Funding has supported the development of two highly acclaimed children’s shows, *Between the Lions* and *Dragon Tales*, along with a bilingual newsletter that provides suggestions for books and learning activities related to PBS children’s programs. Activities supported through Ready-to-Learn play an important role in helping to ensure that young children are prepared to start school.

A PART analysis of this program produced a Results Not Demonstrated rating, primarily because the Department does not have consistent or reliable data on program results, and a recommendation that the Department take additional steps to better understand the impact of the program.

Literacy Through School Libraries

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$19.8	\$19.7	\$19.7

This program helps school districts improve literacy skills by providing students with increased access to up-to-date school library materials and professionally certified school library media specialists. The 2006 request would fund an estimated 90-100 grants that would support the role of libraries in helping children to read well by making information available to all students, training students and teachers about how to obtain and make use of information, and increasing access to technology and information for students in low-income schools.

Charter Schools Grants

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$218.7	\$217.0	\$218.7

This program increases public school choice options by supporting the planning, development, and initial implementation of public charter schools. States also may use a portion of their funds for dissemination of information on successful charter school practices. A total of 40 States and the District of Columbia have charter school laws that relieve such schools from many education rules and regulations in exchange for greater accountability for improving student performance. The number of charter schools nationwide has grown to approximately 3,000. The first \$200 million of each year's appropriation is used for grants to States and to individual charter schools in States that elect not to apply, and for national activities. Funds above \$200 million maintain support for State Charter School Facilities Incentive Grants, which provides matching funds to States that offer per-pupil financial assistance to charter schools to obtain facilities.

Credit Enhancement for Charter School Facilities

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$37.3	\$37.0	\$37.0

Expanding the number of charter schools is a key Administration strategy for increasing the options available to parents seeking the best educational opportunities for their children. A major obstacle to the creation of charter schools in many communities is limited access to suitable academic facilities. The Credit Enhancement for Charter School Facilities program helps overcome this problem by providing grants to public and nonprofit entities to leverage funds to help charter schools purchase, construct, renovate, or lease academic facilities. The

program leverages funds to support charter schools through such means as guarantees and insurance on leases and bonds to reduce the risk to landlords and bondholders.

Choice Incentive Fund

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	—	—	\$50.0

This initiative would provide the parents of students who attend low-performing schools with expanded opportunities for transferring their children to a higher-performing public, charter, or private school. The Department would make competitive awards to States, local educational agencies, and community-based nonprofit organizations with a proven record of securing educational opportunities for children. In making awards, priority would be given to applicants that provide large numbers of students with expanded choice opportunities. The Choice Incentive Fund would complement a \$14.6 million request in the FY 2006 District of Columbia budget to continue funding opportunity scholarships that provide low-income parents with more options for the education of their children.

A growing body of evidence shows that providing parents and students with expanded choice options can improve both the academic performance of the students exercising choice and the performance of schools at risk of losing students. For example, the September 2002 Government Accountability Office report, *School Vouchers: Characteristics of Privately Funded Programs*, found that rigorous evaluations of private school choice programs in New York City, Washington, D.C., and Dayton, Ohio, “provide some evidence that African American students who used vouchers to attend private schools showed greater improvements in math and reading than students in the comparison group.” Additional studies have found that public schools improved their performance and responsiveness to parent and student needs when exposed to competition.

Voluntary Public School Choice

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$26.8	\$26.5	\$26.5

This program supports efforts to establish intradistrict and interdistrict public school choice programs to provide parents, particularly parents whose children attend low-performing public schools, with greater choice for their children’s education. Grants support planning and implementation costs associated with new programs, tuition transfer payments to public schools that students choose to attend, and efforts to expand the capacity of schools to meet the demand for choice. The request would support the final year of 5-year awards to 13 grantees that are taking different approaches to increase school capacity by, among other things, augmenting school curricula to attract students, providing academic tutoring to help students who transfer succeed in their new environments, and developing ways to expand choice options in rural areas.

Magnet Schools Assistance

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$108.6	\$107.8	\$107.8

The request would support 52 continuation grants to local educational agencies to operate magnet schools that are part of a court-ordered or approved desegregation plan to eliminate, reduce, or prevent minority group isolation in elementary and secondary schools. Magnet schools address their desegregation goals by providing a distinctive educational program that attracts a diverse student population. The Department would use about \$500,000 for evaluation and dissemination activities.

21st Century Community Learning Centers

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$999.1	\$991.1	\$991.1

This program helps communities establish or expand learning centers that provide extended learning opportunities for students and related services to their families. From their formula grants, States make competitive awards of at least \$50,000 to school districts, community-based organizations, faith-based organizations, and other public or private entities for projects that primarily serve students attending high-poverty schools. States give priority to projects serving students who attend schools identified for improvement or corrective action under Title I, and projects emphasize activities that prepare students to meet State and local student performance standards in core academic subjects. The request would enable districts to provide after-school learning opportunities—particularly for children who attend high-poverty or low-performing schools—to more than 1.3 million students in 1,400 after-school programs.

The 2006 request for this program is supported by a 2003 PART analysis that gave the program an Adequate rating and high scores for purpose, planning, and management, while identifying weaknesses related to accountability. The Department is taking steps to eliminate those weaknesses.

State Grants for Innovative Programs

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$296.5	\$198.4	\$100.0

This program provides flexible funding to State and local educational agencies for a wide range of authorized activities serving all students. Examples include reducing class size, professional development, funding Title I supplemental educational services, and creating smaller learning communities. The reduced request reflects a decision to redirect funding to higher-priority activities that are better targeted to national needs and have stronger accountability mechanisms.

Comprehensive Centers

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	—	\$56.8 ¹	\$56.8

¹ A portion of the fiscal year 2005 appropriation will be used for costs associated with the phase-out of the antecedent Comprehensive Regional Assistance Centers program.

The request would support the first full year of operation of the comprehensive centers authorized under Section 203 of the Educational Technical Assistance Act of 2002. During fiscal year 2005, the centers authorized under previous law will continue to provide technical assistance for a portion of the year to help ensure a smooth transition while the Department completes the competition for the new centers and they begin their operations.

Under the new program, the Department makes competitive awards to research organizations, institutions of higher education, or partnerships of such entities to establish not less than 20 centers, with at least one center in each of the 10 geographic regions served by the regional educational laboratories. The regional locations of the remaining centers are determined after consideration of the number of school-aged children in those areas, the proportion of disadvantaged students, the increased cost burdens of service delivery in sparsely populated areas, and the number of schools identified for improvement under Title I of ESEA.

The new Centers will provide services to State educational agencies, LEAs, regional educational agencies, and schools. At a minimum, each center will provide training and technical assistance in: the implementation and administration of programs authorized under the ESEA; the use of scientifically valid teaching methods and assessment tools in mathematics, science, reading and language arts, English language acquisition, and educational technology; and facilitating communication among education experts, school officials, teachers, parents, and librarians. In addition, centers will disseminate information and reports on improving academic achievement, closing achievement gaps, and sustaining school improvement to schools, teachers, parents and policymakers. The Department also will reserve funds for evaluation of the centers.

Rural Education

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$167.8	\$170.6	\$170.6

The Rural Education Achievement authority funds two separate programs that assist rural school districts in carrying out activities to help improve the quality of teaching and learning in their schools. The Small, Rural School Achievement program provides formula funds to rural school districts serving small numbers of students, and the Rural and Low-Income School program provides formula grants to States, which have the option of suballocating funds to high-poverty rural districts competitively or by formula. Each program receives one-half of the appropriation. The request would maintain support for small, often geographically isolated rural districts that face special challenges in implementing NCLB.

Safe and Drug-Free Schools and Communities National Programs

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$233.3	\$234.6	\$317.3

Teaching and learning to the high standards demanded by NCLB requires that our schools are safe and our students are drug-free. Safe and Drug-Free Schools and Communities National Programs fund several activities to help promote safe and drug-free learning environments for students and address the needs of at-risk youth. The 2006 request includes a net \$82.7 million, or 35 percent, increase for National Programs while proposing to eliminate the separately authorized State Grants program.

While the State Grants program spreads funds thinly across States and school districts and has not been able to demonstrate its effectiveness, National Programs provides greater flexibility to make large enough local awards to support quality interventions. In addition, the National Programs authority is structured to permit grantees and independent evaluators to measure progress, hold projects accountable, and determine which interventions are most effective.

Highlights of the request include: \$30 million for the School Emergency Preparedness Initiative the Department is developing and implementing to coincide with the recent inclusion of the Nation’s schools in the Department of Homeland Security’s National Critical Infrastructure Plan; \$25.4 million for school-based drug testing programs for students; \$88.5 million for grants to school districts for comprehensive, community-wide “Safe Schools/Healthy Students” drug and violence prevention projects that are coordinated with local law enforcement and also include mental health preventive and treatment services; and \$87.5 million for additional grant assistance to LEAs to support the implementation of drug prevention or school safety programs that research has demonstrated to be effective in reducing youth drug use or violence and for implementation and scientifically based evaluation of additional approaches that show promise of effectiveness.

Also, the request includes \$49.3 million to pay continuation costs for mentoring grants, as the first year of a 2-year phase out of the program, which by 2007 will have achieved its objectives; and \$5 million for Project SERV (School Emergency Response to Violence), to ensure that funds are available for the Department, if called upon, to provide emergency response services to LEAs in which the learning environment has been disrupted by a violent or traumatic crisis.

Character Education

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$24.7	\$24.5	\$24.5

This program makes competitive awards to States and school districts for such activities as developing character education curricula, implementing model character education programs that involve parents and community members, including private and nonprofit organizations, and training teachers to incorporate character-building lessons and activities into the classroom. Programs must be integrated into classroom instruction, consistent with State academic content standards, and coordinated with other State education reforms. Elements of character include

such qualities as caring, civic virtue and citizenship, justice, respect, responsibility, trustworthiness, and giving.

Physical Education Program

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$69.6	\$73.4	\$55.0

This program provides competitive grants to local educational agencies and community-based organizations to pay the Federal share of the costs of initiating, expanding, and improving physical education programs (including after-school programs) for students in kindergarten through 12th grade, in order to make progress toward meeting State standards for physical education. Funds may be used to provide equipment and other support enabling students to participate in physical education activities and for training and education for teachers and staff. The 2006 request includes funds to pay for continuation costs for physical education grants, as the first year of a 2-year phase out of the program in order to redirect resources to higher-priority activities.

Fund for the Improvement of Education
(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
National Activities.....	\$27.1	\$12.1	\$29.0
Comprehensive School Reform	74.1	—	—
One-time Projects	<u>179.3</u>	<u>245.0</u>	<u>—</u>
Total	280.5	257.1	29.0

The Fund for the Improvement of Education (FIE) supports nationally significant programs to improve the quality of elementary and secondary education at the State and local levels and help all students meet challenging State academic achievement standards. The request would fund continuation costs of grants awarded in prior years, an e-Learning clearinghouse, an initiative to improve the quality of information on the effectiveness of elementary and secondary programs funded by the Department, and a small number of other new awards. The 2005 total includes \$245.0 million for one-time projects for which funding is not requested in 2006.

English Language Acquisition
(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
Language Acquisition State grants	\$548.4	\$582.2	\$626.9
National Activities.....	44.3	43.9	43.9
Native American grants.....	5.0	5.0	5.0
Competitive Grant Continuations	<u>83.5</u>	<u>44.7</u>	<u>—</u>
 Total	 681.2	 675.8	 675.8

Title III of the Elementary and Secondary Education Act (ESEA) authorizes formula grants to States based on each State's share of the Nation's limited English proficient (LEP) and recent immigrant student population. Grants enable States to design and implement a statewide response to the needs of their LEP students. The statute also provides a .5 percent set-aside for the Outlying Areas and a \$5 million set-aside for elementary, secondary, and postsecondary schools operated predominantly for Native American children.

States must use at least 95 percent of formula funds for subgrants to school districts, based primarily on each district's share of the State's LEP students. In addition, States must use up to 15 percent of the 95 percent to increase the size of grants to districts that have experienced a significant increase in the percentage or number of recent immigrant students over the preceding two years.

States must develop annual measurable achievement objectives for LEP students that measure their success in achieving English language proficiency and meeting challenging State academic content and achievement standards. If a school district does not make progress toward meeting these objectives for two consecutive years, the State must require the district to develop and implement an improvement plan. If the district still is not meeting the State's annual achievement objectives after four consecutive years, the State must require the district to take corrective action by adopting approaches more likely to bring about meaningful change, such as comprehensive implementation of a new instructional method or replacing educational personnel responsible for the LEA's inability to meet the objectives. The State also may terminate assistance to the district.

Title III also requires the Department to set aside 6.5 percent of the appropriation for National Activities, including the National Professional Development Project, a National Clearinghouse for English Language Acquisition and Language Instructional Programs, and evaluation. Under the National Professional Development Project, the Department makes 5-year competitive grants to institutions of higher education that have entered into consortium arrangements with State or local educational agencies. The purpose of these grants is to increase the pool of teachers prepared to serve limited English proficient students and increase the skills of teachers already in classrooms. The purpose of the National Clearinghouse contract is to collect and disseminate information about instructional programs for LEP students.

The completion of projects funded under the antecedent statute in fiscal year 2005 will permit an increase of \$44.7 million, or 7.7 percent, in Language Acquisition State Grant allocations in 2006.

Title I State Agency Programs
(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
Migrant Education	\$393.6	\$390.4	390.4
Neglected and Delinquent.....	<u>48.4</u>	<u>49.6</u>	<u>49.6</u>
Total	442.0	440.0	440.0

Migrant Education State Grants assist in meeting the special educational needs of nearly 750,000 children of migrant agricultural workers by helping States identify and pay the higher costs often associated with serving such children. The Department also uses a portion of funding to improve inter- and intra-state coordination of migrant education activities. The Title I Neglected and Delinquent program supports educational services for an estimated 171,000 children and youth in State-operated institutions.

High School Equivalency Program and College Assistance Migrant Program
(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
High School Equivalency Program	\$18.9	\$18.7	\$18.7
College Assistance Migrant Program.....	<u>15.7</u>	<u>15.5</u>	<u>15.5</u>
Total	34.5	34.3	34.3

The High School Equivalency Program (HEP) funds projects to help low-income migrant and seasonal farm workers gain high school diplomas or equivalency certificates. The College Assistance Migrant Program (CAMP) provides stipends and special services, such as tutoring and counseling, to migrant students who are in their first year of college. The 2006 request would support approximately 75 HEP and CAMP continuation grants as well as 13 new HEP projects and 10 new CAMP projects.

The Department completed a PART analysis of these programs as part of the fiscal year 2006 budget process. Both programs were rated Results Not Demonstrated, with the analysis highlighting strengths but also flagging weaknesses related to data collection and accountability.

Education for Homeless Children and Youth

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
BA in millions	\$59.6	\$62.5	\$62.5

This program provides formula grants to States, which subgrant most funds to LEAs for tutoring, transportation, and other services that help homeless children to enroll in, attend, and succeed in school. In addition to academic instruction, the program helps ensure access for these children to preschool programs, special education, and gifted and talented programs.

While nearly all States have eased residency requirements and improved transportation and immunization policies to ensure greater access for homeless students over the past decade, such students continue to be at significant risk of educational failure, and the request would maintain support for State and local activities designed to reduce that risk.

Indian Education

(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Grants to Local Educational Agencies	\$95.9	\$95.2	\$96.3
Special Programs for Indian Children	19.8	19.6	19.6
National Activities.....	<u>5.2</u>	<u>5.1</u>	<u>4.0</u>
Total	120.9	119.9	119.9

Indian Education programs supplement the efforts of State and local educational agencies and Indian tribes to improve educational opportunities for Indian children. The programs link these efforts to broader educational reforms underway in States and localities to ensure that Indian students benefit from those reforms and achieve to the same challenging academic standards as other students.

Grants to Local Educational Agencies provide funds to public and BIA-supported schools for activities to improve the educational achievement of Indian students. Special Programs for Indian Children includes \$10.2 million for the American Indian Teacher Corps and the American Indian Administrator Corps, to support training for Indian teachers and administrators to take positions in schools that serve concentrations of Indian children, and \$9.2 million for demonstration grants to improve educational opportunities for Indian children in areas such as early childhood education and college preparation.

Finally, the request provides \$4.0 million for National Activities, which funds research, evaluation, and data collection designed to fill gaps in our understanding of the educational status and needs of Indians and on identifying educational practices that are effective with Indian students. The program also provides technical assistance to school districts and other entities receiving Indian Education formula and discretionary grants.

Education for Native Hawaiians

(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Mandated awards	\$1.5	\$2.1	\$0.5
New activities	4.7	13.1	17.7
Continuation awards	<u>27.1</u>	<u>19.0</u>	<u>14.4</u>
Total	33.3	34.2	32.6

The Education for Native Hawaiians program provides supplemental education services and activities for Native Hawaiians, many of whom perform below national norms on achievement tests of basic skills in reading, science, and math. Grants support a variety of authorized activities. Other Department elementary and secondary education programs, particularly the

State formula grant programs, also support improved achievement for Native Hawaiians. The proposed \$1.6 million reduction in funding reflects the elimination of two one-time grants included in the 2005 appropriation.

Alaska Native Education Equity
(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
Mandated Awards.....	\$7.0	\$10.0	\$7.0
New Activities.....	2.2	6.6	15.4
Continuation Awards.....	<u>24.1</u>	<u>17.6</u>	<u>18.8</u>
Total	33.3	34.2	31.2

The Alaska Native Education Equity program provides educational services to meet the special needs of Native Alaskan children. By statute, a portion of funds must be awarded annually to specific entities. The remaining funds support competitive grants for teacher training, student enrichment, and other activities that address the special needs of Alaska Native students in order to enhance their academic performance. Other Department elementary and secondary education programs, particularly the State formula grant programs, also support improved achievement for Alaska Native students. The proposed \$3 million reduction reflects the elimination of two one-time grants included in the 2005 appropriation.

Training and Advisory Services (Title IV of the Civil Rights Act)

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
BA in millions	\$7.2	\$7.2	\$7.2

This program supports 10 regional Equity Assistance Centers that provide services to school districts on issues related to discrimination based on race, gender, and national origin. Typical activities include disseminating information on successful practices and legal requirements related to nondiscrimination, providing training to educators to develop their skills in specific areas, such as identification of bias in instructional materials, and technical assistance on selection of instructional materials.

Supplemental Education Grants (Compact of Free Association Amendments Act)

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
BA in millions	—	\$18.2	\$18.2

The \$18.2 million request would maintain support for Supplemental Education Grants to the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI), as authorized by the Compact of Free Association Amendments Act of 2003 (P.L. 108-188). Under the program, the Department transfers funds and provides recommendations on funding to the Department of the Interior, which makes grants to the FSM and RMI for educational services that augment the general operations of the educational systems of the two entities.

The Act eliminated RMI and FSM participation in most domestic formula grant programs funded by the Departments of Education, Health and Human Services, and Labor, and created this program to supplement a separate education support programs under the Compact. The request would allow the RMI and FSM to support programs that focus on improving the educational achievement of students in the RMI and FSM.

Impact Aid

(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Payments for Federally Connected Children:			
Basic Support Payments.....	\$1,063.7	\$1,075.0	\$1,075.0
Payments for Children with Disabilities.....	50.4	50.0	50.0
Facilities Maintenance	7.9	7.8	7.8
Construction.....	45.9	48.5	45.5
Payments for Federal Property	<u>61.6</u>	<u>62.5</u>	<u>62.5</u>
Total	1,229.5	1,243.9	1,240.9

The Impact Aid program provides financial support to school districts affected by Federal activities. The property on which certain children live is exempt from local property taxes, denying districts access to the primary source of revenue used by most communities to finance education. Impact Aid helps to replace the lost local revenue that would otherwise be available to districts to pay for the education of these children.

The \$1.1 billion request for Basic Support Payments would provide grants for both regular Basic Support Payments and Basic Support Payments for Heavily Impacted LEAs.

The \$50.0 million request for Payments for Children with Disabilities would help eligible districts meet their obligations under the Individuals with Disabilities Education Act to provide a free appropriate public education for federally connected children with disabilities.

The Department of Education owns and maintains 35 school facilities that serve large numbers of military dependents. The \$7.8 million request for Facilities Maintenance would fund essential repair and maintenance of these facilities and allow the Department to continue to transfer schools to local school districts.

School districts also generally pay for most of their school construction costs using their own resources and rely on property taxes to finance these costs. Districts affected by Federal operations have limited access to those sources of funding. The \$45.5 million proposed for Construction would provide both formula and competitive grants to school districts. Formula grants assist districts with large proportions of military dependent students and students residing on Indian lands. Competitive grants focus on helping LEAs make emergency renovations and modernization upgrades. The request is reduced by \$3 million in funding for a one-time project in fiscal year 2005.

The \$62.5 million request for Payments for Federal Property would provide payments to districts that generally have lost 10 percent or more of their taxable property to the Federal Government.

The Department recently completed a PART analysis of Payments for Federal Property that produced a Results Not Demonstrated rating, with praise for adequate financial management and efficient operations countered by a lack of performance measures or any overall review of program effectiveness. The Department is taking action on these findings.

B. SPECIAL EDUCATION AND REHABILITATIVE SERVICES

Overview

The Administration is committed to working to ensure that all Americans have the opportunity to learn and develop skills, engage in productive work, choose where to live, and participate in community life. The 2006 budget supports the President's *New Freedom Initiative* to help people with disabilities lead independent lives. Funds are requested for programs that can improve educational, employment, and independent living outcomes for people with disabilities.

The \$12.1 billion request for Special Education programs includes support for programs to improve educational and early intervention outcomes for children with disabilities. For the Grants to States program, the President is requesting an increase of \$508 million for a total of \$11.1 billion. This level of funding would provide an estimated average of \$1,599 per student for about 6.9 million children ages 3 through 21—the highest level of Federal support ever provided for children with disabilities. The budget also includes \$440.8 million for the Grants for Infants and Families program and \$384.6 million for the Preschool Grants program, both of which would be maintained at their 2005 levels.

The \$203.0 million request for Special Education National Activities would support a variety of technical assistance, dissemination, training, and other activities that assist States, local educational agencies, parents, and others in improving results for children with disabilities. This amount includes \$5.0 million (which would be combined with \$2.0 million from Rehabilitation Demonstration and Training programs) to support a new Transition Initiative that would help States improve high school graduation rates and post-school outcomes for students with disabilities through the implementation of research-based employment, education, and transition practices, along with collection and analysis of student data. Personnel Preparation and Parent Information Centers would be funded at their 2005 levels. No funds are requested for the State Personnel Grants program, newly authorized by the Individuals with Disabilities Education Improvement Act of 2004, for which fiscal year 2005 funds are still available for obligation. The Technical Assistance and Dissemination program would be reduced from \$52.4 million to \$49.4 million and the Technology and Media Services program would be reduced from \$38.8 million to \$32.0 million.

For Rehabilitation Services and Disability Research, the budget provides \$3.1 billion to support comprehensive and coordinated vocational rehabilitation and independent living services for individuals with disabilities through research, training, demonstration, technical assistance, evaluation, and direct service programs. The request includes \$2.7 billion for Vocational Rehabilitation (VR) State Grants to help over 215,000 individuals with disabilities obtain or maintain employment.

Consistent with the Administration's multi-year initiative to reform the Federal government's overlapping training and employment programs, funds are not requested for three vocational rehabilitation programs in this account: Supported Employment State Grants, Projects with Industry, and the Migrant and Seasonal Farmworkers program. These programs provide services to individuals with disabilities that can be provided by the larger VR State Grants program. The 2006 request would eliminate funding for Recreational programs and reduce funding for Demonstration and Training programs, in part because of the elimination of funding earmarked in the fiscal year 2005 appropriation for one-time projects. Funding for most other discretionary rehabilitation programs would be maintained at the 2005 level.

The President's *New Freedom Initiative* promotes a variety of strategies to eliminate barriers that millions of Americans with disabilities face in the workplace, schools, and the community. Increased access to assistive technology is a key part of this initiative, because it has the potential to dramatically improve the quality of life for such individuals, as well as their ability to engage in productive work. The request includes \$15 million for the Alternative Financing Program (AFP), authorized under the Assistive Technology Act, for loan programs that help individuals with disabilities purchase assistive technology devices and services. By fiscal year 2005, as many as 35 States will participate in the AFP, and the request would fund as many as 15 additional awards to new or existing grantees.

The request includes \$107.8 million for the National Institute on Disability and Rehabilitation Research, which supports research, demonstration projects, and related activities designed to improve the lives of persons of all ages with disabilities. The 2006 request includes funding for new awards for Spinal Cord Injury (SCI) Model Systems projects, including funding for multi-center research on SCI therapies, interventions, and the use of technology.

Special Education State Grants

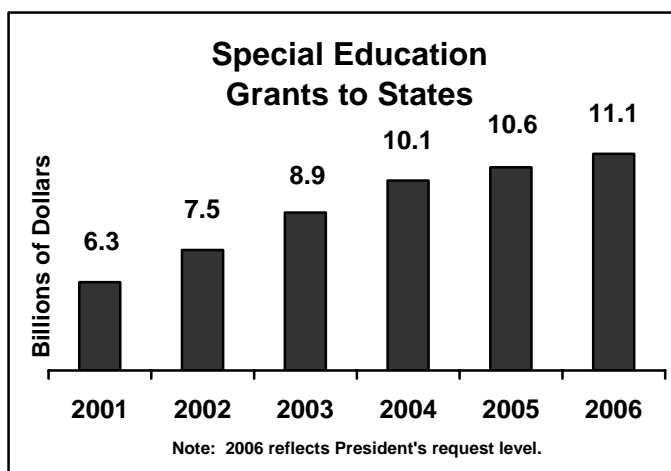
Grants to States

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$10,068.1	\$10,589.7	\$11,097.7
Children ages 3 through 21 Number served (thousands)	6,723	6,831	6,933

The Grants to States program, which is authorized under the Individuals with Disabilities Education Act (IDEA), makes formula grants that help States pay the additional costs of providing special education and related services to children with disabilities aged 3 through 21 years. If enacted, the request would result in a five-year increase for Grants to States of \$4.8 billion, or 75 percent.

The request would provide an average of \$1,599 for an estimated 6.9 million children with disabilities. At this level of funding, the Federal contribution would be maintained at approximately 19 percent of the national average per pupil expenditure for all children.

Under IDEA, States are required to provide a free appropriate public education (FAPE) to all children with disabilities. Services are provided in accordance with individualized education programs (IEPs) that are



developed by teams that include: the child’s parents; a special educator; a representative of the local educational agency; a regular educator, if appropriate; and others. In addition, services must be provided—to the maximum extent appropriate—in the least restrictive environment, which for most children means in classes with children who are not disabled. Under IDEA, children with disabilities must be included in general State and district-wide assessments, including the assessments required under NCLB. States must provide appropriate accommodations, where necessary, to enable children with disabilities to participate in these assessments, or alternate assessments for those children who cannot participate in regular assessments.

The request also includes \$10.0 million that would be reserved for technical assistance to improve the capacity of States to meet the data collection requirements of the IDEA. Authority for this activity was included in the Individuals with Disabilities Education Improvement Act of 2004.

A PART analysis of this program during the 2004 budget process produced a Results Not Demonstrated rating. Since that time, the Department has improved its methodology for collecting data on graduation and dropouts, and is working to develop a measure to track post-school outcomes.

Preschool Grants

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$387.7	\$384.6	\$384.6

This program provides formula grants to help States make a free appropriate public education available to all children with disabilities ages 3 through 5. The Preschool Grants program supplements funds provided under the Grants to States program and helps to ensure that young children with disabilities are ready to learn when they enter school. The request would provide an estimated \$523 per child for approximately 735,010 children.

A PART analysis of this program during the 2004 budget process produced a Results Not Demonstrated rating, primarily due to the absence of performance goals and data. In response, the Department has undertaken a multifaceted approach to collecting data on child outcomes.

Grants for Infants and Families

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$444.4	\$440.8	\$440.8

This program makes formula grants to help States implement statewide systems of early intervention services for all eligible children with disabilities from birth through age 2 and their families. The Grants for Infants and Families program helps State and local agencies identify and serve children with disabilities early in life when interventions can be most effective in improving educational outcomes. The budget request will provide support to 57 State agencies serving approximately 300,400 infants and toddlers with disabilities and their families.

A PART analysis of this program during the 2004 budget process produced a Results Not Demonstrated rating. The Department's response included a plan to promote the development of State systems for collecting child outcome data that should help produce meaningful performance data for this program.

Special Education National Activities

Special Education National Activities programs support State efforts to improve early intervention and educational results for children with disabilities. The total request for National Activities is \$203 million.

State Personnel Development

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$51.1 ¹	\$50.7	—

¹ Funds were provided under the antecedent State Improvement grants program.

This program provides competitive grants to help States reform and improve their systems for personnel preparation and professional development in the areas of early intervention, educational, and transition services to improve results for children with disabilities. At least 90 percent of the funds must be spent on professional development activities and no more than 10 percent on State activities, such as reforming special education and regular education teacher certification (including recertification) or licensing requirements and carrying out programs that establish, expand, or improve alternative routes for State certification of special education teachers. No funds are requested for this program in fiscal year 2006 because the entire fiscal year 2005 appropriation remains available for obligation through September 30, 2006, and will be used to support 41 continuation awards and 8 new awards.

Technical Assistance and Dissemination

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$52.8	\$52.4	\$49.4

This program provides technical assistance and disseminates materials based on knowledge gained through research and practice. The proposed reduction reflects a restructuring of funding for technical assistance. This request is in addition to the separate \$5 million request for a Transition Initiative and \$10 million to be set-aside under the Grants to States program under a newly authorized technical assistance authority to help States meet data collection requirements. These other sources of funding for technical assistance will free up funds under this program for activities to help States, local educational agencies, teachers, parents, and others to implement the Individuals with Disabilities Education Improvement Act of 2004.

A PART review of this program produced a Results Not Demonstrated rating because of inadequate planning and the lack of meaningful long-term goals and measures. In response, the Department has developed indicators as part of an agency-wide effort on common

measures for technical assistance programs and is now developing a data collection strategy for this program.

Personnel Preparation

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$91.4	\$90.6	\$90.6

This program helps ensure that there are adequate numbers of personnel with the skills and knowledge necessary to help children with disabilities succeed educationally. Program activities focus on both meeting the demand for personnel to serve children with disabilities and improving the qualifications of these personnel, with particular emphasis on incorporating knowledge gained from research and practice into training programs. Under the revised program authority, the Secretary is required to support training for leadership personnel and personnel who work with children with low incidence disabilities. Funds must also be used to support at least one activity in the broadly defined area of personnel development, along with providing enhanced support for beginning special educators. The request would provide \$18.8 million for new awards and \$70.9 million for continuation awards.

A PART analysis completed during the 2005 budget process produced a Results Not Demonstrated rating for this program, leading the Department to develop new program measures that focus on outcomes and to undertake a new data collection.

Parent Information Centers

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$26.2	\$26.0	\$26.0

Parent Information Centers provide parents with the training and information they need to work with professionals in meeting the early intervention and special education needs of their children with disabilities. The request would support new and continuation awards for about 96 centers as well as awards to provide technical assistance to the centers.

A PART review of this program produced a Results Not Demonstrated rating, primarily due to the lack of meaningful long-term performance measures or credible external evaluations that demonstrate concrete program outcomes or effectiveness. The Department is now developing a methodology for collecting performance data for newly established indicators.

Technology and Media Services

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$39.1	\$38.8	\$32.0

This program supports research, development, and other activities that promote the use of technologies in providing special education and early intervention services. Funds are also used for media-related activities, such as providing video description and captioning of films and

television appropriate for use in classrooms for individuals with visual and hearing impairments and improving accessibility to textbooks for individuals with visual impairments. The proposed reduction reflects one-time projects funded in 2005.

Transition Initiative

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	---	---	\$5.0

The Special Education Transition Initiative would help States improve high school graduation rates and post-school outcomes for students with disabilities through the implementation of research-based employment, education, and transition practices, along with the collection and analysis of student data. An additional \$2 million from Demonstration and Training programs under the Rehabilitation Services and Disability Research account will be used to support this initiative. The program would be carried out under the technical assistance authority in section 663 of the Individuals with Disabilities Education Act. Approximately 7 competitive grants would be made to States to design, develop, and implement programs to improve post-school outcomes.

This initiative responds to PART findings for the Grants to States program regarding poor coordination between education and vocational rehabilitation at the State level and insufficient focus on educational outcomes, such as post-school outcomes.

Rehabilitation Services and Disability Research

Vocational Rehabilitation State Grants

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$2,584.2	\$2,635.8	\$2,720.2

Vocational Rehabilitation (VR) State Grants provide formula grants to State vocational rehabilitation agencies to help individuals with disabilities become gainfully employed. A wide range of services are provided each year to over 1 million individuals with disabilities, including vocational evaluation, counseling and guidance, work adjustment, diagnosis and treatment of physical and mental impairments, education and vocational training, job placement, and post-employment services. If States are unable to serve all eligible individuals with disabilities who apply, they must give priority to individuals with the most significant disabilities. Services are provided according to an individualized plan for employment. In 2004, the VR program helped over 213,000 individuals with disabilities achieve employment outcomes, with over 92 percent entering the competitive labor market or becoming self-employed. Approximately 91 percent of the individuals who achieved employment have significant disabilities.

The \$2.7 billion request, an increase of \$84.3 million, would help State VR agencies increase the participation of individuals with disabilities in the labor force. The 3.2 percent increase is the amount necessary to satisfy the requirement to increase funding for the program by at least the

percentage change in the CPIU for the 12-month period completed in October 2004. The request also includes \$33.0 million for grants to Indian tribes.

Both the State Grants and the Grants to Indians programs received an Adequate rating under the PART process. The Department is addressing PART findings by improving the quality, timeliness, and accessibility of program performance data, as well as the extent to which such data are used for program management and improvement.

Client Assistance State Grants

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$12.0	\$11.9	\$11.9

This program makes formula grants to States for activities to inform and advise clients of benefits available to them under the Rehabilitation Act, to assist them in their relationships with service providers, and to ensure the protection of their rights under the Act. The request would provide advocacy services to approximately 62,600 individuals with disabilities.

Training

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$39.1	\$38.8	\$38.8

This program makes grants to State and other public or nonprofit agencies and organizations, including institutions of higher education, to help ensure that personnel with adequate skills are available to provide rehabilitation services to persons with disabilities. The request would provide \$36.9 million for continuations and \$1.3 million for new awards.

Demonstration and Training Programs

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$24.3	\$25.6	\$6.6

Demonstration and Training programs support projects that expand and improve the provision of rehabilitation and other services authorized under the Rehabilitation Act, including related research and evaluation activities. The request would provide a total of \$6.6 million for new activities, including \$2.0 million that would be used to jointly fund the Transition Initiative under the Special Education account. The request would eliminate \$8 million for one-time projects in fiscal year 2005.

Protection and Advocacy of Individual Rights

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$16.8	\$16.7	\$16.7

This program supports systems in each State to protect and advocate for the legal and human rights of individuals with disabilities. These systems pursue legal and administrative remedies to ensure the protection of the rights of individuals with disabilities under Federal law and provide information on, and referrals to, programs and services for individuals with disabilities. The request will provide protection and advocacy services to approximately 88,500 individuals with disabilities.

Independent Living
(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Independent Living State Grants	\$22.0	\$22.8	\$22.8
Centers for Independent Living	73.6	75.4	75.4
Services for Older Blind Individuals	<u>31.8</u>	<u>33.2</u>	<u>33.2</u>
Total	127.4	131.4	131.4

These programs provide services to individuals with disabilities to maximize their independence and productivity and to help them integrate into the mainstream of American society. The State Grants program awards formula grants to States to expand and improve independent living services and to support the operation of centers for independent living. The Centers for Independent Living program makes competitive grants to support a network of consumer-controlled, nonresidential, community-based centers that provide a broad range of independent living services. Services for Older Blind Individuals assists individuals aged 55 or older whose severe visual impairments make competitive employment difficult to obtain, but for whom independent living goals are feasible. At the requested level, program funds would directly support 340 Centers for Independent Living, 78 designated State units under the State Grants program, and 56 grantees under the Services for Older Blind Individuals program.

A PART analysis completed during the 2005 budget process produced a Results Not Demonstrated rating for both the State Grants and the Centers programs, and the Department is working to develop evidence of program effectiveness, either through performance data or evaluation findings.

Program Improvement

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$0.9	\$0.8	\$0.8

These funds support activities that increase program effectiveness, improve accountability, and enhance the Department's ability to address critical areas of national significance in achieving the purposes of the Rehabilitation Act. The request would continue support for technical

assistance activities and other activities focused on improving program performance, including performance measurement.

Evaluation

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$1.0	\$1.5	\$1.5

These funds are used to evaluate the impact and effectiveness of programs authorized by the Rehabilitation Act of 1973. The request would pay for a new longitudinal study of the State VR Services Program to be initiated in fiscal year 2005 and an evaluation of VR literacy projects being conducted under Demonstration and Training programs. The remaining funds would be used to support one new study.

Helen Keller National Center for Deaf-Blind Youths and Adults

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$ 8.7	\$10.6	\$8.6

This program serves individuals who are deaf-blind, their families, and service providers through a national headquarters Center with a residential training and rehabilitation facility and a network of 10 regional offices that provide referral, counseling, and technical assistance. The request does not include the additional \$2.0 million earmarked for the Center in 2005, which is not expected to be fully expended in 2005. At the request level, the Center would provide direct services for approximately 95 adult clients, 12 high school students, and 10 senior citizens at its residential training and rehabilitation program and serve 2,000 individuals, 500 families, and 1,100 agencies through its regional offices.

National Institute on Disability and Rehabilitation Research

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$106.7	\$107.8	\$107.8

NIDRR helps improve the lives of persons of all ages with disabilities through a comprehensive and coordinated program of research, demonstration projects, and related activities, including training of persons who provide rehabilitation services or who conduct rehabilitation research. NIDRR awards discretionary grants that support rehabilitation research and training centers, rehabilitation engineering research centers, and directed and field-initiated research and development projects that address diverse issues in rehabilitation, including ways to improve educational, employment, and independent living opportunities for persons with disabilities.

The request would allow NIDRR to continue to support programs integral to the President's *New Freedom Initiative*, including the Rehabilitation Engineering Research Centers (RERC) program and the Assistive Technology Development Fund, and to make new awards for Spinal Cord Injury (SCI) Model Systems projects. In recent years, the RERCs have sponsored innovative

assistive technology research that has helped individuals with disabilities to achieve greater independence. Similarly, the Assistive Technology Development Fund helps stimulate technological innovation in the private sector and strengthen the role of small businesses in developing new assistive technologies and bringing them to market. New SCI awards will support innovative projects for the delivery, demonstration, and evaluation of comprehensive medical, vocational, and other rehabilitation services for individuals with spinal cord injury, and will include funding for multi-center research on therapies, interventions, and the use of technology.

NIDRR received a PART rating of Results Not Demonstrated, largely due to the lack of specific long-term performance measures, and has responded by establishing long-term goals and indicators, as well as annual progress goals.

Assistive Technology

(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Assistive Technology programs	\$25.9	\$25.7	0
Alternative Financing	<u>0</u>	<u>4.0</u>	<u>\$15.0</u>
 Total	 25.9	 29.8	 15.0

The request includes \$15 million for the Alternative Financing Program (AFP), which provides grants to States to establish or expand loan programs that help individuals with disabilities purchase assistive technology devices and services. To date, the AFP has provided or facilitated loans totaling \$15.5 million to 1,515 individuals with disabilities. These loans are enabling individuals to acquire technology they might not otherwise be able to obtain that improves their quality of life and, in many cases, enables them to work or participate in other productive activities.

No funding is requested for other programs authorized under the Assistive Technology Act, as recently revised, including the AT State grant program, the Protection and Advocacy (P&A) for Assistive Technology program, and National Activities. While States have received more than 10 years of support for activities under the antecedent program, the Department has been unable to identify and document any significant benefits. The Administration has proposed to discontinue funding for the AT State grant program and instead, as part of the New Freedom Initiative, support the AFP, which holds greater promise of providing tangible benefits to individuals with disabilities. Activities carried out under the AT P&A program can be carried out under the Protection and Advocacy of Individual Rights program.

A PART analysis of the AFP completed during the 2006 budget process produced a Results Not Demonstrated rating. The Department is developing new program goals and expects to have uniform data collection instruments in place for use in fiscal year 2006.

Special Institutions for Persons with Disabilities
(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
American Printing House for the Blind (APH)	\$16.4	\$16.9	\$16.9
National Technical Institute for the Deaf (NTID).....	53.5	55.3	54.5
Gallaudet University	<u>100.2</u>	<u>104.6</u>	<u>104.6</u>
Total	170.1	176.8	175.9

The American Printing House for the Blind provides special education materials for students who are visually impaired, offers advisory services for consumers, and conducts applied research. At the request level, APH would provide free educational materials to approximately 59,000 persons with visual impairments at an average per student allotment of \$224.81, continue funding for a number of initiatives to improve its technical assistance and outreach services, and support a wide variety of continuing and new research projects.

The National Technical Institute for the Deaf provides postsecondary technical education and training for students who are deaf, and graduate education and interpreter training for persons who are deaf or hearing. NTID also conducts research and provides training related to the education and employment of individuals who are deaf. The request would provide \$53.7 million for operations, including funds for the Endowment Grant program, and \$800,000 to replace the roof of NTID's main classroom and administration building. The request represents a decrease of \$872,000 below the 2005 appropriation reflecting completion of construction projects funded in 2005. In 2006, NTID would provide education and training to approximately 1,080 undergraduate and technical students, 120 graduate students, and 100 interpreters for persons who are deaf.

Gallaudet University offers undergraduate and continuing education programs for persons who are deaf, and graduate programs for persons who are deaf or hearing. The request provides \$104.6 million for operations, including funds for the Endowment Grant program. Gallaudet also maintains and operates the Kendall Demonstration Elementary School and Model Secondary School for the Deaf. In 2006, Gallaudet is expected to serve approximately 1,425 undergraduate and professional studies students, 650 graduate students, and 365 elementary and secondary students.

C. VOCATIONAL AND ADULT EDUCATION

Overview

Programs in the Vocational and Adult Education account, as they are currently configured, provide formula grants to States to further State and community efforts to improve vocational education programs and adult education and literacy systems. With the exception of two programs (Smaller Learning Communities and Community Technology Centers) authorized under the Elementary and Secondary Education Act of 1965, all programs in this account are subject to reauthorization in 2006.

Vocational and Technical Education

(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
Vocational Education State Grants	\$1,195.0	\$1,194.3	—
Tech-Prep Education State Grants	106.7	105.8	—
Tech-Prep Demonstration	4.9	4.9	—
National Programs	11.9	11.8	—
Occupational and Employment Information ..	<u>9.4</u>	<u>9.3</u>	<u>—</u>
Total	1,327.8	1,326.1	—

The Administration is requesting no funding for current Vocational Education programs, although the new High School Initiative would allow States to continue such activities if they choose. Under the Administration's Program Assessment Rating Tool (PART), Vocational Education State Grants was rated Ineffective because it has produced little or no evidence of improved outcomes for students despite decades of Federal investment. In its Final Report to Congress in June 2004, the National Assessment of Vocational Education found no evidence that high school vocational courses themselves contribute to academic achievement or college enrollment.

The High School Intervention initiative (described under Elementary and Secondary Education) would expand the application of No Child Left Behind principles to high-school grades by providing States with a flexible resource that can be used for efforts to improve high school education and raise achievement, particularly the achievement of students most at risk of failure. States and school districts would be able to use the funds for vocational education, tech-prep programs, and other purposes, depending on State and local needs and priorities. The new initiative would give States and districts more flexibility than they have under the categorical programs it would replace, and would also have stronger accountability mechanisms.

In addition, the Community College Access program proposed under Higher Education Programs would create improved systems for preparing students (including vocational students) for college by supporting the expansion of "dual enrollment" programs, under which high school students take college-level courses and receive dual credit, and by creating better pathways for students to move from high school into college.

Tribally Controlled Postsecondary Vocational and Technical Institutions is currently authorized under the Perkins Act. The Administration is requesting funding for the program in the Higher

Education account because, under the Administration's Higher Education Act reauthorization proposal, this activity would be authorized along with other programs that provide institutional support for postsecondary institutions.

Adult Education (Adult Basic and Literacy Education)
(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Adult Basic and Literacy Education			
State Grants	\$574.4	\$569.7	\$200.0
National Institute for Literacy	6.7	6.6	6.6
National Leadership Activities	<u>9.2</u>	<u>9.1</u>	<u>9.1</u>
Total	590.2	585.4	215.7

The Administration requests \$200 million for Adult Basic and Literacy Education State Grants, with the expectation that new authorizing legislation will be enacted in 2006. This request is consistent with the Administration's goal of decreasing funding for programs with limited impact or for which there is little or no evidence of effectiveness. A PART analysis of the program carried out as part of the fiscal year 2004 budget process produced a Results Not Demonstrated rating. The program was found to have a modest impact on adult literacy, skill attainment and job placement, but data quality problems and the lack of a national evaluation made it difficult to assess the program's effectiveness. The request for State Grants includes level funding for the English Language and Civics Education grants, which enable States experiencing high levels of immigration to respond to the specialized educational needs of the immigrant/limited English proficient population.

The request includes \$6.6 million for the National Institute for Literacy, with the expectation that new authorizing legislation will continue support for its communication, capacity-building, and policy analysis activities. In addition, the budget provides \$9.1 million for National Leadership Activities to continue support for national evaluations, technical assistance to States on program accountability and effectiveness, and development and dissemination of staff development and training models to improve teaching.

D. STUDENT FINANCIAL ASSISTANCE

Overview

In 2006, the Department of Education will administer almost \$80 billion in grants, loans, and work-study assistance to help students pay for postsecondary education, including \$62 billion in guaranteed and direct student loans and \$13.7 billion in Pell Grants. While these funds help millions of Americans obtain the benefits of college, dramatically higher education costs and the vital role advanced training plays in today's global economy require an even greater investment, especially in Pell Grants to low-income students. To achieve that goal, the President's 2006 request for Student Financial Assistance includes a comprehensive set of proposals to reauthorize the Higher Education Act (HEA), increasing aid to students while improving the effectiveness of the Pell Grant and student loan programs.

- Retire the \$4.3 billion Pell Grant shortfall while increasing the maximum Pell award by \$100 annually over the next five years, from \$4,050 to \$4,550. In 2006, the program would provide a record \$13.7 billion in grants to 5.5 million low-income postsecondary students. These proposals would be funded through a combination of mandatory savings and programmatic changes.
- \$33 million for a new Enhanced Pell Grants for State Scholars program, which would provide up to an additional \$1,000 to an estimated 36,000 students completing the rigorous State Scholars curriculum in high school.
- \$50 million for a new Presidential Math-Science Scholars program, under which the Department of Education would enter into a public-private partnership to award \$100 million annually in grants to low-income math and science students. Approximately 20,000 low-income students who receive Pell Grants would receive these separate, additional awards of up to \$5,000 each.
- Substantially increase the amount of Work-Study funds used for community service while making participation voluntary for institutions. The current 7-percent community service requirement would be replaced by a separate set-aside equal to 20 percent of the Work-Study appropriation.
- Higher loan limits, lower interest rates, and more flexible and lower-cost repayment options for students would result from a package of comprehensive student loan reforms proposed as part of the upcoming reauthorization of the Higher Education Act. These reforms would make the student loan programs more efficient, cost-effective vehicles for helping students finance their postsecondary educations, in part through reductions in loan subsidies to financial participants in the Federal Family Education Loans Program.
- \$11 million for a new Loans for Short-Term Training program, jointly administered by the Departments of Education and Labor, to help dislocated, unemployed, transitioning, or older workers and students to acquire or upgrade specific job-related skills through short-term training programs that are not currently eligible for Federal student aid.

Student Aid Summary Tables

<u>Budget Authority (\$ in millions)</u>	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Pell Grants ¹			
Discretionary funding	\$12,006.7	\$12,365.0	\$13,232.0
Mandatory funding	—	—	<u>4,720.8</u>
Subtotal, Pell Grants	<u>12,006.7</u>	<u>12,365.0</u>	<u>17,952.8</u>
Supplemental Educational Opportunity Grants ...	770.5	778.7	778.7
Work-Study	998.5	990.3	990.3
Leveraging Educational Assistance			
Partnerships ²	66.2	65.6	—
Presidential Math and Science Scholars	—	—	50.0
Federal Family Education Loans ³	5,980.6	11,743.9	6,556.3
Federal Direct Loans ⁴	2,457.2	637.0	-669.4
Loans for Short-Term Training ⁵			
Program	—	—	11
Receipt of Negative Subsidies	—	—	<u>-1</u>
Subtotal, Loans for Short-Term Training	—	—	<u>10</u>
Perkins Loans (including cancellations)	<u>165.4</u>	<u>66.1</u>	<u>—</u>
 Total	 <u>21,019.0</u>	 <u>25,372.7</u>	 <u>25,668.7</u>

¹ Discretionary amount for 2006 includes \$33 million for proposed Enhanced Pell Grants for State Scholars. Mandatory amount for 2006 includes \$420 million to support a \$100 increase in the maximum Pell Grant, to \$4,150, and \$4.3 billion to eliminate prior-year funding shortfalls.

² Includes \$36.2 million in 2004 and \$35.6 million in 2005 for Special LEAP.

³ Budget authority requested for FFEL does not include the liquidating account. For 2004, amount includes a downward re-estimate of \$3.6 billion, largely attributable to revised interest rates and other assumptions for loans made in 1994-2004. For 2005, amount includes \$1.0 billion related to the impact of 2005 legislation and 2006 proposals on existing loans.

⁴ For Direct Loans, the value of estimated future repayments and collections on defaults will exceed estimated default costs and in-school interest subsidies. Therefore, no new BA is required. The 2004 figure is positive due to an upward re-estimate of \$2.6 billion, largely attributable to revised interest rates and other assumptions for loans made in 1994-2004. For 2005, amount includes -\$286 million related to the impact of 2005 legislation and 2006 proposals on existing loans.

Aid Available to Students (\$ in millions)¹

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Pell Grants	\$13,091	\$12,901	\$13,592
Enhanced Pell Grants for State Scholars	—	—	33
Supplemental Educational Opportunity Grants ...	975	986	986
Work-Study	1,194	1,184	1,184
Leveraging Educational Assistance Partnerships ²	169	167	—
Presidential Math and Science Scholars	—	—	100
New Student Loans:			
Federal Family Education Loans	39,266	42,953	46,997
Federal Direct Loans	12,840	13,860	15,188
Loans for Short-Term Training	—	—	284
Perkins Loans	<u>1,263</u>	<u>1,135</u>	<u>—</u>
Subtotal, New Student Loans ³	<u>53,369</u>	<u>57,948</u>	<u>62,469</u>
 Total	 68,798	 73,186	 78,363

¹ Shows total aid generated by Department programs, including Federal Family Education Loan capital, Perkins Loan capital from institutional revolving funds, and institutional and State matching funds.

² Reflects only the LEAP program's statutory State matching requirements.

³ In addition, consolidation loans for existing borrowers will total \$44 billion in 2004 and 2005 and \$33 billion in 2006.

Number of Student Aid Awards
(in thousands)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Pell Grants	5,302	5,330	5,468
Enhanced Pell Grants for State Scholars	—	—	36
Supplemental Educational Opportunity Grants ...	1,278	1,292	1,292
Work-Study	826	819	819
Leveraging Educational Assistance Partnerships ¹	169	167	—
Presidential Math and Science Scholars	—	—	20
New Student Loans: ²			
Federal Family Education Loans	9,550	10,279	10,738
Federal Direct Loans	3,001	3,128	3,267
Loans for Short-Term Training	—	—	377
Perkins Loans	<u>630</u>	<u>567</u>	<u>—</u>
 Total awards	 20,757	 21,582	 22,016

¹ Reflects only the LEAP program's statutory State matching requirements.

² In addition, consolidation loans for existing borrowers will total 1,600 in 2004 and 2005 and 1,100 in 2006.

Number of Postsecondary Students Aided by Department Programs

Unduplicated Count (in thousands)...	9,432	9,879	10,216
--------------------------------------	-------	-------	--------

Tax Benefits for Postsecondary Students and Their Families

In addition to the Department of Education's grant, loan, and work-study programs, significant support for postsecondary students and their families is available through tax credits and deductions for higher education expenses, including tuition and fees. For example, in 2006 students and families will save an estimated \$3.2 billion under the HOPE tax credit, which allows a credit of up to \$1,500 for tuition and fees during the first 2 years of postsecondary education; \$2.1 billion under the Lifetime Learning tax credit, which allows a credit of up to \$2,000 for undergraduate and graduate tuition and fees; \$1.8 billion under an above-the-line deduction of up to \$4,000 annually in higher education expenses; and \$810 million in above-the-line deductions for interest paid on postsecondary student loans.

Pell Grants

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions			
Discretionary	\$12,006.7	\$12,365.0	\$13,199.0
Enhanced Pell Grants for State Scholars	—	—	33.0
Increase maximum award by			
\$100 (mandatory).....	—	—	420.0
Retire funding shortfall (mandatory).....	—	—	<u>4,300.8</u>
Subtotal, discretionary.....	<u>12,006.7</u>	<u>12,365.0</u>	13,232.0
Subtotal, mandatory	<u>—</u>	<u>—</u>	<u>4,720.8</u>
Total	<u>12,006.7</u>	<u>12,365.0</u>	<u>17,952.8</u>
Program costs (\$ in millions).....	13,117.0	12,928.0	13,652.0 ¹
Aid available (\$ in millions)	13,091.0	12,901.2	13,591.7
Recipients (in thousands)	5,302	5,330	5,468
Maximum grant	\$4,050	\$4,050	\$4,150
Average grant ¹	\$2,469	\$2,420	\$2,486

¹ Does not include an average grant of \$921 for an estimated 36,000 recipients of awards in 2006 under the Enhanced Pell Grants for State Scholars proposal.

The Pell Grant program helps ensure financial access to postsecondary education by providing grant aid to low- and middle-income undergraduate students. The program is the most need-focused of the Department's student aid programs, with individual awards varying according to the financial circumstances of students and their families.

The key goal of the Administration's reauthorization proposals is to restore the Pell Grant program to firm financial footing while meeting the financial need of low-income students by providing a record \$13.7 billion in grants to 5.5 million students in fiscal year 2006. This would be accomplished through the addition of a mandatory funding mechanism to the Pell Grant program, increasing the investment in Pell Grants by more than \$19 billion in new mandatory

funding in fiscal years 2006-2015. These funds would be used to increase the maximum grant award by \$100 a year each of the next 5 years while retiring the current funding shortfall.

Over the past four years, Pell Grant appropriations have not kept pace with program costs, which have grown dramatically as the number of participating students has increased. This persistent failure to fully fund the cost of the program has led to a funding shortfall currently estimated at \$4.3 billion. The Administration is proposing to use mandatory savings to retire this shortfall, putting the program on a firm financial footing, and is also proposing a budget scoring rule that would require appropriators to fully fund future program costs, ensuring that dangerous shortfalls do not recur.

The cost of operating the Pell Grant program at the current maximum award level of \$4,050, together with program changes discussed below, would continue to be funded through discretionary appropriations, which would total \$13.2 billion in 2006.

Under the Administration's proposals, mandatory savings generated by other reauthorization proposals would help finance \$100 increases in the Pell Grant maximum award in each of the next five years. Discretionary appropriations would be used to fund the program at a \$4,050 maximum award, and mandatory funding would be used to fund the cost of the annual \$100 increase in the maximum award. In 2006, \$420 million in mandatory spending would support a \$100 increase in the maximum award, to \$4,150. In 2007, mandatory funding would cover the cost of a \$200 increase over \$4,050, to \$4,250. Beginning in 2007, these mandatory costs would be partially offset by a proposal to index the minimum Pell award to increases in the maximum award.

Indexing the minimum award would better target aid to students with the greatest financial need. Currently, although the minimum award is statutorily fixed at \$200, students qualifying for an award between \$200 and \$400 receive \$400. Under the indexing proposal, increases in the maximum award would raise the statutory \$200 minimum award dollar-for-dollar while initially leaving the actual minimum payment at \$400. For example, with the \$100 increase in the maximum award proposed for 2007, the statutory minimum award would rise to \$300 and students qualifying for between \$300 and \$400 would receive \$400. In 2008, a further \$100 increase in the maximum award would raise the statutory minimum award to equal the actual minimum payment of \$400. In future years, the statutory and actual minimum levels would rise together with the maximum award.

The Administration also is proposing several changes to increase the Pell Grant program's effectiveness and improve its overall operation.

- Pell Grants would be made available year-round at eligible 2- and 4-year degree granting institutions, giving students a more convenient option for accelerating their studies and promptly completing their educations.
- As a further incentive for timely completion, and to eliminate an area of potential abuse, Pell Grant eligibility would be limited to the equivalent of 16 semesters.
- The Administration proposes to eliminate the Pell Grant award rule related to tuition sensitivity. This rule limits the amount of support that students with greatest need receive while attending low-cost institutions.

Finally, request includes \$33 million for a new Enhanced Pell Grants for State Scholars program, which would encourage students and States to participate in the State Scholars program currently in place in 13 States. The proposed program would provide up to an additional \$1,000 to students completing the rigorous State Scholars curriculum in high school. The State Scholars program encourages schools to implement rigorous curriculum consisting of at least 3 years of mathematics and science, 4 years of English, 3.5 years of social studies, and 2 years of foreign language study. Funding for the new program would be capped at \$33 million in 2006; if recipients qualify for more than this amount, a process would be developed to allocate awards within the available funding level.

Campus-Based Programs

The Supplemental Educational Opportunity Grant, Work-Study, and Perkins Loan programs are collectively referred to as the “campus-based” programs; grants in these programs are made directly to participating institutions, which have considerable flexibility to package awards to best meet the needs of their students. The current statutory formulas allocating campus-based funding have historically distributed a disproportionate share of funding to schools that have participated in the program the longest. Since these longstanding participants do not have a higher proportion of needy students than other institutions, these formulas have been identified as inequitable by the PART. Accordingly, the request proposes to phase in revised allocation formulas beginning in 2006.

Supplemental Educational Opportunity Grants

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$770.5	\$778.7	\$778.7
Aid available (\$ in millions)	975.3	985.7	985.7
Recipients (in thousands)	1,278	1,292	1,292
Average award	\$763	\$763	\$763

This program provides grant assistance of up to \$4,000 per academic year to undergraduate students with demonstrated financial need. The \$779 million request would leverage \$206 million in institutional matching funds to make available a total of approximately \$986 million in grants to an estimated 1.3 million recipients.

Program funds are allocated to institutions according to a statutory formula and require a 25 percent institutional match. Awards are determined at the discretion of institutional financial aid administrators, although schools are required to give priority to Pell Grant recipients and students with the lowest expected family contributions. The Administration is proposing to modify the current statutory allocation formula, which distributes a disproportionate share of funding to schools that have participated in the program the longest, regardless of whether these longstanding participants have a higher proportion of needy students than other institutions.

Work-Study

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
BA in millions	\$998.5	\$990.3	\$990.3
Aid available (\$ in millions)	1,194.4	1,184.3	1,184.3
Recipients (in thousands)	826	819	819
Average award.....	\$1,446	\$1,446	\$1,446

The Work-Study program provides grants to participating institutions to pay up to 75 percent of the wages of needy undergraduate and graduate students working part-time to help pay their college costs. The school or other eligible employer provides the remaining 25 percent of the student's wages. At the request level, over 800,000 students would receive more than \$1 billion in award year 2005-06.

Funds are allocated to institutions according to a statutory formula, and individual award amounts to students are determined at the discretion of institutional financial aid administrators. The Administration is proposing to modify the current statutory allocation formula, which distributes a disproportionate share of funding to schools that have participated in the program the longest, regardless of whether these longstanding participants have a higher proportion of needy students than other institutions.

For 2006, the Administration also is proposing to replace the 7 percent community service requirement with a separate set-aside equal to 20 percent of the Work-Study appropriation. The PART process found that while, for the program as a whole, institutions place 15 percent of their students in community service jobs, many institutions fail to meet the 7 percent minimum requirement. Under the proposed approach, institutions would apply for community service funds separately from their regular allocation. Institutions that do not wish to participate in community service activities would not be required to do so and those that do would be awarded additional funds.

Presidential Math and Science Scholars

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
BA in millions	—	—	\$50.0
Aid available (\$ in millions)	—	—	100.0
Recipients (in thousands)	—	—	20
Average award.....	—	—	\$5,000

To encourage students to enter the vital fields of mathematics and science, the President proposes to create a new program under which the Department of Education would enter into a public-private partnership to award \$100 million annually in grants to low-income math and science students. Approximately 20,000 low-income students who receive Pell Grants would receive these separate, additional awards of \$5,000 each.

Loans for Short-Term Training

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	—	—	\$11.0
Receipt of negative subsidies	—	—	<u>-1.0</u>
Subtotal, program costs	—	—	10.0
Aid available (\$ in millions)	—	—	284.0
Recipients (in thousands)	—	—	377
Average award	—	—	\$753

The President proposes to create a new program, jointly administered by the Departments of Education and Labor, to help dislocated, unemployed, transitioning, or older workers and students. This market-oriented program, capped at \$284 million in loans to 377,000 students in 2006, will allow participants to acquire or upgrade specific job-related skills through short-term training programs that are not currently eligible for Federal student aid.

Federal Family Education Loans and Direct Loans

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Federal Family Education Loans			
New Loan Subsidies (BA) ¹	\$9,601.6	\$10,111.5	\$6,556.3
Modification of Existing Loans ²	—	1,039.8	—
Re-estimate of Prior Loans ³	<u>-3,621.0</u>	<u>592.7</u>	<u>—</u>
Total, FFEL Program BA	5,980.6	11,743.9	6,556.3
Direct Loans			
New Loan Subsidy (BA) ⁴	-169.4	-88.6	-669.4
Modification of Existing Loans ²	—	-286.2	—
Re-estimate of Prior Loans ³	<u>2,626.6</u>	<u>1,011.8</u>	<u>—</u>
Total, New Budget Authority	2,457.2	637.0	-669.4
Total, Student Loans (BA)	8,437.8	12,380.9	5,886.9

¹ Total includes amount for Consolidation Loans.

² Under Credit Reform, costs or savings related to the impact of policy changes on existing loans are reflected in the current year. Accordingly, the amounts shown reflect the impact of proposals for 2006 and future years on loans made prior to 2006, as well as legislation already passed in FY 2005.

³ Under Credit Reform, the subsidy amounts needed for active loan cohorts are re-estimated annually in both Direct Loans and FFEL to account for changes in long-term projections. In 2004 and 2005, the Direct Loans re-estimates primarily reflect lower interest rate projections leading to lower repayment estimates, while the FFEL re-estimates are largely attributable to revised default collection estimates in prior cohorts reflecting actual trends in default recoveries that exceed earlier experience.

⁴ No new budget authority is required for Direct Loans because the value of future repayments will exceed default costs and in-school interest subsidies. Total includes amount for Consolidation Loans.

New loan volume (in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Federal Family Education Loans			
New loans.....	\$39,266	\$42,953	\$46,997
Direct Loans			
New loans	<u>12,840</u>	<u>13,860</u>	<u>15,188</u>
Total ¹	52,106	56,813	62,185

Number of loans (in thousands)

Federal Family Education Loans			
New loans.....	9,550	10,279	10,738
Direct Loans			
New loans.	<u>3,001</u>	<u>3,128</u>	<u>3,267</u>
Total ¹	12,551	13,407	14,004

¹ In addition, Consolidation Loans for existing borrowers will total \$44 billion and 1,600 loans in 2004 and 2005, and \$33 billion and 1,100 loans in 2006.

The Department of Education operates two major student loan programs: the Federal Family Education Loan (FFEL) program and the William D. Ford Federal Direct Loan (Direct Loan) program. These two programs meet an important Department goal by helping ensure student access to and completion of high-quality postsecondary education. Competition between the two programs and among FFEL lenders has led to a greater emphasis on borrower satisfaction and resulted in better customer service to students and institutions.

The FFEL program makes loan capital available to students and their families through some 3,500 private lenders. There are 35 active State and private nonprofit guaranty agencies which administer the Federal guarantee protecting FFEL lenders against losses related to borrower default. These agencies also collect on defaulted loans and provide other services to lenders. The FFEL program accounts for about 75 percent of new student loan volume.

Under the Direct Loan program, the Federal government uses Treasury funds to provide loan capital directly to schools, which then disburse loan funds to students. The Direct Loan program began operation in academic year 1994-95 and now accounts for about 25 percent of new student loan volume.

Basic Loan Program Components

Both FFEL and Direct Loans feature four types of loans with similar fees and maximum borrowing amounts:

- Stafford Loans are subsidized, low-interest loans based on financial need. The Federal government pays the interest while the student is in school and during certain grace and deferment periods. The interest rate varies annually and is capped at 8.25 percent. For July 1, 2004, through June 30, 2005, the rate for borrowers in repayment has been set at 3.33 percent.
- Unsubsidized Stafford Loans are offered at the same low rates as subsidized Stafford Loans, but the Federal government does not pay interest for the student during in-school, grace, and deferment periods.
- PLUS Loans are available to parents of dependent undergraduate students at slightly higher rates than Stafford or Unsubsidized Stafford Loans, and the Federal government does not pay interest during in-school, grace, and deferment periods. The interest rate varies annually and is capped at 9 percent. The 2004-2005 rate is 4.17 percent.
- Consolidation Loans allow borrowers with multiple student loans who meet certain criteria to combine their obligations and extend their repayment schedules. The rate for both FFEL and Direct Consolidation Loans is based on the weighted average of loans consolidated rounded up to the nearest 1/8th of a percent.

In recent years, a combination of historically low interest rates and aggressive marketing have resulted in dramatic increases in Consolidation Loan volume, which grew from \$12 billion in fiscal year 2000 to \$44 billion in fiscal year 2004.

Student Loan Reauthorization Proposals

A comprehensive reform package is proposed to make the student loan programs more efficient, cost-effective vehicles for helping students finance their postsecondary educations. Strategic reductions in loan subsidies to financial participants in the Federal Family Education Loans Program (FFEL) are specifically tied to operational efficiencies and program management improvements that have been realized in the last several years. Savings generated from these proposals would in large part be reinvested in student benefits.

For Students: Higher Loan Limits, Flexible Repayment, Lower Rates

Limits on student borrowing have remained essentially unchanged since the mid-1970s, even as college costs have more than tripled. To help students meet rising college costs, the Administration is proposing to increase annual subsidized loan limits to \$3,500 for first-year students, \$4,500 for second-year students, and annual unsubsidized loan limits to \$12,000 for graduate and professional students. The proposal also includes corresponding increases in aggregate loan limits.

With rising debt levels, flexible repayment options help students manage their debt and reduce the risk of default. Direct Loan borrowers have immediate access to extended repayment plans, while FFEL borrowers currently face certain restrictions in obtaining similar benefits. The Administration proposes to give all borrowers immediate access to extended repayment plans.

To further assist students who borrow to fund their education, the Administration proposes to maintain the current variable interest rate formula on student loans, allowing students to

continue to benefit from projected low interest rates. Absent this proposal, the statute would fix borrower interest rates on student loans at 6.8 percent beginning July 1, 2006, substantially increasing interest rates for most borrowers from this year's 3.33 percent.

The Taxpayer-Teacher Protection Act of 2004 expanded loan forgiveness for highly qualified math, science, and special education teachers serving low-income communities from \$5,000 to \$17,500 for loans made between October 1, 1998, and September 30, 2005 (Borrowers who have already received forgiveness benefits are not affected by this provision.) Schools in these communities often are forced to hire uncertified teachers or assign teachers to "out-of-field" subjects. The Administration is proposing to make this expansion permanent, helping such schools to recruit and retain highly qualified math, science, and special education teachers.

For Lenders and Guaranty Agencies: Expanded Risk-Sharing, Increased Program Efficiency

Approximately 14 million student and parent loans will be originated in 2006, adding more than \$57 billion to the \$320 billion in outstanding FFEL and Direct Loans. While successful in helping students finance postsecondary education, the PART found that the student loan programs were not market sensitive because statutorily fixed subsidies prevent taxpayers from benefiting when market efficiencies lower loan holders' operating costs. Since the last reauthorization of the HEA in 1998, loan servicing has been significantly concentrated in a few large companies, allowing economies of scale not previously possible. Additionally, loan holders have aggressively participated in the loan securitization markets, increasing their financial returns without a corresponding reduction in Federal subsidies. A central tenet of the Administration's reauthorization strategy is that student aid program participants bear a greater share of overall program risk.

To encourage lenders and guaranty agencies to continue to strengthen default prevention efforts and in recognition of the strong repayment record associated with student loans today, the Administration proposes to reduce the percentage of Federal loans guaranteed against default. For lenders, the amount of loan principal insured against default would be reduced from 98 percent to 95 percent. Lenders identified as exceptional performers would have loans insured at 97 percent, and the Secretary would have authority to increase this to 98 percent for lenders that meet certain data quality standards. For most guaranty agencies, reinsurance would decrease to 92 percent from the current 95 percent.

When borrowers default on their student loans, the Department of Education uses multiple tactics to collect on outstanding balances. For example, it offsets tax refunds, garnishes wages, and contracts with private collection agencies. The Department pays its collection contractors an average of 16 cents on each dollar they collect. For similar collection activity, guaranty agencies retain 23 cents, or 18.5 cents if the collection is made by consolidating the defaulted loan. The Administration expects guaranty agencies to operate more efficiently in the future and proposes to reduce the amount that guaranty agencies may retain from collections on defaulted loans to the average paid to the Department's private collection agents.

Loan holders have increased their financial return through the use of innovative financial instruments, especially through participation in the loan securitization market. The Administration believes the improved efficiency resulting from greater use of private capital markets should lead to lower Federal subsidies. Further, a June 2004 study by the Congressional Budget Office found that lender interest returns on variable-rate student loans are, on average, approximately 0.25 percent above the rate of return guaranteed in the statute. Accordingly, the Administration proposes a 0.25 percent annual loan holder fee on the

outstanding balance of non-consolidation loans to reduce Federal subsidies while maintaining maximum lender financing flexibility.

Some loan holders also have increased financial returns through greater use of loan subsidy provisions related to loans funded through tax-exempt securities. The Taxpayer-Teacher Protection Act of 2004 placed a 1-year moratorium on some loans benefiting from this provision. The Administration's reauthorization proposal would make this moratorium permanent.

In 2004, 13 guaranty agencies representing 80 percent of FFEL volume did not charge the statutory 1 percent insurance premium, reducing revenue for the Federal Reserve Fund and weakening the financial stability of the guaranty agency system. The Administration is proposing that agencies be required to collect the 1 percent insurance premium, paid by either the borrower or the lender, on all loans guaranteed or disbursed after July 1, 2006.

Restructuring Consolidation Loans

The Administration is also proposing to significantly restructure the current loan consolidation program to better address the needs of both current and former students. The current interest rate formula for Consolidation Loans, in which borrowers lock in a fixed interest rate, deprives some borrowers of the benefit of falling interest rates while increasing Federal interest subsidies to lenders on other loans where borrower rates are fixed at a low level. The 2006 budget request would replace the current fixed-rate interest formula for Consolidation Loans with the variable rate formula used for student loans, placing current and former students on equal terms.

Currently, borrowers wishing to consolidate may face complicated procedures and limited choices. The Administration proposes to eliminate all barriers to consolidation or reconsolidation, including the statutory provision limiting a borrower's ability to choose their consolidation lender. For borrowers reconsolidating previous consolidations, the budget also would create a 1 percent origination fee in recognition of the financial advantage of reconsolidation. Similarly, the current one-time lender fee on all new Consolidation Loans would be increased from 0.5 percent to 1 percent.

Perkins Loans Revolving Funds

To help fund the higher Pell Grant maximum awards and make more funds available to all eligible students, the Administration proposes eliminating the Perkins Loan program and recalling the Federal portion of revolving funds held by participating institutions. With the number of Perkins Loan institutions declining from 3,338 in academic year 1983-84 to 1,796 in 2003-04—and with only 3 percent of students enrolled in postsecondary education receiving Perkins Loans each year, the Administration believes the Federal share of funds held by this small group of institutions would better serve students if invested in Pell Grants, which serve all eligible students regardless of institution. Last year, the PART process found the Perkins Loan program to be duplicative of the larger guaranteed and direct student loan programs. Proposed increases to student loan limits in these programs and the projected continuation of very low interest rates (3.33 percent for 2005) would significantly offset the impact of eliminating the Perkins Loan program (fixed 5 percent rate). Under the Administration's proposal, institutions would be reimbursed for their own contributions into Perkins Loan revolving funds as outstanding loans are repaid. Outstanding Perkins Loans would still be eligible for loan cancellations afforded under the Higher Education Act.

Other Provisions

The Administration proposes to reinstate two expired student loan provisions affecting institutions with cohort default rates of less than 10 percent for the 3 most recent fiscal years. These institutions would be exempt from requirements that loans to first-year students not be disbursed until 30 days after enrollment, and that all loans be disbursed in at least two separate installments. Two provisions restricting institutional eligibility for Federal student aid programs would be eliminated. The first, which requires 50 percent of a program's courses be offered on campus, restricts distance education. The second, which requires at least 10 percent of a school's revenue come from non-federal sources, has not been shown to be a reliable indicator of institutional quality. To clarify a current provision under which applicants convicted of a drug-related offense are ineligible for Federal student aid, the Administration proposes to restrict the provision's effect to students who commit a drug-related offense while enrolled in higher education. Lastly, military personnel on active duty would automatically be considered as independent for the purpose of determining eligibility for Federal student aid.

Student Aid Program Management

The Administration proposes to centralize its request for \$939.3 million in 2006 to administer the Federal student aid programs within a unified new discretionary Student Aid Administration account. The current student aid administration budget structure—split between mandatory and discretionary accounts—hinders increased accountability for reducing costs and improving financial controls.

The 2006 request represents a \$25.2 million, or 2.8 percent, increase over the amount supporting student aid administrative activities in 2005. This increase supports information technology initiatives, such as the Front-End Business Integration and Common Services for Borrowers procurements, that will help improve Department services to students, parents and schools; increase efficiency in the face of steadily expanding workload; and streamline and enhance the effectiveness of oversight and financial management efforts.

Primary responsibility for administering the student aid programs lies with the Office of Postsecondary Education and the performance-based Federal Student Aid (FSA). FSA was created by Congress in 1998 with a mandate to modernize student aid delivery and management systems, improve service to students and other student aid program participants, reduce the cost of student aid administration, and improve accountability and program integrity. Most student aid administrative funding supports private contractors that process student loan applications; originate and service Direct Loans; disburse and account for student aid awards to students, parents, and schools; and payments to guaranty agencies.

E. HIGHER EDUCATION PROGRAMS

Overview

The Administration's request for fiscal year 2006 includes \$1.2 billion for Higher Education Programs, which are proposed for reauthorization under the Higher Education Act. This request complements the Administration's proposals for elementary and secondary education by helping to ensure the availability of quality postsecondary educational opportunities.

The request includes \$125 million for a new Community College Access program, which would support competitive awards to provide incentives to States and partnerships to improve access to a college education, particularly for low-income and minority students. The program would promote "dual-enrollment" programs through which high school students take college-level courses and receive both high school and postsecondary credit.

A \$418.5 million request for the Aid for Institutional Development programs would maintain President Bush's commitment to strengthen institutions of higher education that serve high proportions of minority and disadvantaged students, including Historically Black Colleges and Universities (HBCUs) and Historically Black Graduate Institutions (HBGIs). In addition, the budget would provide \$95.9 million for the Developing Hispanic-serving Institutions program, a small increase over the 2005 level.

The budget also provides \$106.8 million for the International Education and Foreign Language Studies (IEFLS) programs to help meet the Nation's security and economic needs through the development of expertise in foreign languages and area and international studies. The increased complexity of the post-Cold War world, the events surrounding the September 11 terrorist attacks on the United States, and the war on terrorism underscore the importance of expanding American understanding of other peoples and their languages.

As part of its comprehensive High School Intervention initiative, described under Elementary and Secondary Education, the request would eliminate separate funding for similar Higher Education programs, including Upward Bound, Upward Bound Math Science, Talent Search, and the Gaining Early Awareness and Readiness for Undergraduate Programs. The request includes \$369.4 million to maintain support for those Federal TRIO Programs focused on serving low-income, first-generation and disabled college students and adults, including Student Support Services, Educational Opportunity Centers, and the McNair Postbaccalaureate Achievement program.

Finally, the budget would provide \$40.2 million for need-based scholarships and fellowships to postsecondary students under the Javits Fellowships and Graduate Assistance in Areas of National Need (GAANN) programs, as well as \$22.2 million for the Fund for the Improvement of Postsecondary Education (FIPSE) to support a wide-range of projects to reform and improve postsecondary education.

Title III: Aid for Institutional Development
(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
Strengthening Institutions (Part A)	\$81.0	\$80.3	\$80.3
Strengthening Tribally Controlled Colleges and Universities (Part A)	23.3	23.8	23.8
Strengthening Alaska Native and Native Hawaiian-serving Institutions (Part A)	10.9	11.9	6.5
Strengthening Historically Black Colleges and Universities (Part B)	222.8	238.6	240.5
Strengthening Historically Black Graduate Institutions (Part B)	53.1	58.0	58.5
Minority Science and Engineering Improvement (Part E)	<u>8.9</u>	<u>8.8</u>	<u>8.8</u>
Total	400.0	421.5	418.5

The request for Title III demonstrates the Administration's strong commitment to ensuring access to high quality postsecondary education for the Nation's minority and disadvantaged students. Title III funding would help provide equal educational opportunity and strong academic programs for these students and help achieve greater financial stability for the institutions that serve them.

Developing Hispanic-serving Institutions

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
BA in millions	\$94.0	\$95.1	\$95.9

The request would expand and enhance the academic quality, institutional management, fiscal stability, and self-sufficiency of colleges and universities that enroll large percentages of Hispanic students. Hispanic-Americans are the nation's largest minority population, yet continue to lag behind their non-Hispanic peers in overall educational achievement. This request demonstrates the Administration's commitment to ensuring that Hispanic students have access to high quality postsecondary education and to closing the gaps between Hispanic and majority students in academic achievement, high school graduation, postsecondary enrollment, and life-long learning.

International Education and Foreign Language Studies

(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Domestic programs	\$89.2	\$92.5	\$92.5
Overseas programs	12.8	12.7	12.7
Institute for International Public Policy	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>
 Total	 103.7	 106.8	 106.8

The 14 International Education and Foreign Language Studies programs strengthen the American education system in the area of foreign languages and international studies. These programs support comprehensive language and area study centers within the United States, research and curriculum development, opportunities for American scholars to study abroad, and activities to increase the number of underrepresented minorities in international service. In addition to promoting general understanding of the peoples of other countries, the Department's international programs also serve important economic, diplomatic, defense, and other security interests of the United States. The 2006 request would fund approximately 475 grants to institutions of higher education, directly support over 1,300 individuals through fellowships and projects, and support the international service programs of more than 135 underrepresented minorities.

The Domestic programs received a Results Not Demonstrated rating under the PART process due to insufficient data demonstrating program effectiveness against newly established performance targets.

Fund for the Improvement of Postsecondary Education (FIPSE)

(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Comprehensive Program	\$24.4	\$11.9	\$17.4
International Consortia	6.3	5.4	4.5
One-time Projects	124.9	145.2	—
Other Contracts/Awards	1.0	—	—
Peer Review	<u>0.3</u>	<u>0.1</u>	<u>0.2</u>
 Total	 156.9	 162.6	 22.2

FIPSE supports exemplary, locally developed projects that are models for innovative reform and improvement in postsecondary education. The 2006 request would support new competitions under the Comprehensive Program and the International Consortia programs, thus beginning to restore the FIPSE programs to the levels at which they were funded in fiscal year 2004. Funding for the Comprehensive Program would support projects that target areas of higher education deemed to be a top priority. The 2005 total includes \$145.2 million for one-time projects, for which funding is not requested in 2006.

Tribally Controlled Postsecondary Vocational and Technical Institutions

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$7.2	\$7.4	\$7.4

This program, which is currently authorized under the Perkins Act, supports competitive grants to institutions that provide postsecondary vocational and technical education to Native American students. The Administration is requesting funding for the program in the Higher Education account because, under the Administration's Higher Education Act reauthorization proposal, this activity would be authorized along with other programs that provide institutional support for postsecondary institutions.

A PART analysis of this program completed during the 2004 budget process produced a Results Not Demonstrated rating, based on findings that while the program has a clear purpose and meets a real need, it lacks performance objectives and thus cannot demonstrate positive results. The Department is taking steps to correct these weaknesses.

Federal TRIO Programs
(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Student Support Services	\$263.0	\$274.9	\$274.9
Upward Bound	279.7	279.7	— ¹
Upward Bound Math/Science	32.8	32.8	— ¹
Talent Search.....	144.2	144.9	— ¹
Educational Opportunity Centers	49.0	49.0	49.0
McNair Postbaccalaureate Achievement	42.1	41.9	41.9
Staff Training.....	5.3	5.3	2.5
Dissemination Partnership Projects	4.4	4.4	—
Other Grant Adjustments	8.7 ²	—	—
Evaluation	0.7	0.5	—
Administration/Peer Review.....	<u>2.7</u>	<u>3.1</u>	<u>1.1</u>
 Total	 832.6	 836.5	 369.4

¹ Funds for continuing projects are available under the request for the High School Intervention initiative in the Education for the Disadvantaged account.

² Includes funds to reinstate suspended grants and to align project start dates in Upward Bound.

The reduced request for 2006 reflects the decision to shift high-school-related TRIO resources to the proposed High School Intervention initiative, which would provide a more flexible, comprehensive, and accountable approach to addressing the college preparation needs of high school students. The new initiative would help ensure that the types of services currently provided under programs like Upward Bound, Talent Search, and GEAR UP are part of a broader effort to provide students, especially those most at-risk, with the full range of services they need in order to succeed. The remaining Federal TRIO Programs would receive \$369.4 million to maintain services for more than 420,000 low-income, first-generation (or disabled) individuals. Student Support Services received a Results Not Demonstrated PART

rating due to a lack of annual data to measure progress toward performance goals. However, the assessment did note the national evaluation's generally positive findings, and the Department recently collected annual data that shows short-term targets are being met.

Scholarships and Fellowships
(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Javits Fellowships	\$9.9	\$9.8	\$9.8
Graduate Assistance in Areas of National Need (GAANN)	\$30.6	\$30.4	\$30.4

Javits Fellowships provide up to 4 years of support to students of superior ability and high financial need who are pursuing doctoral degrees, or the highest terminal degree, in the arts, humanities, and social sciences. The 2006 request would support 231 fellowships in academic year 2006-2007, including 51 new fellows. The program received an Adequate rating under the PART process thanks to data showing that its performance exceeded targets and that the program is on track to achieve program goals related to time-to-degree completion and graduation rates.

GAANN provides fellowships, through grants to postsecondary institutions, to graduate students with superior ability and financial need studying in areas of national need. Participating graduate schools must provide assurances that they will seek talented students from traditionally underrepresented backgrounds. The 2006 request would support 721 fellowships, including 488 new fellows. This program was rated Results Not Demonstrated by the PART process, but more recent and complete performance data show that the program is on track to achieve its goals.

Child Care Access Means Parents in School

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$16.1	\$16.0	\$16.0

This program supports the participation of low-income parents in the postsecondary education system by providing campus-based childcare services. Grants made to institutions of higher education must be used to supplement childcare services or start a new program, not to supplant funds for current childcare services. The program gives priority to institutions that leverage local or institutional resources and employ a sliding fee scale. The 2006 request would fund 122 new awards and maintain funding for 218 existing projects.

A PART analysis of this program produced a Results Not Demonstrated rating due to lack of performance data and evaluation information. The Department has established long-term goals and is taking steps to collect needed data.

Community College Access

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	—	—	\$125.0

This proposed new program would provide incentives to States and partnerships to increase access to a college education for low-income and minority students by promoting “dual-enrollment” programs through which high school students take college-level courses and receive both high school and postsecondary credit. The program would support two types of activities: Partnership and State grants. Partnership grants would create incentives for community colleges to provide dual-enrollment programs and provide funding for scholarships to students who enroll in and complete dual-enrollment programs and who continue on to complete postsecondary education. States grants would provide incentives for States to work together to encourage transfer of academic credit across State lines among institutions.

GPRA Data/HEA Program Evaluation

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$1.0	\$1.0	\$1.0

The request would support continuation of program evaluations and data collections to measure the performance of Higher Education Act programs. Data and information from these activities are used to comply with GPRA reporting requirements and to inform budgetary decisions.

Academic Facilities

(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
CHAFL Federal Administration	\$0.8	\$0.6	\$0.6
HBCU Capital Financing Federal Administration	0.2	0.2	0.2

These programs support the construction, reconstruction, and renovation of academic facilities at institutions of higher education. Funding for CHAFL Federal Administration is used solely to manage and service existing portfolios of facilities loans and grants made in prior years. The request for HBCU Capital Financing Federal Administration would support management and servicing of both previously issued and new loans.

Howard University

(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
Howard University Hospital.....	\$30.0	\$29.8	\$29.8
General Support.....	<u>208.8</u>	<u>209.0</u>	<u>209.0</u>
Total	238.8	238.8	238.8

The 2006 request would maintain support for Howard University's academic programs, research programs, endowment program, construction activities, and the Howard University Hospital. The request reflects continued support for maintaining and improving the quality and financial strength of an institution that has played a historic role in providing access to postsecondary educational opportunities for African-Americans.

F. INSTITUTE OF EDUCATION SCIENCES

Overview

The Education Sciences Reform Act of 2002 reauthorized the Department's educational research, statistics, and assessment activities and placed them in the newly created Institute of Education Sciences (IES). A cornerstone of the Administration's No Child Left Behind initiative is investment in research to identify effective instructional and program practices, as well as in data collection needed to track student achievement and measure educational reform. The new structural and management reforms underway at IES ensure that the Federal investment in education research is well-managed and relevant to the needs of educators and policymakers.

For 2006, the Administration is seeking \$479.1 million for IES activities. This request would support new programs of research, development, and dissemination in areas where our knowledge of learning and instruction is inadequate. The request also would maintain the Administration's commitment to supporting high quality statistics and assessment programs, including State-level 12th grade assessments in reading and mathematics under the National Assessment of Educational Progress.

Research, Development, and Dissemination

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$165.5	\$164.2	\$164.2

The request would support education research, development, and dissemination sponsored by the Institute, including a new program of field-initiated evaluations of promising education products and approaches. The request also would fund new awards under ongoing initiatives in reading comprehension, mathematics and science education, teacher quality, and cognition and learning in the classroom. Research in these areas is critical to the successful implementation of the NCLB Act. IES would continue to support a diverse portfolio of directed and field-initiated research, including eight national research and development centers.

The request for dissemination includes funds for the *What Works Clearinghouse*, which provides evidence-based information for policymakers, researchers, and educators on promising approaches and interventions, the National Library of Education, and the Education Research Information Clearinghouse (ERIC).

Statistics

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$91.7	\$90.9	\$90.9

This request would support the collection, analysis, and dissemination of education-related statistics in response both to legislative requirements and to the particular needs of data providers, data users, and educational researchers. The Department's statistics programs—administered by the Institute through the National Center for Education Statistics (NCES)—provide general statistics about trends in education, collect data to monitor reform and measure

educational progress, and inform the Institute’s research agenda. The request also supports NCES efforts to meet the statistical needs of the future through new technologies, training, data development and analysis, and methodological studies that will enable more efficient data collection and produce information that is more useful for parents, teachers, administrators, and policymakers.

The Statistics program received an Effective rating under the PART process, thanks primarily to customer survey data showing that customers are satisfied overall with NCES products and services. In response to the PART recommendation that it focus on the timeliness of its products and services, NCES has undertaken a number of initiatives, including on-line data collection and release of products and data on the Internet.

Assessment

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$94.8	\$94.1	\$116.6

The request would fund the on-going National Assessment of Educational Progress (NAEP) and the National Assessment Governing Board, including the implementation of State-level assessments in reading and mathematics at the 12th grade in 2007, as called for by the President. The \$22.5 million increase proposed for 2006 would pay for the costs of administering the 12th grade State assessments. NAEP is the only nationally representative and continuing assessment of what American students know and can do, and has become a key measure of our Nation’s educational performance. NAEP measures and reports on the status of and trends in student learning over time, on a subject-by-subject basis, and makes objective information on student performance available to policymakers, educators, parents, and others.

The Assessment program received an Effective PART rating, primarily because of overall customer satisfaction. In response to a PART recommendation, NCES is working toward releasing NAEP results in support of NCLB within 6 months of data collection.

Statewide Data Systems

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	—	\$24.8	\$24.8

This program supports competitive awards to State educational agencies to foster the design, development, and implementation of longitudinal data systems that would enable States to use data on individual students to enhance the provision of education and close achievement gaps. The request would support the second year of funding for grants awarded in 2005.

Research in Special Education

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	\$78.1	\$83.1	\$72.6

This program supports research to address gaps in scientific knowledge in order to improve special education and early intervention services and results for infants, toddlers, and children with disabilities. The request would support investments in special education research to advance our understanding of early intervention and assessment for young children with disabilities, language and vocabulary development, assessment for accountability, secondary and postsecondary outcomes, and serious behavior disorders. The decrease is equivalent to the amount of funds earmarked by Congress in 2005 for one-time projects.

This program, which received a Results Not Demonstrated rating following a PART analysis completed during the 2005 budget process, was recently moved to IES as part of IDEA reauthorization. The new Center for Special Education Research within IES will develop priorities for future research, as well as a plan for carrying out research programs with measurable indicators of progress and results.

Special Education Studies and Evaluations

	<u>2004</u>	<u>2005</u>	<u>2006 Request</u>
BA in millions	—	—	\$10.0

This program, which was transferred to IES as part of the IDEA reauthorization completed in December 2004, supports competitive grants, contracts, and cooperative agreements to assess the implementation of IDEA and the effectiveness of State and local efforts to provide special education and early intervention programs and services to infants, toddlers, and children with disabilities. The request would support the required national assessment of activities supported with Federal special education funds and a study of alternate achievement standards, as well as ongoing studies.

III. PROGRAMS PROPOSED FOR ELIMINATION

The 2006 request continues the practice of the Bush Administration—also consistent with previous administrations over the past 25 years—of proposing to eliminate or consolidate funding for programs that have achieved their original purpose, that duplicate other programs, that may be carried out with flexible State formula grant funds, or that involve activities that are better or more appropriately supported through State, local, or private resources. In addition, the government-wide Program Assessment Rating Tool, or PART, helps focus funding on Department of Education programs that generate positive results for students and that meet strong accountability standards. For 2006, PART findings were used to redirect funds from ineffective programs to more effective activities, as well as to identify reforms to help address program weaknesses.

The following table shows the programs proposed for elimination in the President's 2006 budget request. Termination of these 48 programs frees up almost \$4.3 billion—based on 2005 levels—for reallocation to more effective, higher-priority activities. Following the table is a brief summary of each program and the rationale for its elimination.

Program Terminations

Program (2005 BA in millions)

Alcohol Abuse Reduction	\$32.7
Arts in Education	35.6
B.J. Stupak Olympic Scholarships	1.0
Byrd Honors Scholarships	40.7
Civic Education	29.4
Close Up Fellowships	1.5
Community Technology Centers	5.0
Comprehensive School Reform	205.3
Demonstration Projects for Students with Disabilities	6.9
Educational Technology State Grants	496.0
Elementary and Secondary School Counseling	34.7
Even Start	225.1
Excellence in Economic Education	1.5
Exchanges with Historic Whaling and Trading Partners	8.6
Federal Perkins Loans Cancellations	66.1
Foreign Language Assistance	17.9
Foundations for Learning	1.0
Gaining Early Awareness and Readiness for Undergraduate Programs ...	306.5
Interest Subsidy Grants	1.5
Javits Gifted and Talented Education	11.0
Leveraging Educational Assistance Partnerships	65.6
Literacy Programs for Prisoners	5.0
Mental Health Integration in Schools	5.0
Migrant and Seasonal Farmworkers	2.3
National Writing Project	20.3
Occupational and Employment Information	9.3
Parental Information and Resource Centers	41.9

Program Terminations, continued (2005 BA in millions):

Projects With Industry	\$21.6
Ready to Teach.....	14.3
Recreational Programs	2.5
Regional Educational Laboratories	66.1
Safe and Drug-Free Schools and Communities State Grants	437.4
School Dropout Prevention	4.9
School Leadership	14.9
Smaller Learning Communities	94.5
Star Schools.....	20.8
State Grants for Incarcerated Youth Offenders	21.8
Supported Employment State Grants	37.4
Teacher Quality Enhancement	68.3
Tech-Prep Demonstration	4.9
Tech-Prep Education State Grants	105.8
Thurgood Marshall Legal Educational Opportunity Program	3.0
TRIO Talent Search	144.9
TRIO Upward Bound.....	312.6
Underground Railroad Program.....	2.2
Vocational Education National Programs	11.8
Vocational Education State Grants	1,194.3
Women's Educational Equity	<u>3.0</u>
 Total	 \$4,264.4

Program Descriptions
(figures reflect 2005 BA in millions)

Alcohol Abuse Reduction..... \$32.7

Supports programs to reduce alcohol abuse in secondary schools. These programs may be funded through other Safe and Drug-Free Schools and Communities National Programs and State Grants for Innovative Programs.

Arts in Education..... \$35.6

Makes non-competitive awards to VSA arts and the John F. Kennedy Center for the Performing Arts as well as competitive awards for national demonstrations and Federal leadership activities to encourage the integration of the arts into the school curriculum. Eliminating funding for the program is consistent with Administration policy of terminating small categorical programs with limited impact in order to fund higher priorities. Arts education programs may be funded under other authorities.

B.J. Stupak Olympic Scholarships..... \$1.0

Provides financial assistance to athletes who are training at the United States Olympic Education Center or one of the United States Olympic Training centers and who are pursuing a postsecondary education. Athletes can receive grant, work-study, and loan assistance through the Department's postsecondary student aid programs. Rated Results Not Demonstrated by the PART due to lack of performance data and program design deficiencies, including its duplication of other Federal student aid programs.

Program Eliminations, continued (2005 BA in millions):

Byrd Honors Scholarships \$40.7

Promotes academic excellence and achievement by awarding merit-based scholarships to high school students, through formula grants to State educational agencies, who have demonstrated outstanding academic achievement and who show promise of continued academic excellence. This program duplicates existing Federal student financial assistance programs, as well as State, local and private efforts that provide merit-based resources for postsecondary education. Rated Results Not Demonstrated by the PART due to lack of performance data and program design deficiencies.

Civic Education \$29.4

Provides a single non-competitive award to the Center for Civic Education to conduct We the People, a program to improve the quality of civics and government education. Also makes non-competitive and competitive awards for the Cooperative Education Exchange, a program to improve civic and economic education through exchange programs. Request is consistent with the Administration's policy of terminating small categorical programs that have limited impact, and for which there is little or no evidence of effectiveness, to fund higher priority programs.

Close Up Fellowships \$1.5

Non-competitive award to Close Up Foundation supports fellowships to low-income students and teachers participating in Close Up visits to Washington, DC and other activities. Peer organizations provide scholarships to some of their participants without Federal assistance, and the organization's successful private fundraising eliminates the need for the program.

Community Technology Centers..... \$5.0

Supports centers that offer disadvantaged residents of economically distressed areas access to computers and training. Program has limited impact and funding for similar activities is available through other Federal agencies.

Comprehensive School Reform \$205.3

This program largely duplicates activities that are readily carried out under the Title I Grants to LEAs program. In the 2000-01 school year, about 30,000 Title I schools (62 percent) were implementing research-based reform models and, beginning with 2002, the NCLB Act made statutory changes to further encourage schools to carry out the types of whole-school reforms supported by the Comprehensive School Reform program. For example, comprehensive reform is encouraged as part of school improvement efforts undertaken by Title I schools that do not make adequate yearly progress toward State standards for at least 2 consecutive years. Also, the Act lowered the poverty threshold for Title I schoolwide projects to 40 percent, thus expanding the number of Title I schools that are eligible to use Title I funds to carry out comprehensive school reform.

Demonstration Projects to Ensure Quality Higher Education
for Students with Disabilities \$6.9

Funds technical assistance and professional development activities for faculty and administrators in institutions of higher education in order to improve the quality of education for students with disabilities. This program has achieved its primary goal of funding model demonstration projects. New projects can and do receive funding under FIPSE.

Educational Technology State Grants \$496.0

This program provides funding to States and school districts to support the integration of educational technology into classroom instruction, technology deployment, and a host of other activities designed to utilize technology to improve instruction and student learning. Schools today offer a greater level of technology infrastructure than just a few years ago, and there is no longer a significant need for a State formula grant program targeted specifically on (and limited to) the effective integration of technology into schools and classrooms. Districts seeking funds to integrate technology into teaching and learning can use other Federal program funds such as Improving Teacher Quality State Grants and Title I Grants to Local Educational Agencies.

Program Eliminations, continued (2005 BA in millions):

Elementary and Secondary School Counseling..... \$34.7

Elementary school and secondary school counseling may be funded through other larger and more flexible Federal programs, such as ESEA Title V-A State Grants for Innovative Programs.

Even Start \$225.1

This program aims to improve educational opportunities for children and their parents in low-income areas by integrating early childhood education, adult education, and parenting education into “family literacy” programs. However, three separate national evaluations of the program reached the same conclusion: children and adults participating in Even Start generally made gains in literacy skills, but these gains were not significantly greater than those of non-participants. Also, the Administration rated the program as Ineffective in the 2004 PART process. Other high priority programs such as Reading First and Early Reading First are better structured to implement proven research and to achieve the President’s literacy goals.

Excellence in Economic Education \$1.5

Supports a grant to a single national non-profit educational organization to promote economic and financial literacy for K-12 students. Elimination is consistent with Administration policy of terminating small categorical programs with limited impact in order to fund higher priorities.

Exchanges with Historic Whaling and Trading Partners \$8.6

Supports culturally based educational activities, internships, apprenticeship programs and exchanges for Alaska Natives, Native Hawaiians, and children and families of Massachusetts. Elimination is consistent with Administration policy of terminating small categorical programs with limited impact in order to fund higher priorities.

Federal Perkins Loans Cancellations \$66.1

Reimburses institutional revolving funds for borrowers whose loan repayments are canceled in exchange for undertaking public service employment, such as teaching in Head Start programs, full-time law enforcement, or nursing. These reimbursements are no longer needed as the Administration is proposing to eliminate the Perkins Loan program, which duplicates other student loan programs and serves a limited number of institutions.

Foreign Language Assistance \$17.9

Activities to promote improvement and expansion of foreign language instruction may be supported by larger, more flexible ESEA programs, such as Improving Teacher Quality State Grants and State Grants for Innovative Programs.

Foundations for Learning \$1.0

Competitive grants provide services to children and their families to enhance young children’s development so that they become ready for school. The request is consistent with the Administration’s effort to increase resources for high-priority programs by eliminating small, narrow categorical programs that duplicate other programs, have limited impact, or for which there is little or no evidence of effect. The budget request includes funding for other, larger programs that support early childhood education and development.

Gaining Early Awareness and Readiness for Undergraduate Programs \$306.5

Provides grants to States and partnerships to support early college preparation and awareness activities at the State and local levels to ensure low-income elementary and secondary school students are prepared for and pursue postsecondary education. GEAR UP received an Adequate PART rating because it employs a number of strategies that other studies have found to be effective, but no data are available to measure progress toward long-term program goals. The proposed new High School Intervention initiative would provide a more comprehensive approach to improving high school education and increasing student achievement, especially the achievement of those most at-risk of educational failure and dropping out.

Program Eliminations, continued (2005 BA in millions):

Interest Subsidy Grants \$1.5

Program finances interest subsidy costs of a portfolio of higher education facilities loans guaranteed under Federal agreements with participating institutions of higher education. Balances from prior year appropriations are sufficient to cover all remaining obligations.

Javits Gifted and Talented Education \$11.0

Primarily supports research and demonstration grants, but these grants are not structured to assess program effectiveness and identify successful intervention strategies that could have broad national impact. Only research programs that can be held accountable to rigorous standards warrant further investment.

Leveraging Educational Assistance Partnerships \$65.6

Program has accomplished its objective of stimulating all States to establish need-based postsecondary student grant programs, and Federal incentives for such aid are no longer required. State grant levels have expanded greatly over the years, and most States significantly exceed the statutory matching requirements. State matching funds in academic year 1999-2000, for example, totaled nearly \$1 billion or more than \$950 million over the level generated by a dollar-for-dollar match.

Literacy Programs for Prisoners \$5.0

Provides competitive grants to State and local correctional agencies and correctional education agencies to support programs that reduce recidivism through the improvement of "life skills." Request is consistent with the Administration's effort to eliminate small programs that have only indirect or limited effect.

Mental Health Integration in Schools \$5.0

Makes competitive grants to increase student access to mental health care by linking school systems with the mental health system. The request is consistent with the Administration's effort to increase resources for high-priority programs by eliminating small, narrow categorical programs that duplicate other programs, have limited impact, or for which there is little or no evidence of effect.

Migrant and Seasonal Farmworkers \$2.3

Supports rehabilitation services to migratory workers with disabilities, but such activities may be funded through the VR State Grants program.

National Writing Project \$20.3

Supports a nationwide nonprofit educational organization that promotes K-16 teacher training programs in the effective teaching of writing. States may support such activities through flexible programs like Improving Teacher Quality State Grants. Rated Results Not Demonstrated by the PART review due to lack of reliable performance or evaluation data on the effectiveness of supported interventions.

Occupational and Employment Information \$9.3

This career guidance and counseling program has a narrow purpose and no demonstrated results. The PART review of this program rated it Results Not Demonstrated, largely due to a lack of data on program outcomes.

Program Eliminations, continued (2005 BA in millions):

Parental Information and Resource Centers..... \$41.9

Parent education and family involvement activities are required and funded under other ESEA programs, such as Title I Grants to Local Educational Agencies, and are a specifically authorized use of funds under ESEA Title V-A State Grants for Innovative Programs. The PART review of this program rated it Results Not Demonstrated, partly because of its unclear statutory purposes.

Projects With Industry \$21.6

PWI projects help individuals with disabilities obtain employment in the competitive labor market. VR State Grants serves the same target populations and may provide the same services. Rated Adequate by the PART process but also determined to be duplicative of the much larger VR State Grants program. In addition, data reliability problems undermine accurate assessment of program performance.

Ready to Teach..... \$14.3

This program supports competitive grants to nonprofit telecommunications entities to carry out programs to improve teaching in core curriculum areas, and to develop, produce, and distribute innovative educational and instructional video programming. State Grants for Innovative Programs and Improving Teacher Quality State grants provide ample resources for the types of activities supported by this program.

Recreational Programs \$2.5

Supports projects that provide recreation and related activities for individuals with disabilities to aid in their employment, mobility, independence, socialization, and community integration. The program has limited impact, and such activities are more appropriately financed by State and local agencies and the private sector.

Regional Educational Laboratories \$66.1

Recent reauthorization did not make needed improvement in structure and function of the Regional Educational Laboratories, which have not consistently provided high quality research and development products or evidence-based training and technical assistance.

Safe and Drug-Free Schools and Communities State Grants \$437.4

Provides formula grants to States to help create and maintain drug-free, safe, and orderly environments for learning in and around schools. The program has not demonstrated effectiveness and grant funds are spread too thinly to support quality interventions. The Administration proposes to redirect some of the program's funds to provide an increase for Safe and Drug-Free Schools National Programs, which is better structured to support quality interventions, and to permit grantees and independent evaluators to measure progress, hold projects accountable, and determine which interventions are most effective. The Administration's Performance Assessment Rating Tool (PART) rated this program as Ineffective in 2004.

School Dropout Prevention \$4.9

Significantly higher funding for dropout prevention and re-entry programs available through Title I Grants to LEAs, Title I Migrant State Grants, and State Grants for Innovative Programs makes this program unnecessary. Also, at the 2006 request level, States are required to reserve approximately \$110 million from their Title I allocation for purposes of helping students stay in school and make the transition to public schools from local corrections facilities and community day programs.

School Leadership \$14.9

Program supports recruiting, training, and retaining principals and assistant principals—activities that are specifically authorized under other, much larger programs such as Improving Teacher Quality State Grants and State Grants for Innovative Programs.

Program Eliminations, continued (2005 BA in millions):

Smaller Learning Communities \$94.5

A separate program is not needed for the purpose of creating smaller learning communities. The number of fundable applications for grants under the 2004 competitions dropped significantly and the Department lapsed more than \$26.4 million from the fiscal year 2003 program appropriation. One likely reason for the low level of interest in the program is the lack of compelling evidence on the effectiveness of the smaller learning communities strategy in strengthening high school education and raising achievement. The creation or expansion of smaller learning communities in large high schools may be supported by Title I Grants to Local Educational Agencies or State Grants for Innovative Programs—the latter of which specifically authorizes the creation of smaller learning communities. Also, the President's proposed new High School Initiative will give educators greater flexibility to design and implement approaches for improving the achievement of high-school students.

Star Schools \$20.8

Supports distance education projects to improve instruction in a variety of curricular areas. Programs such as State Grants for Innovative Programs and Improving Teacher Quality State grants provide ample resources for these activities.

State Grants for Incarcerated Youth Offenders \$21.8

Formula grants to State correctional agencies assist and encourage incarcerated youth to acquire functional literacy skills and life and job skills. Request is consistent with the Administration's effort to eliminate small programs that have only indirect or limited effect on improving student outcomes.

Supported Employment State Grants \$37.4

Program has accomplished its goal of developing collaborative programs with appropriate public and private nonprofit organizations to provide supported employment services for individuals with the most significant disabilities. Supported employment services are also provided by the VR State Grants program.

Teacher Quality Enhancement \$68.3

Program provides funds to improve recruitment, preparation, licensure, and support for teachers by providing incentives, encouraging reforms, and leveraging local and State resources to ensure that current and future teachers have the necessary teaching skills and academic content knowledge to teach effectively. All of the activities allowable under the Teacher Quality Enhancement program can be carried out under other existing Federal programs. Rated Results Not Demonstrated by the PART process due to lack of performance data and program design deficiencies.

Tech-Prep Demonstration \$4.9

This program to establish secondary technical education programs on community college campuses has narrow and limited impact. The Administration's proposed \$1.2 billion High School Initiative will give educators greater flexibility to design and implement programs that best meet the needs of their students, including Tech-Prep programs. States could use funds to support vocational education, mentoring and counseling programs, partnerships between high schools and colleges, or other approaches.

Tech-Prep Education State Grants \$105.8

A separate State grant program to support State efforts to develop structural links between secondary and postsecondary institutions that integrate academic and vocational education is unnecessary. The Administration's proposed \$1.2 billion High School Initiative will give educators greater flexibility to design and implement programs that best meet the needs to their students. States could use funds to support vocational education, mentoring and counseling programs, partnerships between high schools and colleges, or other approaches.

Program Eliminations, continued (2005 BA in millions):

Thurgood Marshall Legal Educational Opportunity Program \$3.0

Program provides minority, low-income or disadvantaged college students with the information, preparation, and financial assistance needed to gain access to and complete law school study. Disadvantaged individuals can receive assistance through the Department's student financial assistance programs.

TRIO Talent Search \$144.9

Provides grants to colleges to encourage disadvantaged youth to graduate from high school and enroll in a postsecondary education program. The proposed new High School Intervention initiative would provide a more comprehensive approach to improving high school education and increasing student achievement, especially the achievement of those most at-risk of educational failure and dropping out. Talent Search received a Results Not Demonstrated PART rating due to a lack of data on key performance measures and no evaluation findings.

TRIO Upward Bound..... \$312.6

Provides grants to colleges to support intensive academic instruction for disadvantaged high school students and veterans to generate the skills and motivation needed to pursue and complete a postsecondary education. The proposed new High School Intervention initiative would provide a more comprehensive approach to improving high school education and increasing student achievement, especially the achievement of those most at-risk of educational failure and dropping out. Upward Bound received an Ineffective PART rating due to a lack of data on key performance measures and evaluation results that found the program has limited overall impact because services are not sufficiently well targeted to higher-risk students.

Underground Railroad Program..... \$2.2

Provides grants to non-profit educational organizations to establish facilities that house, display, and interpret artifacts relating to the history of the Underground Railroad, as well as to make the interpretive efforts available to institutions of higher education. The program has largely achieved its original purpose.

Vocational Education National Programs \$11.8

The program's activities, which include research, assessment, evaluation, dissemination, and technical assistance, would be addressed as part of the Administration's proposed High School Initiative for ensuring that secondary students improve their academic achievement and graduation rates.

Vocational Education State Grants \$1,194.3

Funds would be redirected to support a new comprehensive strategy for improving the effectiveness of Federal investments at the high school level and for a community college access initiative. The High School Initiative will give educators greater flexibility (coupled with enhanced accountability) to design and implement programs that best meet the needs of their students. States could use funds to support vocational education, mentoring and counseling programs, partnerships between high schools and colleges, or other approaches.

Women's Educational Equity \$3.0

Activities promoting educational equity for girls and women may be supported through larger, more flexible programs like ESEA Title V-A State Grants for Innovative Programs.

IV. DEPARTMENTAL MANAGEMENT

(BA in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u> <u>Request</u>
Program Administration.....	\$420.4	\$419.3	\$419.0
Office for Civil Rights.....	88.3	89.4	91.5
Office of the Inspector General	46.6	47.3	49.4
Student Aid Administration	716.7 ^{1,2}	719.1 ^{1,2}	744.3 ²
Other ³	<u>12.9</u>	<u>12.7</u>	<u>12.5</u>
Total.....	1,284.9	1,287.8	1,316.7
 <u>Full-time equivalent employment (FTE) ⁴</u>			
Program Administration.....	2,262	2,313	2,242
Office for Civil Rights.....	655	656	638
Office of the Inspector General	268	302	285
Student Aid Administration	1,141 ⁵	1,140 ⁵	1,186
Other ³	<u>33</u>	<u>43</u>	<u>43</u>
Total	4,359	4,454	4,394

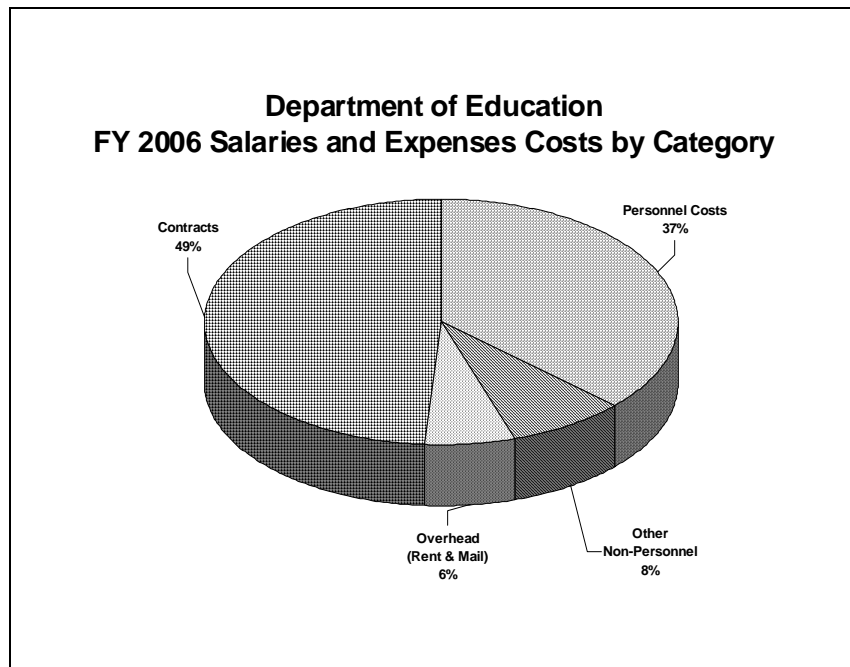
¹ Adjusted for comparability. Includes \$795 million in mandatory funds in 2004 and 2005 for the Federal Direct Student Loans Program account.

² Excludes \$195 million in mandatory funds in 2004, 2005, and 2006 for payments to guaranty agencies, provided in the Federal Direct Student Loans Program account.

³ Includes small Federal Credit accounts and S&E activities in program accounts. The budget authority excludes Occupational and Employment Information and National Institute for Literacy grants.

⁴ Actual FTE usage in 2004; maximum target for 2005 and 2006.

⁵ Adjusted for comparability. Includes 607 FTE funded by the Federal Direct Student Loans Program account in 2004 and 2005.



Overview

The 2006 budget request for Salaries and Expenses (S&E) will pay the costs of the staff, overhead, contracts, and other activities needed to administer and monitor the Department's educational assistance programs and provide \$111 billion in grants and loans each year to over 10 million postsecondary students.

The Department is requesting \$1.32 billion for its discretionary S&E budget in 2006, an increase of \$29 million over the 2005 level. Included in the request is \$489 million for payroll costs, which reflects the 2.3 percent proposed government-wide pay raise in 2006 as well as employee benefit increases based on historical experience.

The non-personnel costs for the administrative accounts cover such items as travel, rent, mail, telephones, utilities, printing, information technology (IT), contractual services, equipment, supplies, and other Departmental services. The total request for non-personnel activities in 2006 is \$828 million.

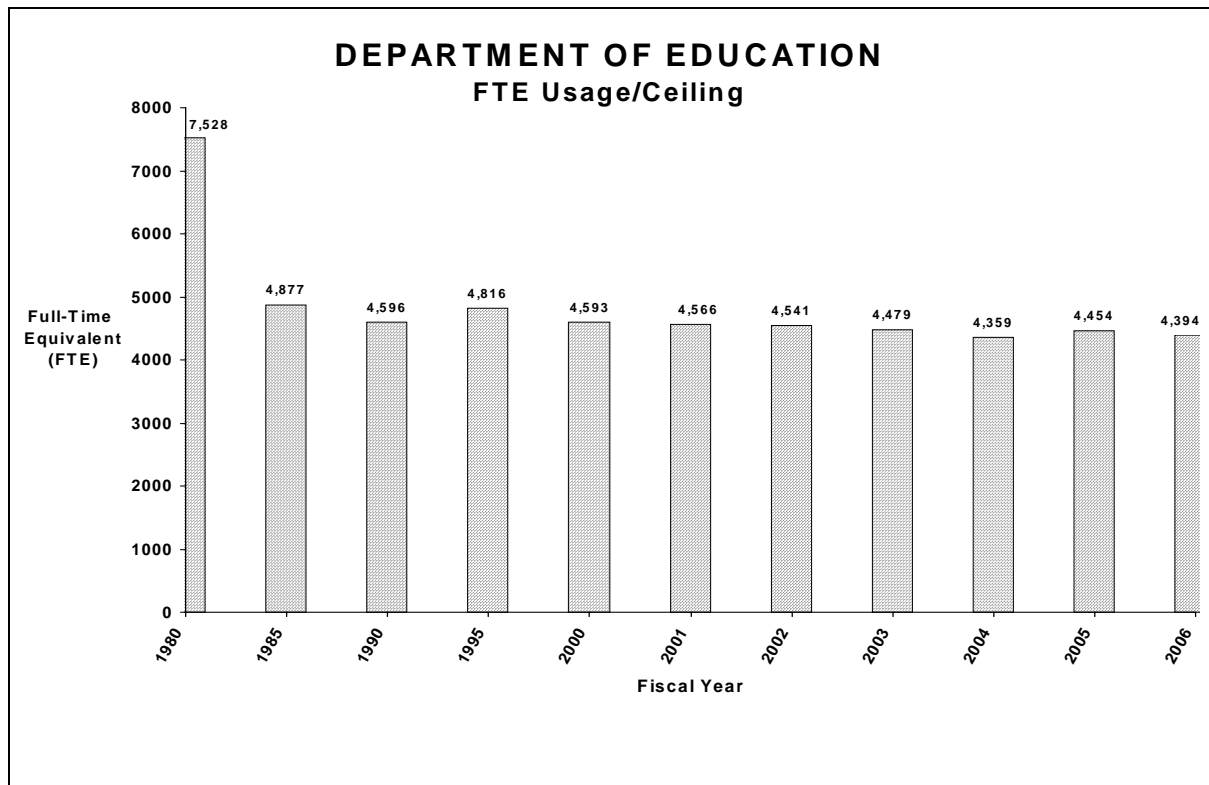
Department administrative costs continue to constitute a small fraction of the total education budget. For example, even with the increase requested for 2006, the discretionary administrative budget would be approximately 2 percent of the Department's total discretionary budget.

The 2006 budget request for salaries and expenses supports Department initiatives designed to improve government performance through the goals outlined in the President's Management Agenda and successfully implement the No Child Left Behind Act signed into law in January 2002.

To carry out the President's Management Agenda, the Department's S&E budget request places a heavy emphasis on the following high priority items:

- Developing and maintaining financial integrity and management and internal controls;
- Modernizing the student financial assistance programs and reducing their high-risk status;
- Expanding strategies for using human capital;
- Identifying opportunities for competitive sourcing;
- Achieving an accountability of results culture, including the integration of program performance and budgeting; and
- Leveraging the contributions of faith-based and community organizations.

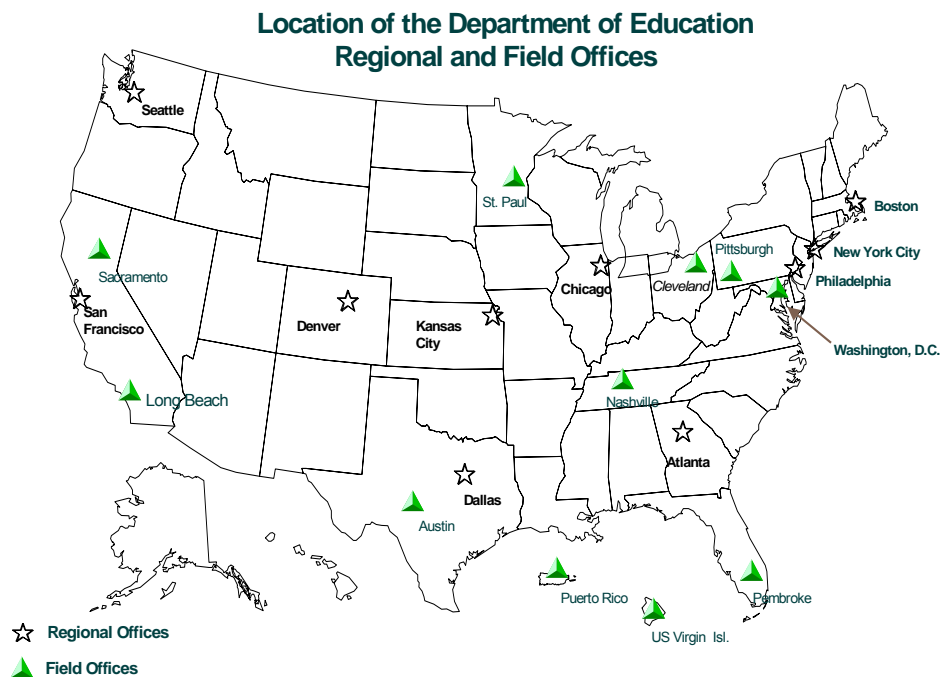
Department Employment



The 2006 staffing request of 4,394 FTE, a decrease 60 FTE from the planned 2005 level, is 42 percent below the level of 7,528 FTE when the Department was created in 1980. The 2006 decrease is primarily due to a net reduction of 66 FTE resulting from the consolidation of the regional office functions of the Rehabilitation Services Administration (RSA) into the central office and the reallocation of staff to reflect program workload. In addition to reducing FTE, these changes will result in improvements in the administration of the Vocational Rehabilitation program through greater program effectiveness, consistent program implementation, and integrated program planning.

Despite regular FTE reductions, the Department has maintained and even improved its operational performance in part by relying heavily on automation and private contractors to handle such functions as awarding grants, processing student aid applications, and providing grants and loans to almost 10 million college students. Already the smallest of the Cabinet agencies, the Department minimizes administrative tasks and privatizes functions that can be handled more efficiently by outside contractors. A prime example of this management approach is the effective use of contracts to operate the Direct Student Loan program.

As shown in the following chart, staff is divided among the Washington, D.C. headquarters, 10 regional offices, and 11 field offices. Approximately 73 percent of the employees are assigned to headquarters, and 27 percent are assigned to the regional and field offices. Most regional and field office employees are in the Federal Student Aid office, the Office of the Inspector General, and the Office for Civil Rights. Regional and field office activities include review of lenders, institutions, and guaranty agencies participating in the student financial aid programs, as well as collections on defaulted student loans; audits and investigations of Department programs and operations; and civil rights complaint investigations and compliance reviews.



Program Administration

The 2006 request includes \$419 million, a slight decrease of \$300,000 from the 2005 level, for the Program Administration account, which funds administrative support for most programs and offices in the Department. The request includes \$254.2 million for the 2,242 FTE, and \$164.8 million for non-pay costs. The non-pay request includes \$4.1 million to continue implementation of the Performance Based Data Management Initiative, which will collect timely data on student achievement and educational outcomes. Other non-pay costs include rent,

travel, data collection, evaluations, computer hardware and software support for the staff, and other administrative activities.

Student Aid Administration

In fiscal year 2006 the Department of Education will administer \$111 billion in Federal student aid grants and loans to more than 10 million students and parents. In awarding this aid, the Department and its contractors will interact on a daily basis with over 6,000 schools; 3,300 lenders; 35 guaranty agencies; and dozens of accrediting agencies, participants in the secondary market for student loans, and other organizations. Ensuring the smooth operation of the complex array of financial transactions and participants involved in the student financial aid programs—and safeguarding the interests of both students and Federal taxpayers—is perennially the Department's greatest management challenge and its highest administrative priority. Primary responsibility for administering the Federal student financial assistance programs rests with the Office of Federal Student Aid and the Office of Postsecondary Education.

Funding for student aid management has been provided in previous years through 2 separate accounts: the discretionary Student Aid Administration account and the mandatory Federal Direct Student Loan Program (HEA Section 458). For 2006, the Administration is renewing its proposal to consolidate these separate funding streams into a discretionary Student Aid Administration account that would represent more than 56 percent of the Department's total administrative budget. The request would provide \$744.3 million to administer student aid programs in 2006, an increase of \$25.2 million over the 2005 level, primarily for information technology contracts.

Office for Civil Rights

The Department's Office for Civil Rights (OCR) investigates discrimination complaints, conducts compliance reviews, monitors corrective action plans, and provides technical assistance on civil rights issues. The 2006 request for OCR is \$91.5 million, an increase of \$2.1 million over the 2005 level. About \$65.2 million of the OCR budget is for staff pay and benefits for its 638 FTE; the remaining \$26.3 million covers overhead costs as well as computer equipment, data analysis and reporting activities, travel, staff training, and other contractual services.

The requested funds will ensure essential program support to resolve complaints of discrimination filed by the public and to ensure that institutions receiving Federal financial assistance are in compliance with the civil rights laws enforced by OCR. The request also will provide resources for collaboration with educational experts so that the results of scientifically based research in the areas of education and civil rights are incorporated into OCR's enforcement activities, and for technical assistance to recipients, parents and students to informally address civil rights concerns and to prevent problems from arising in the future. OCR provides extensive information on its Internet site, including self-assessment materials for recipients, data on school characteristics, brochures, and other information for the public.

Office of the Inspector General

The Office of the Inspector General (OIG) conducts audits and investigations of the Department's programs and activities to help ensure accountability for taxpayer-provided funds and to identify management improvements. The 2006 request for the OIG is \$49.4 million, an

increase of \$2.1 million over the 2005 level. Approximately two-thirds of this amount, or \$33 million, is for personnel compensation and benefits to support a staffing level of 285 FTE.

The non-personnel request of \$16.4 million includes \$2.6 million to contract for the mandated annual audit of the Department's financial statements. The scope of the audit will include the examination and analysis of account balances, review of applicable financial systems, and evaluation of internal controls and compliance with significant laws and regulations.

Management Improvement and Government Reform

To carry out the President's Management Agenda and to achieve its Strategic Plan goal of achieving management excellence, the Department is focusing on the following high priority items:

<i>Priority: Financial Integrity/Management and Internal Controls</i>	
Goal	Accomplishments
<p>Financial integrity requires accurate and relevant reporting systems and processes in order to provide policy makers and managers with timely and accurate financial information. In addition, revenues and expenditures must be properly accounted for and reported on so that reports and data produced by financial management systems will provide reliable information to managers making program and asset-related decisions.</p> <p>Management and internal controls will be adopted and enhanced to reduce the risk of errors and permit effective monitoring of programs and processes. Management controls will ensure that programs achieve their intended results and are protected from waste, fraud, and mismanagement. Internal controls will help ensure effective and efficient Department operations as well as reliable financial reporting.</p>	<ul style="list-style-type: none"> ● Achieved clean opinions on the audit of the Department's 2002, 2003, and 2004 financial statements. ● Decreased the time needed to prepare, and increased the distribution of, the monthly "Executive Fast Fact Sheet" which assists offices in managing programs based on available financial data. ● Initiated an enterprise-wide risk assessment management initiative to mitigate concentrations of risk, including improper payments, by focusing resources to achieve targeted results. ● Began issuing monthly reports to program offices that enable offices to close out grant awards prior to funds reverting back to Treasury.
<i>Priority: High-Risk Status of Student Aid Programs</i>	
Goal	Accomplishments
<p>The Department will improve its financial and management information systems to support the effective management of the student aid programs, following specific criteria provided by the Government Accountability Office for reducing student aid risk and removing the programs from the high-risk list. These improvements will ensure that relevant, timely information is available to manage day-to-day operations and provide accountability.</p>	<ul style="list-style-type: none"> ● In January 2005, GAO removed the high-risk designation from ED's Student Aid programs due to improvements in financial management. ● Initiated the Front-End Business Integration initiative, designed to enhance and improve the front-end customer experience of Federal student aid. ● Achieved clean opinions on the audit of ED's 2002, 2003, and 2004 financial statements. ● Outlined a plan to develop an Enterprise Risk Management organization to identify, assess, and manage risk associated with student aid programs. ● Began to implement unit cost framework assessing cost-effectiveness of changes to management, systems, and data.

<i>Priority: Using Human Capital</i>	
Goal	Accomplishments
<p>The Department's human capital strategy will transform the agency by streamlining operations in order to bring work closer to its customers: States, school districts, schools, institutions of higher education, and citizens. This will be accomplished by increasing competitive sourcing and improving decision-making.</p>	<ul style="list-style-type: none"> ● Finalized the Department's revised Human Capital Strategic Plan. ● Implemented a hiring tracking system and began work to reduce the hiring cycle time. ● Revised the SES Performance Appraisal System. ● Revised general schedule employee performance appraisal plans. ● Developed plans for a new system to maintain workforce data, develop workforce profiles and decrease response time needed to respond to inquiries about the workforce composition.
<i>Priority: Competitive Sourcing</i>	
Goal	Accomplishments
<p>The Department will identify new opportunities for competitive sourcing in order to augment its capabilities. To do so, the Department developed its "One ED" plan, which is the Department's blueprint for finding the best ways to perform work.</p>	<ul style="list-style-type: none"> ● Submitted competition plan to OMB that identifies competitive sourcing opportunities in grant making functions and information technology. ● Awarded the Payment Processing and Human Resources competitions to the employee teams. ● Initiated review of the Institute of Education Sciences' discretionary grant award process to determine if competition can be used to improve performance. ● Completed in-house reengineering of the Office of the Chief Financial Officer Internal Audit/Post Audit Review function.
<i>Priority: E-Government</i>	
Goal	Accomplishments
<p>To expand electronic government, the Department will improve the management of its IT investments, protect the integrity and confidentiality of data, improve data management, and increase the use of technology in serving customers.</p>	<ul style="list-style-type: none"> ● Successfully processed grant applications using the Grants.gov system interface and identified 50 programs to participate in Grants.gov in 2005. ● Drafted comprehensive plans for the E-Loans initiative. ● Managed the increasing security threats to the Department's IT infrastructure. ● Submitted a revised Certification and Accreditation (C&A) Plan to OMB to address concerns related to the Department's (C&A) process.

<i>Priority: Integration of Program Performance and Budgeting</i>	
Goal	Accomplishments
<p>The Department will seek funding for programs that work, and will seek to reform or eliminate programs that do not. The administrative allocations will be linked to the Department's Strategic Plan to ensure that high priority activities are funded. The Department will have standard, integrated budgeting, performance, and accounting information systems at the program level that will provide timely feedback for management.</p>	<ul style="list-style-type: none"> ● Completed the Program Assessment Rating Tool (PART) for 33 programs for fiscal years 2004 and 2005 and for 23 programs for 2006. ● Selected 22 programs for 2007 and 23 programs for 2008 PART cycles focusing on programs above \$40 million. ● Implemented an Annual Grant Investment Portfolio process that ensures development, communication and evaluation of grant-level performance measures. ● Developed and implemented a PART tracking process as a feature of the 2006 budget formulation process. ● Worked with Congress to ensure that recent IDEA, and prospective HEA reauthorizations will improve accountability. ● Worked with OMB to develop efficiency measures for 39 programs that went through the PART process.
<i>Priority: Faith-Based and Community Initiative</i>	
Goal	Accomplishments
<p>The Department will leverage the contributions of community- and faith-based organizations to increase the effectiveness of its programs.</p>	<ul style="list-style-type: none"> ● Met with State and local leaders of community- and faith-based organizations to encourage collaboration with the Department. ● Rewrote the Initiative's evaluation plan to be more outcome-oriented, and hired a contractor for the evaluation. ● Published final regulations on community- and faith-based participation.

APPENDICES

Tables:

- Summary of Discretionary Funds, Fiscal Years 2001-2006
- PART Ratings of ED Programs
- Total Expenditures for Elementary and Secondary Education in the United States
- Detailed Budget Table by Program

DEPARTMENT OF EDUCATION
Summary of Discretionary Funds, Fiscal Years 2001-2006

(dollars in thousands)								
Program	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Change from 2001 to 2006 Amount	Percent
Elementary/Secondary Education (K-12)								
<u>No Child Left Behind (NCLB)</u>								
Title I Grants to Local Educational Agencies	8,762,721	10,350,000	11,688,664	12,342,309	12,739,571	13,342,309	4,579,588	52.3%
Reading First	286,000	975,000	1,068,012	1,118,362	1,145,760	1,145,760	859,760	300.6%
Impact Aid	993,302	1,143,500	1,188,226	1,229,527	1,243,862	1,240,862	247,560	24.9%
Improving Teacher Quality State Grants	0	2,850,000	2,930,825	2,930,126	2,916,605	2,916,605	2,916,605	---
21st Century Community Learning Centers	845,614	1,000,000	993,500	999,070	991,077	991,077	145,463	17.2%
State Assessments	0	387,000	384,484	390,000	411,680	411,680	411,680	---
Safe and Drug-Free Schools and Communities	644,250	696,750	666,353	674,203	671,961	317,274	-326,976	-50.8%
English Language Acquisition	446,000	664,269	683,747	681,215	675,765	675,765	229,765	51.5%
Other	5,404,577	3,937,157	4,021,421	3,944,465	3,553,973	4,284,556	-1,120,021	-20.7%
Subtotal, NCLB	17,382,464	22,003,676	23,625,232	24,309,277	24,350,254	25,325,888	7,943,424	45.7%
<u>Special Education (IDEA)</u>								
Grants to States	6,339,685	7,528,533	8,874,398	10,068,106	10,589,746	11,097,746	4,758,061	75.1%
Other	1,022,910	1,065,891	1,082,309	1,092,601	1,083,860	1,028,384	5,474	0.5%
Subtotal, IDEA	7,362,595	8,594,424	9,956,707	11,160,707	11,673,606	12,126,130	4,763,535	64.7%
Subtotal, NCLB and IDEA	24,745,059	30,598,100	33,581,939	35,469,984	36,023,860	37,452,018	12,706,959	51.4%
<u>Other K-12</u>	2,571,834	1,480,334	1,531,314	1,472,494	1,506,397	180,290	-2,391,544	-93.0%
Subtotal, Elementary/Secondary Education	27,316,893	32,078,434	35,113,253	36,942,478	37,530,257	37,632,308	10,315,415	37.8%
Postsecondary Education								
Federal Pell Grants	8,756,000	11,314,000	11,364,646	12,006,738	12,364,997	13,232,000	4,476,000	51.1%
Other Student Financial Aid	1,918,000	1,971,500	1,998,426	2,000,558	1,900,752	1,828,977	-89,023	-4.6%
Other Postsecondary Education	2,295,560	2,439,336	2,498,791	2,499,957	2,531,417	820,665	-1,474,895	-64.2%
Subtotal, Postsecondary Education	12,969,560	15,724,836	15,861,863	16,507,253	16,797,166	15,881,642	2,912,082	22.5%
Other Programs and Activities	1,944,368	2,132,329	2,138,593	2,211,942	2,250,001	2,533,898	589,530	30.3%
TOTAL, ED Discretionary Funds	42,230,821	49,935,599	53,113,709	55,661,673	56,577,424	56,047,848	13,817,027	32.7%

PART Ratings of ED Programs Assessed To Date

(Dollars in thousands)

Program	FY Reported	FY 2006 Rating	FY 2005 Appropriation	FY 2006 Request	Change from 2005
National Center on Education Statistics**	2004/2005	Effective	90,931	90,931	0
National Assessment**	2004/2005	Effective	94,073	116,573	22,500
Subtotal, 2 Programs Effective			185,004	207,504	22,500
Comprehensive School Reform	2004	Adequate	205,344	0	-205,344
Vocational Rehabilitation State Grants	2004	Adequate	2,603,845	2,687,168	83,323
Federal Pell Grants	2004	Adequate	12,364,997	17,952,821	5,587,824
Student Aid Administration	2004	Adequate	914,084	939,285	25,201
21st Century Community Learning Centers	2005	Adequate	991,077	991,077	0
Troops to Teachers	2005	Adequate	14,793	14,793	0
Federal Family Education Loans ¹	2005	Adequate	11,743,924	6,556,324	-5,187,600
Federal Direct Student Loans ¹	2005	Adequate	636,994	-669,425	-1,306,419
GEAR UP	2005	Adequate	306,488	0	-306,488
State Assessments	2006	Adequate	411,680	411,680	0
Magnet Schools	2006	Adequate	107,771	107,771	0
Vocational Rehabilitation Grants for Indians	2006	Adequate	32,000	33,024	1,024
Projects with Industry	2006	Adequate	21,625	0	-21,625
Javits Fellowships	2006	Adequate	9,797	9,797	0
Subtotal, 14 Programs Adequate			30,364,419	29,034,315	-1,330,104
Even Start	2004	Ineffective	225,095	0	-225,095
Safe and Drug-Free Schools State Grants	2004	Ineffective	437,381	0	-437,381
Vocational Education State Grants	2004	Ineffective	1,194,331	0	-1,194,331
TRIO Upward Bound	2004	Ineffective	312,556	0	-312,556
Federal Perkins Loans Capital Contributions	2005	Ineffective	0	0	0
Subtotal, 5 Programs Ineffective			2,169,363	0	-2,169,363
IDEA Grants to States	2004	RND	10,589,746	11,097,746	508,000
IDEA Preschool Grants	2004	RND	384,597	384,597	0
IDEA Grants for Infants and Families	2004	RND	440,808	440,808	0
Occupational and Employment Information	2004	RND	9,307	0	-9,307
Tech-prep Education State Grants	2004	RND	105,812	0	-105,812
Adult Basic and Literacy Education State Grants	2004	RND	569,672	200,000	-369,672
Tribally Controlled Vocational and Technical Institutions	2004	RND	7,440	7,440	0
TRIO Student Support Services	2004	RND	274,858	274,858	0

PART Ratings of ED Programs Assessed To Date

(Dollars in thousands)

Program	FY Reported	FY 2006 Rating	FY 2005 Appropriation	FY 2006 Request	Change from 2005
Teacher Quality State Grants	2005	RND	2,916,605	2,916,605	0
IDEA Personnel Preparation	2005	RND	90,626	90,626	0
Independent Living State Grants and Centers	2005	RND	98,208	98,208	0
National Institute on Disability & Rehabilitation Services (NIDRR)	2005	RND	107,783	107,783	0
Supplemental Educational Opportunity Grants	2005	RND	778,720	778,720	0
Federal Work Study	2005	RND	990,257	990,257	0
TRIO Talent Search	2005	RND	144,887	0	-144,887
Teacher Quality Enhancement	2005	RND	68,337	0	-68,337
Research in Special Education	2005	RND	83,104	72,566	-10,538
High School Equivalency Program	2006	RND	18,737	18,737	0
College Assistance Migrant Program	2006	RND	15,532	15,532	0
Impact Aid Payments for Federal Property	2006	RND	62,496	62,496	0
Training and Advisory Services	2006	RND	7,185	7,185	0
Comprehensive Regional Assistance Centers	2006	RND	0	0	0
National Writing Project	2006	RND	20,336	0	-20,336
Teaching American History	2006	RND	119,040	119,040	0
Ready to Learn Television	2006	RND	23,312	23,312	0
Parental Information Resource Centers	2006	RND	41,886	0	-41,886
IDEA Technical Assistance and Dissemination	2006	RND	52,396	49,397	-2,999
IDEA Parent Information Centers	2006	RND	25,964	25,964	0
Assistive Technology Alternative Financing	2006	RND	4,023	15,000	10,977
Leveraging Educational Assistance Partnership	2006	RND	65,643	0	-65,643
International Education Domestic Programs	2006	RND	92,466	92,466	0
Byrd Honors Scholarships	2006	RND	40,672	0	-40,672
Graduate Assistance in Areas of National Need	2006	RND	30,371	30,371	0
B.J. Stupak Olympic Scholarships	2006	RND	980	0	-980
Child Care Access Means Parents in School	2006	RND	15,970	15,970	0
Subtotal, 35 Programs Results Not Demonstrated			18,297,776	17,935,684	-362,092
Total, 56 Programs Rated			51,016,562	47,177,503	-3,839,059

** Program rated in 2004 and 2005; 2005 rating shown.

¹ FY05 and FY06 amounts reflect FY06 estimates of net subsidy costs for both programs.

NOTE: A total of 56 ED programs have been assessed for fiscal years 2004-2006 with the Program Assessment Rating Tool (PART); additional programs will be rated in the future.

**TOTAL EXPENDITURES FOR
ELEMENTARY AND SECONDARY EDUCATION IN THE U.S.¹**
(dollars in billions)

<u>Source of Funds by Level</u>	<u>2003-2004²</u>		<u>2004-2005²</u>	
	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>
Federal ³	\$42.0	8.2%	\$45.0	8.3%
State	235.0	45.7	245.0	45.6
Local	191.0	37.2	199.0	37.1
All Other	<u>46.0</u>	<u>9.0</u>	<u>48.0</u>	<u>8.9</u>
Total	514.0	100.0	536.0	100.0

¹ Data revised from previously published figures.

² Projected.

³ Includes expenditures of all Federal agencies.

NOTES: Data above may vary from data reported in other surveys of education funding. Differences can be accounted for primarily by differences among the reports in any of the following: measures of funding used, e.g., budget authority vs. expenditures; the definition of education used; agencies and institutions reporting the data; and basis of dollars reported, e.g., current vs. constant dollars.

Because of rounding, detail does not add to total.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	2006 President's Request	Change from 2005 Appropriation	
					Amount	Percent
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION (OESE)						
Education for the Disadvantaged						
1. Grants to local educational agencies (ESEA I-A):						
(a) LEA grants formulas:						
(1) Basic grants (section 1124)						
Annual appropriation	D	5,154,008	5,551,270	5,959,008	407,738	7.3%
Advance for succeeding fiscal year	D	1,883,584	1,383,584	975,846	(407,738)	-29.5%
Subtotal		7,037,592	6,934,854	6,934,854	0	0.0%
(2) Concentration grants (section 1124A)						
Annual appropriation	D	0	0	0	0	---
Advance for succeeding fiscal year	D	1,365,031	1,365,031	1,365,031	0	0.0%
Subtotal		1,365,031	1,365,031	1,365,031	0	0.0%
(3) Targeted grants (section 1125)						
Annual appropriation	D	0	0	0	0	---
Advance for succeeding fiscal year	D	1,969,843	2,219,843	2,822,581	602,738	27.2%
Subtotal		1,969,843	2,219,843	2,822,581	602,738	27.2%
(b) Education finance incentive grants formula (1125A)						
Annual appropriation	D	0	0	0	0	---
Advance for succeeding fiscal year	D	1,969,843	2,219,843	2,219,843	0	0.0%
Subtotal		1,969,843	2,219,843	2,219,843	0	0.0%
Subtotal, Grants to LEAs		12,342,309	12,739,571	13,342,309	602,738	4.7%
Annual appropriation	D	5,154,008	5,551,270	5,959,008	407,738	7.3%
Advance for succeeding fiscal year	D	7,188,301	7,188,301	7,383,301	195,000	2.7%
2. Reading first:						
(a) Reading first State grants (ESEA I-B-1)						
Annual appropriation	D	828,923	846,600	1,041,600	195,000	23.0%
Advance for succeeding fiscal year	D	195,000	195,000	0	(195,000)	-100.0%
Subtotal		1,023,923	1,041,600	1,041,600	0	0.0%
(b) Early reading first (ESEA I-B-2)						
Subtotal, Reading first	D	94,439	104,160	104,160	0	0.0%
Subtotal, Reading first		1,118,362	1,145,760	1,145,760	0	0.0%
3. Striving readers (ESEA I-E section 1502)						
	D	0	24,800	200,000	175,200	706.5%
4. Even start (ESEA I-B-3)						
	D	246,910	225,095	0	(225,095)	-100.0%
5. Literacy through school libraries (ESEA I-B-4)						
	D	19,842	19,683	19,683	0	0.0%

NOTE: Category Codes are as follows: D = discretionary program; M = mandatory program.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)					2006	
Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	President's Request	Change from 2005 Appropriation	
					Amount	Percent
Education for the Disadvantaged (continued)						
6. High school intervention (ESEA V-D, Subpart 1)	D	0	0	1,240,000	1,240,000	---
7. State agency programs:						
(a) Migrant (ESEA I-C)	D	393,577	390,428	390,428	0	0.0%
(b) Neglected and delinquent (ESEA I-D)	D	48,395	49,600	49,600	0	0.0%
Subtotal		441,972	440,028	440,028	0	0.0%
8. Comprehensive school reform (ESEA I-F)	D	233,614	205,344	0	(205,344)	-100.0%
9. Evaluation (ESEA sections 1501 and 1503)	D	8,790	9,424	9,424	0	0.0%
10. Migrant education (HEA IV-A-5):						
(a) High school equivalency program	D	18,888	18,737	18,737	0	0.0%
(b) College assistance migrant program	D	15,657	15,532	15,532	0	0.0%
Subtotal		34,545	34,269	34,269	0	0.0%
Total, Appropriation	D	14,446,344	14,843,974	16,431,473	1,587,499	10.7%
Total, Budget authority	D	13,846,344	14,843,974	16,431,473	1,587,499	10.7%
Current		7,063,043 ¹	7,460,673 ¹	9,048,172 ¹	1,587,499	21.3%
Prior year's advance		6,783,301 ²	7,383,301	7,383,301	0	0.0%
Outlays, Total	D	12,486,303	14,638,210	14,823,492	185,282	1.3%

¹ Excludes an advance appropriation of \$7,383,301 thousand that becomes available on October 1 of the following fiscal year.

² Reflects an enacted \$2,244,000 thousand reduction in the fiscal year 2004 advance appropriations that were provided for this account in the fiscal year 2003 Department of Education Appropriations Act.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2004	2005	2006	Change from 2005 Appropriation	
		Appropriation	Appropriation	President's Request	Amount	Percent
Impact Aid (ESEA VIII)						
1. Payments for federally connected children (section 8003):						
(a) Basic support payments (section 8003(b))	D	1,063,687	1,075,018	1,075,018	0	0.0%
(b) Payments for children with disabilities (section 8003(d))	D	<u>50,369</u>	<u>49,966</u>	<u>49,966</u>	<u>0</u>	<u>0.0%</u>
Subtotal		1,114,056	1,124,984	1,124,984	0	0.0%
2. Facilities maintenance (section 8008)	D	7,901	7,838	7,838	0	0.0%
3. Construction (section 8007)	D	45,936	48,544	45,544	(3,000)	-6.2%
4. Payments for Federal property (section 8002)	D	<u>61,634</u>	<u>62,496</u>	<u>62,496</u>	<u>0</u>	<u>0.0%</u>
Total	D	1,229,527	1,243,862	1,240,862	(3,000)	-0.2%
<i>Outlays</i>	<i>D</i>	1,238,536	1,329,712	1,263,693	(66,019)	-5.0%

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	2006 President's Request	Change from 2005 Appropriation	
					Amount	Percent
School Improvement Programs						
1. Improving teacher quality (ESEA II):						
(a) Improving teacher quality State grants (Part A)						
Annual appropriation	D	1,495,126	1,481,605	1,481,605	0	0.0%
Advance for succeeding fiscal year	D	1,435,000	1,435,000	1,435,000	0	0.0%
Subtotal		2,930,126	2,916,605	2,916,605	0	0.0%
(b) Early childhood educator professional development (Part A-5, section 2151(e))	D	14,814	14,696	14,696	0	0.0%
(c) Mathematics and science partnerships (Part B)	D	149,115	178,560	269,000 ¹	90,440	50.6%
2. Educational technology State grants (ESEA II-D-1 and 2)	D	691,841	496,000	0	(496,000)	-100.0%
3. 21st Century community learning centers (ESEA IV-B)	D	999,070	991,077	991,077	0	0.0%
4. State grants for innovative programs (ESEA V Part A)	D	296,549	198,400	100,000	(98,400)	-49.6%
5. Javits gifted and talented education (ESEA V-D, subpart 6)	D	11,111	11,022	0	(11,022)	-100.0%
6. Foreign language assistance (ESEA V-D, subpart 9)	D	16,546	17,856	0	(17,856)	-100.0%
7. State assessments (ESEA VI-A-1)	D	390,000 ²	411,680	411,680	0	0.0%
8. High school assessments (ESEA I-E, section 1502)	D	0	0	250,000	250,000	---
9. Education for homeless children and youths (MVHAA Title VII-B)	D	59,646	62,496	62,496	0	0.0%
10. Education for Native Hawaiians (ESEA VII-B)	D	33,302	34,224	32,624	(1,600)	-4.7%
11. Alaska Native education equity (ESEA VII-C)	D	33,302	34,224	31,224	(3,000)	-8.8%
12. Training and advisory services (CRA IV)	D	7,243	7,185	7,185	0	0.0%
13. Rural education (ESEA VI-B)	D	167,831	170,624	170,624	0	0.0%
14. Supplemental education grants (Compact of Free Association Act)	D	0	18,183	18,183	0	0.0%
15. Comprehensive centers:						
(a) Comprehensive centers (ETAA section 203)	D	0	56,825	56,825	0	0.0%
(b) Comprehensive regional assistance centers (ERDDI Part K--expired)	D	27,654 ³	0	0	0	---
(c) Regional technology in education consortia (ESEA section 3141--expired)	D	9,876 ³	0	0	0	---
(d) Eisenhower regional mathematics and science education consortia (ERDDI Part M--expired)	D	14,814 ³	0	0	0	---
(e) Eisenhower National Clearinghouse for Mathematics and Science Education (ESEA section 2102(a)(2)--expired)	D	4,939 ³	0	0	0	---
Subtotal		57,283	56,825	56,825	0	0.0%
Total, Appropriation	D	5,857,779 ^{4, 5}	5,619,657	5,332,219	(287,438)	-5.1%
Total, Budget authority	D	5,857,779	5,619,657	5,332,219	(287,438)	-5.1%
Current		4,422,779 ⁶	4,184,657 ⁶	3,897,219 ⁶	(287,438)	-6.9%
Prior year's advance		1,435,000 ⁷	1,435,000	1,435,000	0	0.0%
Outlays, Total	D	7,218,814	7,086,135	5,950,157	(1,135,978)	-16.0%

¹ Includes \$120,000 thousand for a new initiative to accelerate the mathematics learning of high school students.

² Reflects a transfer of \$710 thousand from the FIE Programs of National Significance under the Innovation and Improvement account, pursuant to the authority provided in Section 304 of the Department of Education Appropriations Act, 2004.

³ Adjusted for comparability. Funds were provided under the Institute of Education Sciences account.

⁴ Adjusted for comparability. Includes \$57,283 thousand for programs appropriated under the Institute of Education Sciences account.

⁵ Adjusted for comparability. Excludes \$15 thousand transferred from the Safe Schools and Citizenship Education account to cover obligations for Safe and Drug-Free Schools and Communities National Programs made under the continuing resolutions in effect prior to enactment of the fiscal year 2004 appropriation on January 23, 2003.

⁶ Excludes an advance appropriation of \$1,435,000 thousand that becomes available on October 1 of the succeeding fiscal year.

⁷ Adjusted for comparability. Excludes an advance appropriation of \$330,000 thousand for Safe and Drug-Free Schools State Grants, which is shown in the Safe Schools and Citizenship Education account.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	2006 President's Request	Change from 2005 Appropriation	
					Amount	Percent
Education Reform Outlays	D	50,765	102,791	0	(102,791)	-100.0%
Reading Excellence Outlays	D	159,273	66,951	0	(66,951)	-100.0%
Chicago Litigation Settlement Outlays	D	522	410	410	0	0.0%
TOTAL APPROPRIATION, OESE		21,533,650	21,707,493	23,004,554	1,297,061	6.0%
TOTAL BUDGET AUTHORITY, OESE		20,933,650 ¹	21,707,493 ¹	23,004,554 ¹	1,297,061	6.0%

¹ Excludes advance appropriations totalling \$8,818,301 thousand that become available on October 1 of the following fiscal year.

OFFICE OF INDIAN EDUCATION

Indian Education (ESEA VII)

1. Grants to local educational agencies (Part A-1)	D	95,933	95,165	96,294	1,129	1.2%
2. Special programs for Indian children (Part A-2)	D	19,753	19,595	19,595	0	0.0%
3. National activities (Part A-3)	D	5,170	5,129	4,000	(1,129)	-22.0%
Total	D	120,856	119,889	119,889	0	0.0%
Outlays	D	114,434	129,891	120,210	(9,681)	-7.5%
TOTAL, OIE		120,856	119,889	119,889	0	0.0%

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2004	2005	2006	Change from 2005 Appropriation	
		Appropriation	Appropriation	President's Request	Amount	Percent
OFFICE OF INNOVATION AND IMPROVEMENT (OII)						
<i>Innovation and Improvement</i>						
1. Recruiting and training high quality teachers and principals:						
(a) Teacher incentive fund (ESEA V-D-1)	D	0	0	500,000	500,000	---
(b) Troops-to-teachers (ESEA II-C-1-A)	D	14,912	14,793	14,793	0	0.0%
(c) Transition to teaching (ESEA II-C-1-B)	D	45,295	44,933	44,933	0	0.0%
(d) National writing project (ESEA II-C-2)	D	17,894	20,336	0	(20,336)	-100.0%
(e) Teaching American history (ESEA II-C-4)	D	119,292	119,040	119,040	0	0.0%
(f) School leadership (ESEA section 2151(b))	D	12,346	14,880	0	(14,880)	-100.0%
(g) Advanced credentialing (ESEA section 2151(c))	D	18,391	16,864	8,000	(8,864)	-52.6%
2. School choice and flexibility (ESEA Title V):						
(a) Charter schools grants (Part B-1)	D	218,702	216,952	218,702	1,750	0.8%
(b) Credit enhancement for charter school facilities (Part B-2)	D	37,279	36,981	36,981	0	0.0%
(c) Voluntary public school choice (Part B-3)	D	26,757	26,543	26,543	0	0.0%
(d) Magnet schools assistance (Part C)	D	108,640	107,771	107,771	0	0.0%
(e) Choice incentive fund (Part D-1)	D	0	0	50,000	50,000	---
3. Advanced placement (ESEA I-G)	D	23,534	29,760	51,500	21,740	73.1%
4. School dropout prevention (ESEA I-H)	D	4,971	4,930	0	(4,930)	-100.0%
5. Close Up fellowships (ESEA section 1504)	D	1,481	1,469	0	(1,469)	-100.0%
6. Ready-to-learn television (ESEA II-D-3)	D	22,864	23,312	23,312	0	0.0%
7. FIE programs of national significance (ESEA V-D, subpart 1)	D	280,453 ¹	257,114	29,000	(228,114)	-88.7%
8. Adjunct teacher corps initiative (ESEA V-D, subpart I)	D	0	0	40,000	40,000	---
9. State scholars capacity building (ESEA V-D-1)	D	0	0	12,000	12,000	---
10. Reading is fundamental/Inexpensive book distribution (ESEA V-D, subpart 5)	D	25,185	25,296	25,296	0	0.0%
11. Star schools (ESEA V-D, subpart 7)	D	20,362	20,832	0	(20,832)	-100.0%
12. Ready to teach (ESEA V-D, subpart 8)	D	14,321	14,291	0	(14,291)	-100.0%
13. Exchanges with historic whaling and trading partners (ESEA V-D, subpart 12)	D	8,450	8,630	0	(8,630)	-100.0%
14. Excellence in economic education (ESEA V-D, subpart 13)	D	1,491	1,488	0	(1,488)	-100.0%
15. Mental health integration in schools (ESEA V-D, subpart 14, section 5541)	D	0	4,960	0	(4,960)	-100.0%
16. Foundations for learning (ESEA V-D, subpart 14, section 5542)	D	0	992	0	(992)	-100.0%
17. Arts in education (ESEA V-D, subpart 15)	D	35,071	35,633	0	(35,633)	-100.0%
18. Parental information and resource centers (ESEA V-D, subpart 16)	D	41,975	41,886	0	(41,886)	-100.0%
19. Women's educational equity (ESEA V-D, subpart 21)	D	2,962	2,956	0	(2,956)	-100.0%
Total	D	1,102,628	1,092,642	1,307,871	215,229	19.7%
<i>Outlays</i>	<i>D</i>	<i>60,499</i>	<i>754,142</i>	<i>1,044,919</i>	<i>290,777</i>	<i>38.6%</i>
TOTAL, OII		1,102,628	1,092,642	1,307,871	215,229	19.7%

¹ Reflects a transfer of \$710 thousand to State Assessments under the School Improvement Programs account, pursuant to the authority provided in Section 304 of the Department of Education Appropriations Act, 2004.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	2006 President's Request	Change from 2005 Appropriation	
					Amount	Percent
OFFICE OF SAFE AND DRUG-FREE SCHOOLS (OSDFS)						
Safe Schools and Citizenship Education						
1. Safe and drug-free schools and communities (ESEA IV-A):						
(a) State grants (Subpart 1)	D	440,908	437,381	0	(437,381)	-100.0%
(b) National programs (Subpart 2)						
(1) Alcohol abuse reduction (section 4129)	D	29,823	32,736	0	(32,736)	-100.0%
(2) Mentoring program (section 4130)	D	49,705	49,307	49,307	0	0.0%
(3) Other national programs (sections 4121, 4122, and 4125)	D	153,767	152,537	267,967	115,430	75.7%
Subtotal, National programs		233,295	234,580	317,274	82,694	35.3%
Subtotal		674,203	671,961	317,274	(354,687)	-52.8%
2. Character education (ESEA V-D, subpart 3)	D	24,691	24,493	24,493	0	0.0%
3. Elementary and secondary school counseling (ESEA V-D, subpart 2)	D	33,799	34,720	0	(34,720)	-100.0%
4. Physical education program (ESEA V-D, subpart 10)	D	69,587	73,408	55,000	(18,408)	-25.1%
5. Civic education (ESEA II, Part C-3):						
(1) We the People (section 2344)	D	16,790	17,211	0	(17,211)	-100.0%
(2) Cooperative education exchange (section 2345)	D	11,852	12,194	0	(12,194)	-100.0%
Subtotal		28,642	29,405	0	(29,405)	-100.0%
6. State grants for incarcerated youth offenders (HE Amendments of 1998, VIII-D)	D	19,882	21,824	0	(21,824)	-100.0%
7. Literacy programs for prisoners (NLA, section 601)	D	4,971	4,960	0	(4,960)	-100.0%
Total, Appropriation	D	855,775 ¹	860,771	396,767	(464,004)	-53.9%
Total, Budget authority	D	1,185,775	860,771	396,767	(464,004)	-53.9%
Current		855,775	860,771	396,767	(464,004)	-53.9%
Prior year's advance		330,000 ²	0	0	0	---
Outlays, Total	D	20,741	511,411	762,801	251,390	49.2%
TOTAL, APPROPRIATION, OSDFS		855,775	860,771	396,767	(464,004)	-53.9%
TOTAL, BUDGET AUTHORITY, OSDFS		1,185,775	860,771	396,767	(464,004)	-53.9%

¹ Adjusted for comparability. Includes \$15 thousand transferred to the School Improvement Programs account to cover obligations for Safe and Drug-Free Schools and Communities National Programs made under the continuing resolutions in effect prior to enactment of the fiscal year 2004 appropriation on January 23, 2003.

² Adjusted for comparability. The prior year's advance appropriation was provided in the School Improvement Programs account.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	2006 President's Request	<u>Change from 2005 Appropriation</u>	
					Amount	Percent
OFFICE OF ENGLISH LANGUAGE ACQUISITION						
<i>English Language Acquisition (ESEA III)</i>						
1. Language acquisition State grants (Part A)	D	681,215	675,765	675,765	0	0.0%
<i>Outlays</i>	<i>D</i>	<i>644,956</i>	<i>839,578</i>	<i>624,207</i>	<i>(215,371)</i>	<i>-25.7%</i>
TOTAL, OELA		681,215	675,765	675,765	0	0.0%

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)				2006	Change from 2005 Appropriation	
Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	President's Request	Amount	Percent
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES (OSERS)						
Special Education (IDEA)						
1. State grants:						
(a) Grants to States (Part B-611):						
Annual appropriation	D	4,655,106	5,176,746	4,893,746	(283,000)	-5.5%
Advance for succeeding fiscal year	D	5,413,000	5,413,000	6,204,000	791,000	14.6%
Subtotal		10,068,106	10,589,746	11,097,746	508,000	4.8%
(b) Preschool grants (Part B-619)	D	387,699	384,597	384,597	0	0.0%
(c) Grants for infants and families (Part C)	D	444,363	440,808	440,808	0	0.0%
Subtotal, State grants		10,900,168	11,415,151	11,923,151	508,000	4.5%
2. National activities (Part D):						
(a) State personnel development:						
(1) State personnel grants (Subpart 1)	D	0	50,653	0	(50,653)	-100.0%
(2) State improvement (Subpart 1)(Expired)	D	51,061	0	0	0	---
Subtotal		51,061	50,653	0	(50,653)	-100.0%
(b) Technical assistance and dissemination (section 663)	D	52,819	52,396	49,397	(2,999)	-5.7%
(c) Personnel preparation (section 662)	D	91,357	90,626	90,626	0	0.0%
(d) Parent information centers (sections 671-673)	D	26,173	25,964	25,964	0	0.0%
(e) Technology and media services (section 674)	D	39,129	38,816	31,992	(6,824)	-17.6%
(f) Special education-Vocational rehabilitation transition initiative (section 663)	D	0	0	5,000	5,000	---
Subtotal		260,539	258,455	202,979	(55,476)	-21.5%
Total, Appropriation	D	11,160,707 ¹	11,673,606	12,126,130	452,524	3.9%
Total, Budget authority	D	11,419,707	11,673,606	11,335,130	(338,476)	-2.9%
Current		5,747,707 ²	6,260,606 ²	5,922,130 ³	(338,476)	-5.4%
Prior year's advance		5,672,000	5,413,000	5,413,000	0	0.0%
Outlays, Total	D	9,749,398	10,226,542	11,344,053	1,117,511	10.9%

¹ Adjusted for comparability. Excludes \$78,125 thousand for Research in Special Education, which was appropriated in fiscal year 2005 and is requested in fiscal year 2006 under the Institute of Education Sciences account.

² Excludes an advance appropriation of \$5,413,000 thousand that becomes available on October 1 of the following fiscal year.

³ Excludes an advance appropriation of \$6,204,000 thousand that becomes available on October 1 of fiscal year 2007.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)				2006	Change from 2005 Appropriation	
Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	President's Request	Amount	Percent
Rehabilitation Services and Disability Research						
1. Vocational rehabilitation State grants:						
(a) Grants to States (RA I Part A, sections 110 and 111)	M	2,553,362	2,603,845	2,687,168	83,323	3.2%
(b) Grants to Indians (RA I-C)	M	30,800	32,000	33,024	1,024	3.2%
Subtotal		2,584,162	2,635,845	2,720,192	84,347	3.2%
Discretionary	D	0	0	0	0	---
Mandatory baseline	M	2,584,162	2,635,845	2,720,192	84,347	3.2%
2. Client assistance State grants (RA section 112)	D	11,997	11,901	11,901	0	0.0%
3. Training (RA section 302)	D	39,139	38,826	38,826	0	0.0%
4. Demonstration and training programs (RA section 303)	D	24,286	25,607	6,577	(19,030)	-74.3%
5. Migrant and seasonal farmworkers (RA section 304)	D	2,321	2,302	0	(2,302)	-100.0%
6. Recreational programs (RA section 305)	D	2,564	2,543	0	(2,543)	-100.0%
7. Protection and advocacy of individual rights (RA section 509)	D	16,790	16,656	16,656	0	0.0%
8. Projects with industry (RA VI-A)	D	21,799	21,625	0	(21,625)	-100.0%
9. Supported employment State grants (RA VI-B)	D	37,680	37,379	0	(37,379)	-100.0%
10. Independent living (RA VII):						
(a) State grants (Chapter 1, Part B)	D	22,020	22,816	22,816	0	0.0%
(b) Centers (Chapter 1, Part C)	D	73,563	75,392	75,392	0	0.0%
(c) Services for older blind individuals (Chapter 2)	D	31,811	33,227	33,227	0	0.0%
11. Program improvement (RA section 12(a))	D	889	843	843	0	0.0%
12. Evaluation (RA section 14)	D	988	1,488	1,488	0	0.0%
13. Helen Keller National Center for Deaf-Blind Youths and Adults (HKNCA)	D	8,666	10,581	8,597	(1,984)	-18.8%
14. National Institute on Disability and Rehabilitation Research (RA II)	D	106,652	107,783	107,783	0	0.0%
15. Assistive technology (ATA):						
(a) Assistive technology programs (sections 4, 5 and 6)	D	25,943	25,737	0	(25,737)	-100.0%
(b) Alternative financing (section 4(b)(2)(D))	D	0	4,023	15,000	10,977	272.9%
Subtotal		25,943	29,760	15,000	(14,760)	-49.6%
Subtotal		427,108	438,729	339,106	(99,623)	-22.7%
Total		3,011,270	3,074,574	3,059,298	(15,276)	-0.5%
Discretionary	D	427,108	438,729	339,106	(99,623)	-22.7%
Mandatory	M	2,584,162	2,635,845	2,720,192	84,347	3.2%
<i>Outlays, Total</i>		<i>2,893,992</i>	<i>3,350,748</i>	<i>3,074,329</i>	<i>(276,419)</i>	<i>-8.2%</i>
Discretionary	D	440,739	767,587	390,760	(376,827)	-49.1%
Mandatory	M	2,453,253	2,583,161	2,683,569	100,408	3.9%

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)						Change from 2005 Appropriation	
Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	2006 President's Request	Amount	Percent	
American Printing House for the Blind (20 U.S.C. 101 et seq.)	D	16,403	16,864	16,864	0	0.0%	
Outlays	D	18,627	20,602	16,864	(3,738)	-18.1%	
National Technical Institute for the Deaf (EDA I-B and section 207)							
1. Operations	D	53,118	53,672	53,672	0	0.0%	
2. Construction	D	365	1,672	800	(872)	-52.2%	
Total	D	53,483	55,344	54,472	(872)	-1.6%	
Outlays	D	53,751	51,433	54,603	3,170	6.2%	
Gallaudet University (EDA I-A and section 207)							
1. Operations	D	100,205	104,557	104,557	0	0.0%	
2. Construction	D	0	0	0	0	---	
Total	D	100,205	104,557	104,557	0	0.0%	
Outlays	D	100,205	98,284	104,557	6,273	6.4%	
Total, Special Institutions for Persons with Disabilities		170,091	176,765	175,893	(872)	-0.5%	
TOTAL APPROPRIATION, OSERS		14,342,068	14,924,945	15,361,321	436,376	2.9%	
Discretionary	D	11,757,906	12,289,100	12,641,129	352,029	2.9%	
Mandatory	M	2,584,162	2,635,845	2,720,192	84,347	3.2%	
TOTAL BUDGET AUTHORITY, OSERS		14,601,068	14,924,945	14,570,321	(354,624)	-2.4%	
Discretionary	D	12,016,906 ¹	12,289,100 ¹	11,850,129 ²	(438,971)	-3.6%	
Mandatory	M	2,584,162	2,635,845	2,720,192	84,347	3.2%	

¹ Excludes an advance appropriation of \$5,413,000 thousand that becomes available on October 1 of the following fiscal year.

² Excludes an advance appropriation of \$6,204,000 thousand that becomes available on October 1 of fiscal year 2007.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	2006 President's Request	Change from 2005 Appropriation	
					Amount	Percent
OFFICE OF VOCATIONAL AND ADULT EDUCATION (OVAE)						
Vocational and Adult Education						
1. Vocational education (Carl D. Perkins VTEA):						
(a) State grants (VTEA Title I and WIA section 503):						
Annual appropriation	D	404,008	403,331	0	(403,331)	-100.0%
Advance for succeeding fiscal year	D	791,000	791,000	0	(791,000)	-100.0%
Subtotal		1,195,008	1,194,331	0	(1,194,331)	-100.0%
(b) National programs (section 114)	D	11,852	11,757	0	(11,757)	-100.0%
(c) Occupational and employment information (section 118)	D	9,382	9,307	0	(9,307)	-100.0%
(d) Tech-prep education State grants (Title II)	D	106,665	105,812	0	(105,812)	-100.0%
(e) Tech-prep demonstration (section 207)	D	4,939	4,900	0	(4,900)	-100.0%
Subtotal, Vocational and technical education		1,327,846	1,326,107	0	(1,326,107)	-100.0%
2. Adult education (Adult Education and Family Literacy Act):						
(a) Adult basic and literacy education State grants (AEFLA and WIA section 503)	D	574,372	569,672	200,000	(369,672)	-64.9%
(b) National leadership activities (AEFLA section 243)	D	9,169	9,096	9,096	0	0.0%
(c) National Institute for Literacy (AEFLA section 242)	D	6,692	6,638	6,638	0	0.0%
Subtotal, Adult education		590,233	585,406	215,734	(369,672)	-63.1%
3. Smaller learning communities (ESEA V-D, subpart 4)	D	173,967	94,476	0	(94,476)	-100.0%
4. Community technology centers (ESEA V-D, subpart 11)	D	9,941	4,960	0	(4,960)	-100.0%
Total, Appropriation	D	2,101,987 ¹	2,010,949	215,734	(1,795,215)	-89.3%
Total, Budget authority	D	2,101,987	2,010,949	1,006,734	(1,004,215)	-49.9%
Current		1,310,987 ²	1,219,949 ²	215,734	(1,004,215)	-82.3%
Prior year's advance		791,000	791,000	791,000	0	0.0%
Outlays	D	1,945,155	2,030,362	1,927,825	(102,537)	-5.1%
TOTAL APPROPRIATION, OVAE		2,101,987	2,010,949	215,734	(1,795,215)	-89.3%
TOTAL BUDGET AUTHORITY, OVAE		2,101,987 ²	2,010,949 ²	1,006,734	(1,004,215)	-49.9%

¹ Adjusted for comparability. Excludes \$7,185 thousand in fiscal year 2004 for Tribally Controlled Postsecondary Vocational and Technical Institutions, which was appropriated in fiscal year 2005 and is requested in fiscal year 2006 under the Higher Education account.

² Excludes an advance appropriation of \$791,000 thousand that becomes available on October 1 of the succeeding fiscal year.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	2006 President's Request	Change from 2005 Appropriation	
					Amount	Percent
FEDERAL STUDENT AID (FSA)						
Student Financial Assistance						
1. Federal Pell grants (HEA IV-A-1):						
(a) Pell grants at \$4,050 maximum award	D	12,006,738	12,364,997	13,199,000	834,003	6.7%
(b) Incremental \$100 increase in Pell grant maximum award (proposed legislation)	M	0	0	420,000	420,000	---
(c) Retirement of current year shortfall (proposed legislation)	M	0	0	4,300,821	4,300,821	---
(d) Enhanced Pell grants for State scholars (proposed legislation)	D	0	0	33,000	33,000	---
Subtotal, Appropriation		12,006,738	12,364,997	17,952,821	5,587,824	45.2%
Subtotal, Discretionary	D	12,006,738	12,364,997	13,232,000	867,003	7.0%
Subtotal, Mandatory	M	0	0	4,720,821	4,720,821	---
Prior-year funding shortfall (non-add)	D	(2,627,556)	(3,737,818)	(4,300,821)		
Current-year funding shortfall (non-add)	D	3,737,818	4,300,821	0		
Subtotal, Program costs (non-add)		13,117,000	12,928,000	13,652,000	724,000	5.6%
Maximum award (in whole dollars)		\$4,050	\$4,050	\$4,150	100	2.5%
Recipients (in thousands)		5,302	5,330	5,468	138	2.6%
2. Campus-based programs:						
(a) Federal supplemental educational opportunity grants (HEA IV-A-3)	D	770,455	778,720	778,720	0	0.0%
(b) Federal work-study (HEA IV-C)	D	998,502	990,257	990,257	0	0.0%
(c) Federal Perkins loans (HEA IV-E):						
(1) Capital contributions	D	98,764	0	0	0	---
(2) Loan cancellations	D	66,665	66,132	0	(66,132)	-100.0%
Subtotal		165,429	66,132	0	(66,132)	-100.0%
Subtotal, Campus-based programs		1,934,386	1,835,109	1,768,977	(66,132)	-3.6%
3. Leveraging educational assistance partnership (HEA IV-A-4)	D	66,172 ^f	65,643 ^f	0	(65,643)	-100.0%
4. Presidential math and science scholars (proposed legislation)	D	0	0	50,000	50,000	---
Total	D	14,007,296	14,265,749	19,771,798	5,506,049	38.6%
Discretionary		14,007,296	14,265,749	15,050,977	785,228	5.5%
Mandatory		0	0	4,720,821	4,720,821	---
<i>Outlays, Total</i>		<i>14,853,709</i>	<i>14,563,223</i>	<i>14,940,789</i>	<i>377,566</i>	<i>2.6%</i>
<i>Discretionary</i>	<i>D</i>	<i>14,853,709</i>	<i>14,563,223</i>	<i>14,839,989</i>	<i>276,766</i>	<i>1.9%</i>
<i>Mandatory</i>	<i>M</i>	<i>0</i>	<i>0</i>	<i>100,800</i>	<i>100,800</i>	<i>---</i>

^f Includes \$36,172 thousand in fiscal year 2004 and \$35,643 thousand in fiscal year 2005 for Special LEAP, pursuant to HEA Section 415A(b)(2) which states that when the appropriation for LEAP exceeds \$30,000 thousand, the excess shall be reserved to carry out Special LEAP, authorized under HEA Section 415E.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	2004	2005	2006	Change from 2005 Appropriation	
		Appropriation	Appropriation	President's Request	Amount	Percent
Student Aid Administration						
1. Student aid administration (HEA I-D and IV-D, section 458):						
(a) Administrative costs	D	116,727	119,084	744,285	625,201	525.0%
(b) Payments for services to guaranty agencies	D	<u>0</u>	<u>0</u>	<u>195,000</u>	<u>195,000</u>	<u>---</u>
Subtotal		116,727	119,084	939,285	820,201	688.8%
2. Prior mandatory Federal administration (HEA IV-D section 458):						
(a) Federal administration	M	795,000	795,000	0	(795,000)	-100.0%
(b) Payments for services to guaranty agencies (non-add)	M	<u>195,000</u>	<u>195,000</u>	<u>0</u>	<u>(195,000)</u>	<u>-100.0%</u>
Subtotal		795,000 ¹	795,000 ¹	0	(795,000)	-100.0%
Total		911,727	914,084	939,285	25,201	2.8%
Discretionary	D	116,727	119,084	939,285	820,201	688.8%
Mandatory	M	795,000	795,000	0	(795,000)	-100.0%
<i>Outlays</i>	<i>D</i>	<i>114,886</i>	<i>104,620</i>	<i>650,372</i>	<i>545,752</i>	<i>521.7%</i>

¹ Adjusted for comparability. Funds were provided in the Federal Direct Student Loans Program Account.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	2004	2005	2006	Change from 2005 Appropriation	
		Appropriation	Appropriation	President's Request	Amount	Percent
Federal Direct Student Loan Program Account						
1. New loan subsidies (HEA IV-B)	M	(169,375)	(88,639)	(669,425)	(580,786)	-655.2%
2. Reestimate of existing loans	M	2,626,597	1,011,845	0	(1,011,845)	-100.0%
3. Modification of existing loans	M	0	(286,212)	0	286,212	-100.0%
Subtotal, loan subsidies		2,457,222	636,994	(669,425)	(1,306,419)	205.1%
4. Federal administration (HEA IV-D section 458):						
(a) Mandatory	M	0	0	795,000	795,000	---
(b) Discretionary, modification of mandatory account	D	0	0	(795,000)	(795,000)	---
Subtotal, Federal administration		0 ¹	0 ¹	0	0	---
Total		2,457,222	636,994	(669,425)	(1,306,419)	205.1%
Discretionary	D	0	0	(795,000)	(795,000)	---
Mandatory	M	2,457,222	636,994	125,575	(511,419)	-80.3%
<i>Outlays, Total</i>	<i>M</i>	<i>3,246,326</i>	<i>1,333,342</i>	<i>(430,309)</i>	<i>(1,763,651)</i>	<i>132.3%</i>
<i>Federal administration--mandatory</i>	<i>M</i>	<i>789,104</i>	<i>696,348</i>	<i>706,526</i>	<i>10,178</i>	<i>1.5%</i>
<i>Loan subsidies--mandatory</i>	<i>M</i>	<i>2,457,222</i>	<i>636,994</i>	<i>(669,425)</i>	<i>(1,306,419)</i>	<i>205.1%</i>
<i>Funds returned to Treasury (non-add)</i>	<i>M</i>	<i>(272,006)</i>	<i>(1,048,210)</i>	<i>(669,425)</i>	<i>378,785</i>	<i>36.1%</i>
<i>Discretionary, modification of mandatory account</i>	<i>D</i>	<i>0</i>	<i>0</i>	<i>(467,410)</i>	<i>(467,410)</i>	<i>0.0%</i>
Federal Family Education Loan Program Account (HEA IV-B)						
1. New loan subsidies	M	9,601,615	10,111,488	6,556,324	(3,555,164)	-35.2%
2. Reestimate of existing loans	M	(3,620,994)	592,658	0	(592,658)	-100.0%
3. Modification of existing loans	M	0	1,039,778	0	(1,039,778)	-100.0%
Total, FFEL Program Account		5,980,621	11,743,924	6,556,324	(5,187,600)	-44.2%
<i>Outlays, Total</i>	<i>M</i>	<i>5,274,822</i>	<i>10,977,062</i>	<i>6,058,881</i>	<i>(4,918,181)</i>	<i>-44.8%</i>
Federal Family Education Loans Liquidating Account (HEA IV-B)						
1. Pre-1992 student loans	M	(179,625)	(834,864)	(712,601)	122,263	14.6%
<i>Outlays</i>	<i>M</i>	<i>(476,011)</i>	<i>(784,247)</i>	<i>(712,601)</i>	<i>71,646</i>	<i>9.1%</i>
<i>Funds returned to Treasury (non-add)</i>	<i>M</i>	<i>(1,116,765)</i>	<i>(1,137,166)</i>	<i>(712,601)</i>	<i>424,565</i>	<i>37.3%</i>

¹ Adjusted for comparability. Excludes mandatory funds of \$795,000 thousand in fiscal years 2004 and 2005 for Federal administration costs, which are requested in fiscal year 2006 as discretionary funds in the Student Aid Administration account.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	2006 President's Request	Change from 2005 Appropriation	
					Amount	Percent
Federal Student Loan Reserve Fund (HEA IV-B section 422A)						
Outlays	M	(137,173)	17,248	(136,493)	(153,741)	-891.4%
Loans for Short-Term Training						
1. New loans (proposed legislation)	D	0	0	11,000 ¹	11,000	---
Outlays	D	0	0	11,000	11,000	---
TOTAL, FSA		23,177,241	26,725,887	25,896,381	(829,506)	-3.1%
Total, Discretionary	D	14,124,023	14,384,833	15,206,262	821,429	5.7%
Total, Mandatory	M	9,053,218	12,341,054	10,690,119	(1,650,935)	-13.4%

¹ Actual program costs are estimated to be \$10 million due to an anticipated receipt of \$1 million in negative subsidies.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	2004	2005	2006	Change from 2005 Appropriation	
		Appropriation	Appropriation	President's Request	Amount	Percent
OFFICE OF POSTSECONDARY EDUCATION (OPE)						
Higher Education						
1. Aid for institutional development (HEA III):						
(a) Strengthening institutions (Part A, section 311)	D	80,986	80,338	80,338	0	0.0%
(b) Strengthening tribally controlled colleges and universities (Part A, section 316)	D	23,287	23,808	23,808	0	0.0%
(c) Strengthening Alaska Native and Native Hawaiian-serving institutions (Part A, section 317)	D	10,935	11,904	6,500	(5,404)	-45.4%
(d) Strengthening HBCUs (Part B, section 323)	D	222,764	238,576	240,500	1,924	0.8%
(e) Strengthening historically black graduate institutions (Part B, section 326)	D	53,100	58,032	58,500	468	0.8%
(f) Minority science and engineering improvement (Part E-1)	D	8,889	8,818	8,818	0	0.0%
Subtotal		399,961	421,476	418,464	(3,012)	-0.7%
2. Other aid for institutions:						
(a) Developing Hispanic-serving institutions (HEA V)	D	93,993	95,106	95,873	767	0.8%
(b) International education and foreign language studies:						
(1) Domestic programs (HEA VI-A and B)	D	89,211	92,466	92,466	0	0.0%
(2) Overseas programs (MECEA section 102(b)(6))	D	12,840	12,737	12,737	0	0.0%
(3) Institute for International Public Policy (HEA VI-C)	D	1,629	1,616	1,616	0	0.0%
Subtotal		103,680	106,819	106,819	0	0.0%
(c) Fund for the Improvement of Postsecondary Education (HEA VII-B)	D	156,905 ¹	162,604	22,211	(140,393)	-86.3%
(d) Demonstration projects to ensure quality higher education for students with disabilities (HEA VII-D)	D	6,913	6,944	0	(6,944)	-100.0%
(e) Interest subsidy grants (HEA section 121)	D	1,988	1,488	0	(1,488)	-100.0%
(f) Tribally controlled postsecondary vocational and technical institutions (VTEA section 117)	D	7,185 ²	7,440	7,440	0	0.0%
3. Assistance for students:						
(a) Federal TRIO programs (HEA IV-A-2, Chapter 1)	D	832,559	836,543	369,390	(467,153)	-55.8%
(b) Gaining early awareness and readiness for undergraduate programs (GEAR UP) (HEA IV-A-2, Chapter 2)	D	298,230	306,488	0	(306,488)	-100.0%
(c) Scholarships and fellowships:						
(1) Byrd honors scholarships (HEA IV-A-6)	D	40,758	40,672	0	(40,672)	-100.0%
(2) Javits fellowships (HEA VII-A-1)	D	9,876	9,797	9,797	0	0.0%
(3) Graduate assistance in areas of national need (HEA VII-A-2)	D	30,616	30,371	30,371	0	0.0%
(4) Thurgood Marshall legal educational opportunity program (HEA VII-A-3)	D	0	2,976	0	(2,976)	-100.0%
(5) B.J. Stupak Olympic scholarships (HE Amendments of 1992, section 1543)	D	988	980	0	(980)	-100.0%
(d) Child care access means parents in school (HEA IV-A-7)	D	16,099	15,970	15,970	0	0.0%
4. Community college access (HEA VII-B)	D	0	0	125,000	125,000	---
5. Teacher quality enhancement (HEA II-A)	D	88,888	68,337	0	(68,337)	-100.0%
6. GPRA data/HEA program evaluation (Department of Education Appropriations Act)	D	988	980	980	0	0.0%
7. Underground railroad program (HE Amendments of 1998, VIII-H)	D	2,222	2,204	0	(2,204)	-100.0%
Total	D	2,091,849	2,117,195	1,202,315	(914,880)	-43.2%
Outlays	D	2,041,113	2,205,433	2,092,582	(112,851)	-5.1%

¹ Pursuant to section 14004 of the Department of Defense Appropriations Act, 2005, reflects a rescission of \$795 thousand in Department of Education funds.

² Adjusted for comparability. Funds were provided under the Vocational and Adult Education account.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	2006 President's Request	Change from 2005 Appropriation	
					Amount	Percent
Howard University						
1. Howard University Hospital (20 U.S.C. 128)	D	29,999	29,759	29,759	0	0.0%
2. General support (20 U.S.C. 121 et seq.)	D	208,764	209,030	209,030	0	0.0%
Total	D	238,763	238,789	238,789	0	0.0%
<i>Outlays</i>	<i>D</i>	<i>242,388</i>	<i>227,801</i>	<i>239,002</i>	<i>11,201</i>	<i>4.9%</i>
College Housing and Academic Facilities Loans Program Account (HEA section 121)						
1. Federal administration (FCRA section 505(e))	D	769	573	573	0	0.0%
<i>Outlays</i>	<i>D</i>	<i>827</i>	<i>903</i>	<i>603</i>	<i>(300)</i>	<i>-33.2%</i>
College Housing and Academic Facilities Loans Liquidating Account (HEA section 121)						
1. College housing and academic facilities loans	M	(3,596)	(97)	(525)	(428)	441.2%
<i>Outlays</i>	<i>M</i>	<i>(3,784)</i>	<i>(97)</i>	<i>(525)</i>	<i>(428)</i>	<i>441.2%</i>
Historically Black College and University Capital Financing Program Account (HEA III-D)						
1. Federal administration (FCRA section 505(e))	D	209	210	210	0	0.0%
<i>Outlays</i>	<i>D</i>	<i>151</i>	<i>292</i>	<i>222</i>	<i>(70)</i>	<i>-24.0%</i>
Higher Education Facilities Loans Liquidating Account (HEA section 121)						
1. Higher education facilities loans	M	(1,887)	(1,373)	(1,333)	40	-2.9%
<i>Outlays</i>	<i>M</i>	<i>(1,902)</i>	<i>(1,373)</i>	<i>(1,333)</i>	<i>40</i>	<i>-2.9%</i>
College Housing Loans Liquidating Account (HEA section 121)						
1. College housing loans	M	(31,415)	(24,335)	(23,223)	1,112	-4.6%
<i>Outlays</i>	<i>M</i>	<i>(31,691)</i>	<i>(24,335)</i>	<i>(23,223)</i>	<i>1,112</i>	<i>-4.6%</i>
TOTAL, OPE		2,294,692	2,330,962	1,416,806	(914,156)	-39.2%
Total, Discretionary	D	2,331,590	2,356,767	1,441,887	(914,880)	-38.8%
Total, Mandatory	M	(36,898)	(25,805)	(25,081)	724	-2.8%

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)						<u>Change from 2005 Appropriation</u>	
Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	2006 President's Request	Amount	Percent	
INSTITUTE OF EDUCATION SCIENCES (IES)							
<i>Institute of Education Sciences</i>							
1. Research and statistics:							
(a) Research, development, and dissemination (ESRA I-A, B and D)	D	165,518	164,194	164,194	0	0.0%	
(b) Statistics (ESRA I-C)	D	91,664	90,931	90,931	0	0.0%	
2. Regional educational laboratories (ESRA section 174)	D	66,665	66,131	0	(66,131)	-100.0%	
3. Assessment (NAEPAA):							
(a) National assessment (section 303)	D	89,703	88,985	111,485	22,500	25.3%	
(b) National Assessment Governing Board (section 302)	D	<u>5,060</u>	<u>5,088</u>	<u>5,088</u>	<u>0</u>	<u>0.0%</u>	
Subtotal		94,763	94,073	116,573	22,500	23.9%	
5. Research in special education (ESRA, Part E)	D	78,125 ¹	83,104	72,566	(10,538)	-12.7%	
6. Statewide data systems (ETAA section 208)	D	0	24,800	24,800	0	0.0%	
7. Special education studies and evaluations (IDEA, section 664)	D	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>	<u>---</u>	
Total	D	496,735 ²	523,233	479,064	(44,169)	-8.4%	
Outlays	D	435,219	630,902	509,091	(121,811)	-19.3%	
TOTAL, IES		496,735	523,233	479,064	(44,169)	-8.4%	

¹ Adjusted for comparability. Funds were provided under the Special Education account.

² Adjusted for comparability. Excludes a total of \$57,283 thousand in fiscal year 2004 for programs appropriated in fiscal year 2005 under the School Improvement Programs account.

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)							
Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	2006 President's Request	Change from 2005 Appropriation		
					Amount	Percent	
DEPARTMENTAL MANAGEMENT							
<i>Program Administration (DEOA)</i>							
1. Salaries and expenses	D	406,883	419,280	418,992	(288)	-0.1%	
2. Building modernization	D	13,496	0	0	0	---	
Total	D	420,379	419,280	418,992	(288)	-0.1%	
<i>Outlays</i>	<i>D</i>	<i>402,275</i>	<i>387,790</i>	<i>429,569</i>	<i>41,779</i>	<i>10.8%</i>	
<i>Office for Civil Rights (DEOA, section 203)</i>							
1. Salaries and expenses	D	88,305	89,375	91,526	2,151	2.4%	
<i>Outlays</i>	<i>D</i>	<i>82,645</i>	<i>88,944</i>	<i>90,056</i>	<i>1,112</i>	<i>1.3%</i>	
<i>Office of the Inspector General (DEOA, section 212)</i>							
1. Salaries and expenses	D	46,624	47,327	49,408	2,081	4.4%	
<i>Outlays</i>	<i>D</i>	<i>40,268</i>	<i>48,718</i>	<i>49,326</i>	<i>608</i>	<i>1.2%</i>	
TOTAL, DEPARTMENTAL MANAGEMENT		555,308	555,982	559,926	3,944	0.7%	

DEPARTMENT OF EDUCATION FISCAL YEAR 2006 PRESIDENT'S BUDGET

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2004 Appropriation	2005 Appropriation	2006 President's Request	Change from 2005 Appropriation	
					Amount	Percent
Contributions (DEOA, section 421)	M	0	0	0	0	---
Outlays	M	0	0	0	0	---
General Fund Receipts:						
1. Perkins loan repayments	M	(50,000)	(50,000)	0	50,000	-100.0%
2. CHAFL downward reestimate of loan subsidies	M	(39)	(77)	0	77	-100.0%
3. Loans for short-term training negative subsidies	D	0	0	(1,000)	(1,000)	---
Total		(50,039)	(50,077)	(1,000)	49,077	-98.0%
Discretionary	D	0	0	(1,000)	(1,000)	---
Mandatory	M	(50,039)	(50,077)	0	50,077	-100.0%
Outlays, Total		(50,039)	(50,077)	(1,000)	49,077	-98.0%
Discretionary	D	0	0	(1,000)	(1,000)	---
Mandatory	M	(50,039)	(50,077)	0	50,077	-100.0%
APPROPRIATION TOTAL, EDUCATION DEPARTMENT		67,212,116	71,478,441	69,433,078	(2,045,363)	-2.9%
Discretionary funds	D	55,661,673	56,577,424	56,047,848	(529,576)	-0.9%
Mandatory funds	M	11,550,443	14,901,017	13,385,230	(1,515,787)	-10.2%
BUDGET AUTHORITY TOTAL, EDUCATION DEPARTMENT		67,201,116	71,478,441	69,433,078	(2,045,363)	-2.9%
Discretionary funds	D	55,650,673 ¹	56,577,424 ¹	56,047,848 ¹	(529,576)	-0.9%
Mandatory funds	M	11,550,443	14,901,017	13,385,230	(1,515,787)	-10.2%
OUTLAYS TOTAL, EDUCATION DEPARTMENT		62,790,000	70,963,351	64,878,129	(6,085,222)	-8.6%
Discretionary funds	D	52,516,199	56,912,667	56,871,953	(40,714)	-0.1%
Mandatory funds	M	10,273,801	14,050,684	8,006,176	(6,044,508)	-43.0%

¹ Excludes a total of \$15,022,301 thousand in advance appropriations that becomes available on October 1 of the following fiscal year.

NOTE: Appropriation totals displayed above reflect the total funds provided in the year of appropriation, including advance appropriation amounts that do not become available until the succeeding fiscal year. The total budget authority reflects funds that become available in the fiscal year shown, which includes new amounts provided for that fiscal year and amounts advanced from the prior year's appropriation.