

# DEPARTMENT OF EDUCATION

## The President's Proposal:

- Increases Title I Grants to local educational agencies to help schools in high-poverty communities implement the No Child Left Behind Act;
- Increases Special Education Grants to states to help meet the needs of students with disabilities and lay the groundwork for upcoming legislative reform;
- Reforms vocational education to hold high schools and community colleges accountable for positive student outcomes and provide states the flexibility to use these funds to support ongoing efforts under the No Child Left Behind Act; and
- Increases Pell Grant funding for postsecondary students to maintain the maximum award at \$4,000 and address the program's current financial shortfall.

## The Department's Major Challenges:

- Implementing the No Child Left Behind accountability reforms successfully; and
- Expanding accountability reforms to other programs throughout the Department.

### Department of Education

Rod Paige, Secretary

[www.ed.gov](http://www.ed.gov) 800-USA-LEARN

**Number of Employees:** 4,620

**2003 Spending:** \$59.5 billion

**Major Assets:** 10 regional and 11 field offices.

The Department of Education's primary mission is to ensure equal access to education and promote educational excellence for all students throughout the nation. To achieve this mission, the Department: 1) provides formula and competitive grants to states and local educational agencies to support improvement of elementary and secondary education; 2) implements student financial assistance and higher

education programs designed to ensure that postsecondary education is affordable and attainable; 3) conducts research and disseminates information on the best educational practices; and 4) produces statistics on the condition of education in the United States.

In 2004, the Department must ensure that states, school districts, and local schools implement the reforms of the No Child Left Behind Act (NCLB). Specifically, schools will be held accountable for improving student achievement; parents and students will be provided more information and educational choices if their schools are not measuring up; states, local educational agencies, and schools will be provided the flexibility to use federal funds in a manner that best reflects state and local needs and priorities; and federal funds will be used to implement programs that reflect scientifically based research.

The Department must also broaden the reach of the President’s education reform and accountability agenda beyond K-12 to include students served under federal special education and vocational and adult education programs. With the NCLB reforms as a model, the Department will work to establish new program goals as well as measurement and accountability standards.

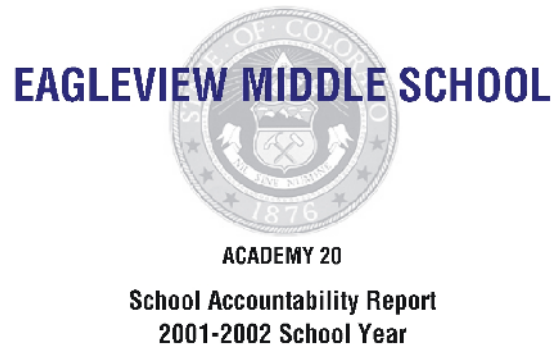
## Elementary and Secondary Education

Federal support of public education is changing in profound ways. The President’s sweeping reforms passed in the No Child Left Behind Act of 2001 make fundamental improvements in elementary and secondary education by supporting accountability for results, expanded parental choice, increased local flexibility, and a focus on what works. Our children deserve no less. Far too many of them are being left behind now; national reading tests show that two-thirds of fourth graders in high-poverty schools cannot read at a basic level.

States will now hold all public schools accountable for improving student achievement through: tough state academic standards; annual progress goals ensuring that all students reach proficiency in reading and math by the 2013–14 school year; and annual testing for all students in grades three through eight. Poorly performing districts and schools will receive assistance, then face increasingly tough consequences aimed at getting them on course. Children will not be trapped in failing schools; students will be permitted to transfer to better public schools or, over time, obtain outside help from a public or private tutor of their choice. States and districts will have the flexibility to shift some federal funds from one program to another in order to best meet local needs.

The 2002–2003 school year is the first for NCLB implementation. States are designing their accountability systems, which will face a rigorous peer review process that ensures that every state, district and school raises achievement for every child. One of the keys to the President’s reforms is annual testing in grades 3–8; 17 states already incorporate such testing into their accountability framework. By 2005–2006, all states must have these tests in place.

The funds from the 2004 Budget will support the third year of NCLB reforms. Many schools that thus far have gotten by without raising achievement for each student may soon be considered low-performing under the new system, and their students will then have the option to transfer to a better public school. Annual state and local report cards will show whether schools are helping all



School Performance Summary	
<b>Overall Academic Performance</b>	High
<b>Academic Improvement:</b> <small>Rating calculated pursuant to section 22-7-604 (6)</small>	Stable

### How Eagleview Middle School Compares To Nearby Middle Schools

School	Academic Performance
Holmes Middle School(1)	High
Mann Middle School(1)	Average
Mountain Ridge Middle School	High
Russell Middle School(1)	Average
East Middle School(1)	Low
Manitou Springs Middle School(2)	High
North Middle School(1)	Average
West Intergenerational Center(1)	Average
Challenger Middle School	High
Sabin Middle School(1)	High

1 Located in Colorado Springs 11 School District.  
2 Located in Manitou Springs 14 School District.

Under NCLB, every parent will have access to a report card (similar to the example above) so that parents will be able to make informed choices about their child’s education.

types of students, including low-income, minority, limited English proficient and those with disabilities. These public report cards will give parents the information they need to monitor schools, and will give schools and districts strong incentives to use NCLB funds to teach effectively.

### **Title I Grants to Local Education Agencies**

Title I is the foundation of the NCLB reforms. The 2004 Budget requests \$12.4 billion for Title I, a \$1 billion, or nine percent, increase over the 2003 request. The request would result in an increase of 56 percent since 2000. Of this total, the amount states may reserve to assist schools in need of improvement will double to nearly \$500 million. In addition, the budget includes \$390 million for Grants for State Assessments to help put in place testing in grades three through eight. These increases will help states meet the challenges of the groundbreaking NCLB reforms.

### **Reading First and Early Reading First**

Reading First is the President's signature effort to use high-quality, research-based reading instruction so that every child can read at grade level or above by the end of third grade. The Reading First program, initiated through the NCLB Act, provides funds to states to support only scientifically proven reading practices. The 2004 Budget proposes \$1.05 billion for this program, \$50 million over the 2003 request. The budget also includes \$100 million for Early Reading First, a \$25 million increase, to develop model early childhood literacy and pre-reading programs for schools serving high-poverty communities.



President Bush visits with students at B.W. Tinker Elementary School in Waterbury, Connecticut.

### **Choice**

No Child Left Behind provides unprecedented choice for parents of children trapped in low-performing schools. To support and enhance its reforms, the budget provides \$220 million for Charter School Grants, \$100 million for Credit Enhancement for Charter School Facilities, \$110 million for Magnet Schools, and \$75 million for the new Choice Incentive Fund. The new fund will help increase the capacity of state and local districts to provide parents, particularly low-income parents, more options for maintaining a quality education for their children who are trapped in low-performing schools.

### **Mentoring**

To help bridge the transition between childhood and adulthood while using citizen service to further engage Americans in public education, the President proposes a new \$100 million Mentoring initiative. This initiative would support the development, expansion, and strengthening of exemplary school-based mentoring programs that meet the needs of at-risk middle school students.

### **Reductions**

Consistent with the President's insistence on performance, the budget reverses the growth of several programs that, while well intentioned, have failed to produce results, including Safe and Drug Free Schools State Grants, Even Start, and 21<sup>st</sup> Century Community Learning Centers. A portion of the funds for these programs are being redirected to other programs, such as Title I and Reading

First, that hold more promise for improving educational outcomes. (For further discussion of Safe and Drug Free Schools and Even Start, see the Performance Evaluation of Select Programs section of this chapter and the Department's chapter in the *Performance and Management Assessments* volume.)

## Special Education

About 6.5 million children received special education services in 2002, up from 4.7 million in 1992, making it one of the fastest growing areas of education. The budget requests a \$1 billion increase for special education to help states and localities meet their responsibilities. More importantly, this year the Administration will work with the Congress to renew the Individuals with Disabilities Education Act (IDEA), consistent with the framework of the No Child Left Behind law.

Since 1975, the federal government has played an important role in ensuring that children with disabilities receive the best possible public education. In each of his first two years, the President requested \$1 billion increases for IDEA Grants to States, the largest boosts ever requested by a President. This year, the budget requests another \$1 billion increase to help states and localities educate children with disabilities, for a total of \$9.5 billion. The budget also provides \$447 million for states to serve infants and toddlers with disabilities, a \$10 million increase. Research shows that early intervention may help reduce or eliminate the need for special education when children enter school.

However, money alone is not enough. While the President is committed to the principles of the IDEA law, it is in need of significant reform. Last year, President Bush created a Commission on Excellence in Special Education to provide a blueprint for a new IDEA. This year presents a unique opportunity to work with the Congress to renew the decades-old IDEA law based on up-to-date research and the educational reform principles in No Child Left Behind. The new IDEA proposal will include the following:

### According to Parents, IDEA Needs Reform

A majority of parents with children in special education (52 percent) agree that "better programs and policies, not more money, is the best way to improve special education."

Public Agenda  
2002

- strengthened accountability for states to improve results for children with disabilities, using IDEA funds for performance awards and technical assistance;
- promotion of pre-referral interventions and identification methods that will help ensure that children who need special education are identified early and are not misidentified as having disabilities because they never received appropriate instruction (in areas such as reading) in the early years; and
- reduction of paperwork and administrative tasks so that school personnel can focus on the needs of children, rather than bureaucracy.

## Education for the Workforce

Last year, the President launched a multi-year effort to reform federal job training programs with proposals to consolidate or eliminate various ineffective, duplicative, and overlapping programs. This year, the laws authorizing many federal job training programs are set to expire. The 2004 Budget, therefore, sets out to build on previous reforms to consolidate and eliminate ineffective programs and incorporate the No Child Left Behind framework. This will ensure that federal fund recipients are accountable for results and given greater flexibility to achieve them.

At the Department of Education, these efforts translate into proposals for sweeping vocational and adult education reforms, and a close examination of vocational rehabilitation programs, which are due for renewal in 2005. In anticipation of these reforms, the Department worked with the Department of Labor and five other federal agencies to develop several “common” performance measures that clarify the core goals of federal job training programs and allow cross-program comparisons. These measures will allow the Administration and the Congress to assess the effectiveness of reform efforts, informing future federal budget decisions such as where to target dollars. (See the Department of Labor chapter for further discussion of the common measures initiative and job training reform.)

## Vocational Education

The Department provides grants to states to support programs intended to develop the academic, vocational, and technical skills of high school and community college students. However, decades of increasing federal investment, and various attempts at program reform, have produced little or no evidence that the Department’s vocational education programs lead to improved outcomes. Since the most recent reform effort in 1998, the federal government has spent close to \$6 billion on these programs, despite a continuing absence of significant outcomes or improvements. The President’s insistence on accountability and performance calls for an end to this type of investment that does not produce results.

### Summary of PART Evaluation for Vocational Education State Grants Program

Overall Rating: Ineffective

Key Findings:

- National evaluations and annual performance data show the program having little or no benefit to high school students in terms of academic performance, job skills, and postsecondary degrees.
- There is no accountability for how community college funds are used and no meaningful connection to student outcomes.
- States need the flexibility to combine various federal funding streams so that resources can be targeted to areas where students can best be served.

Recommendation: Adopt program reforms consistent with NCLB accountability framework and provide states the flexibility to combine high school funding streams.

The Administration used the new Program Assessment Rating Tool (PART) to identify strengths and weaknesses of the Vocational Education program to inform recommendations on legislative reforms and resource levels. As highlighted in the accompanying summary, the PART analysis for the Vocational Education State Grants program demonstrates the need for a significantly different approach. Several independent evaluations have documented its ineffectiveness in increasing students’ academic and job-related skills or helping students get into, and complete, college. (For further discussion of PART results for Department of Education programs, see the Performance Evaluation of Select Programs section of this chapter and the Department’s chapter in the *Performance and Management Assessments* volume.)

The President's education and job training reform agenda proposes to reform vocational education using the No Child Left Behind framework for accountability and flexibility. Funds provided under this program will be contingent on a rigorous assessment that improved student outcomes are being achieved. Where possible, programs should be consolidated to simplify federal requirements and streamline delivery of services.

States and school districts receiving federal funds will have the flexibility to design high quality programs that enhance student achievement, but they must also have in place accountability systems to monitor and report on student performance. Moreover, states will have the option to redirect funds from this program into their Title I programs. This approach gives states the flexibility to combine two separate federal funding streams serving high schools in a single program, simplifying program requirements and streamlining the delivery of educational services. States will also be provided funds to create, at their discretion, programs to develop high-quality end-of-course high school exams.

For postsecondary schools, states will distribute funds competitively to community and technical colleges that partner with local high schools and members of the business community. These grants will support efforts to improve students' transitions from high school to college and college to the workforce. Whether a school receives funding under this program will be based on success in achieving measurable student outcomes, such as degree attainment, job placement, retention, and earnings.

## **Education for Adults**

The Department awards grants to states to help adults become literate, obtain a high school diploma or its equivalent, and learn skills necessary for work or self sufficiency. While this program has demonstrated positive results for some adult students in terms of reading gains and job placements, most students being served by these programs are not seeing measurable benefits. Therefore, the budget proposes significant reforms to the Adult Education programs designed to improve their performance and increase accountability for results. Federal resources will be targeted to educational approaches that have proven effective in increasing reading and math skills. New accountability provisions will ensure that grantee funds are contingent on achieving real and measurable outcomes, such as the number of participants who obtain high school degrees or find a job. (For further discussion see the *Performance and Management Assessments* volume.)

## **Vocational Rehabilitation**

The budget provides nearly \$3 billion for vocational rehabilitation programs that support the President's New Freedom Initiative goals and guide individuals with disabilities to employment and independent living. The funding for Vocational Rehabilitation State Grants (VR) will increase to ensure states can maintain service levels, helping over 243,000 individuals with disabilities obtain and retain jobs with higher incomes. The PART analysis and independent research have shown that VR programs provide positive employment results for people with disabilities who continue to experience workplace obstacles. However, there is still room for improvement. The Administration is exploring ways to increase employment opportunities and program accountability through management reforms and legislative changes for the coming update of the main VR law.

## Postsecondary Education

The budget increases student aid funding for the neediest students, expands loan forgiveness for math, science, and special education teachers in high poverty schools, and increases grants for Historically Black Colleges and Universities and Hispanic Serving Institutions, which provide postsecondary educational opportunities for some of the nation’s most disadvantaged students.

*Our public institutions of higher education have to improve their completion and retention rates of students once they enroll—so students can learn the skills they need to get the jobs they want.*

Secretary Paige  
September 2002

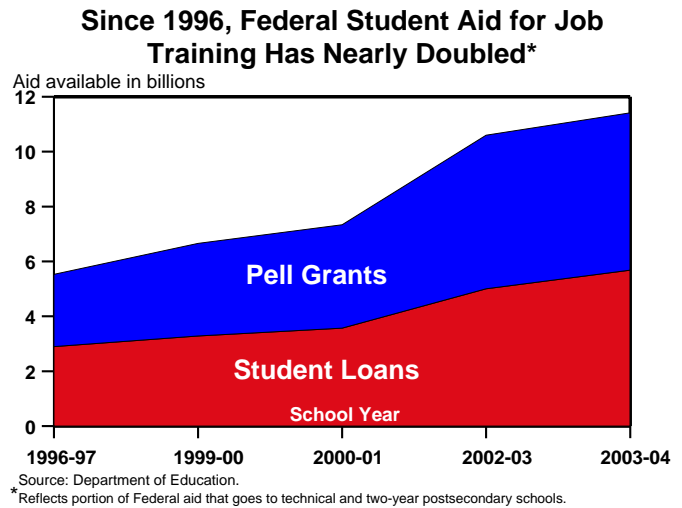
This past year, four higher education programs were assessed using the PART. This analysis has provided a strong foundation for the Administration’s upcoming proposals to strengthen accountability in the Higher Education Act. The PART analysis also identified program weaknesses that the Education Department has begun to address through administrative improvements. For example, the Department has begun to improve its process for identifying those students who were provided student aid in excess of the amount for which they were eligible.

### Pell Grants

Pell Grants are the single largest source of grant aid for postsecondary education. This year, about five million students will receive a grant of up to \$4,000 for tuition and other expenses. Pell Grants are need-based, and are available to both traditional and nontraditional college students pursuing an undergraduate degree, as well as adults returning to school to improve their employment opportunities. As the PART analysis demonstrated, Pell Grants are well targeted to the neediest families, and help increase college enrollment rates among economically disadvantaged students.

In recent years, the number of Pell Grant recipients has grown much faster than historical trends would predict (as has college enrollment overall). Specifically, from 2000 to 2002, the number of Pell recipients increased by nearly 25 percent, compared with a five percent growth rate from 1997 to 1999. Much of this unanticipated increase was due to more independent students receiving Pell Grants (generally, independent students are older students who do not depend on their parent or guardian to pay for college). Many of these students attend community colleges and career training institutions and predominantly use Pell Grants and other student aid to help pay for training or retraining in new careers (see accompanying chart). So, while Pell Grants remain the single largest source of grant aid for traditional college students, they are also the single largest source of federal support for persons in need of training or retraining for new careers.

As a result of this unexpected growth, as well as a \$700 increase in the maximum grant from 2000 to 2002, Pell Grant appropriations for the past few years have been insufficient to fully cover annual program costs. This budget proposes \$12.7 billion for Pell Grants, to retire the shortfall related to the 2002–2003 award year and maintain a \$4,000 maximum award for the growing number of persons eligible for Pell Grants.



As part of the Administration's effort to keep the Pell Grant program on a solid financial foundation, the budget also proposes to allow the IRS to match income data on student aid applications with the applicant's tax data to ensure that students do not receive awards in excess of the amount for which they are eligible. This is one component of the Administration's initiative to reduce erroneous payments government-wide. This proposal is projected to save \$638 million in Pell Grant costs over 2003–2004, significantly reducing existing funding shortfalls.

## Student Loans

In 2004, the Department of Education's student loan programs will provide nearly \$48 billion in new loans to help students and their families pay for college. As with Pell Grants, the number of student loan recipients has increased significantly in recent years and includes a growing number of older, independent students who use student loans to pay for training and retraining for new careers. This year, the Department of Education will continue to improve its management of the student loan programs, and reduce fraud and abuse through the IRS income verification proposal discussed above.

## Teacher Loan Forgiveness

Under current law, qualified teachers who work for five years in schools that serve high-poverty students may have up to \$5,000 of their federal student loans forgiven. The budget proposes to expand this program to allow highly qualified math, science, and special education teachers who meet the requirements of this program to have up to \$17,500 of their student loans forgiven.

## Historically Black Colleges and Universities (HBCUs) and Hispanic-Serving Institutions (HSIs)

Federal resources help these institutions, which provide opportunity for some of the most disadvantaged students in the nation, improve their educational programs. The budget proposes \$224 million for HBCUs, \$53 million for Historically Black Graduate Institutions, and \$94 million for Hispanic Serving Institutions, a five-percent increase for these important institutions.

## Performance Evaluation of Select Programs

*In return for this [commitment of federal resources], my Administration and the American people expect results. We expect every child to learn basic skills. We expect failing schools to be turned around. We expect teachers and principals to do their jobs well, to have a firm grasp on their subject matter, and to welcome measurement and accountability.*

President Bush  
January 2002











This year's budget continues the Administration's focus on performance. In place of the old practice of funding for funding's sake, this budget targets funding to programs that generate positive results for students and meet strong accountability standards. The PART was applied to 18 Department of Education programs covering more than \$27 billion (55 percent) of the Department's 2003 discretionary budget. PART findings were used to

redirect funds from ineffective programs to more effective ones and to identify reforms to address program weaknesses. The accompanying table provides a brief description of the PART evaluation for four programs. For further details see the *Performance and Management Assessments* volume.







Program	Rating	Explanation	Recommendation
Even Start	Ineffective	Even Start is a family literacy program. Two national evaluations have shown that neither the children nor parents who received services made educational gains compared to those who did not receive Even Start services.	Because of the ineffectiveness of this program, the budget provides enough funds only for the continuation of current awards.
Vocational Education State Grants	Ineffective	Both national evaluations and state-level performance reports demonstrate a lack of positive results for students. Local districts and high schools need the flexibility to combine various federal funding streams so that resources can be targeted to areas where students can best be served.	Adopt program reforms consistent with NCLB accountability framework and provide states the flexibility to combine this high school funding with Title I funds.
Safe and Drug Free Schools	Ineffective	The program distributes funds too thinly across eligible grantees, thereby preventing the use of high quality, proven reforms necessary to affect youth crime and drug-abuse. Moreover, the program does not currently have an adequate performance measurement system.	Redirect funds to more effective programs until the program can establish: 1) a strategy for greater targeting of funds; 2) viable program goals and indicators; and 3) a system for collecting and reporting information.
Pell Grants	Moderately Effective	Pell Grants achieve their purpose of providing need-based aid for undergraduate students, targeted to the neediest students. However, the Department could improve program management and should develop annual goals directly tied to degree completion, persistence, and other appropriate measures of performance.	Amend the Internal Revenue Code to allow the IRS to match student aid data and tax data to prevent awarding the wrong grant amount. Consider legislating degree completion and persistence as performance measures.

## Update on the President’s Management Agenda

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
<b>Status</b>					
<b>Progress</b>					

*Arrow indicates change in status since baseline evaluation on September 30, 2001.*

At the start of this Administration, the Department of Education was plagued by problems affecting its ability to carry out its mission. Specifically, the Department had no strategy for optimizing human resources, maintained non-compliant and unreliable financial systems, and had a piecemeal approach to making information technology investments. While much work remains, the Department has begun to address these problems. Under its One-ED human capital strategy, the Department has identified inefficiencies in several important business processes, including its hiring process, and has begun efforts to make them more efficient. The Department has deployed a new financial management system that is generating more accurate and timely financial reports. It has also improved investment decisions in information technology. Most significant, the Department leads all other agencies in converting inefficient paper processes to electronic ones for 86 percent of its citizen-to-government transactions, including applying for student aid. With these improvements, the Department has earned a status upgrade for E-Government from red to yellow.

Initiative	Status	Progress
Elimination of Fraud and Error in Student Aid Programs and Deficiencies in Financial Management		
Faith-Based and Community Initiative		

*Arrow indicates change in status since baseline evaluation on June 30, 2002.*

**Elimination of Fraud and Error in Student Aid Programs and Deficiencies in Financial Management.** The Department has improved its student aid programs by better managing risk and improving the integrity of its financial data. Most notably, the Department has taken substantive steps to address system weaknesses in its school monitoring and student eligibility process, such as: 1) improving how data is used to identify risky schools; 2) matching direct loan origination data with the student eligibility system; and 3) finalizing and submitting a legislative proposal to the Congress that would allow the Department to match student aid and IRS data. These steps, along with an upgraded financial management system and increasingly reliable and timely financial data, have helped the Department reduce fraud and error in its student aid programs.

**Faith-Based and Community Initiative.** The Department is one of seven federal agencies focusing intensely on removing barriers to the participation of faith-based and community organizations (FBCOs) in providing social services. Education has been upgraded to yellow status because it reduced regulatory barriers to participation, streamlined applications, and provided technical assistance and outreach to FBCOs. The Department must now ensure that FBCOs compete on a level playing field in state and locally administered programs.

**Department of Education**  
(In millions of dollars)

	2002 Actual	Estimate	
		2003	2004
<b>Spending</b>			
Discretionary Budget Authority:			
Elementary and Secondary Education			
Title I Grants to LEAs <sup>1</sup> .....	9,920	11,350	12,350
Reading First and Early Reading First.....	975	1,075	1,150
State Assessments .....	387	387	390
Charter Schools Programs .....	200	300	320
Choice Incentive Fund .....	—	50	75
Even Start.....	250	200	175
Impact Aid.....	1,144	1,141	1,016
Teacher Quality State Grants.....	2,850	2,850	2,850
Safe and Drug Free Schools State Grants .....	472	472	422
21st Century Community Learning Centers .....	1,000	1,000	600
English Language Acquisition.....	665	665	665
IDEA Part B State Grants .....	7,529	8,529	9,529
Education for the Workforce			
Vocational Rehabilitation State Grants (mandatory, non-add).....	2,481	2,616	2,669
Vocational Education .....	1,315	1,300	1,000
Adult Education.....	591	591	591
Higher Education			
Pell Grants .....	11,314	10,863	12,715
Historically Black Colleges and Graduate Institutions .....	255	264	277
Hispanic-serving Institutions .....	86	89	94
TRIO/GEAR UP .....	1,087	1,087	1,087
Research and Statistics.....	207	270	280
All other programs .....	9,258	7,827	7,551
Total, Discretionary budget authority <sup>2</sup> .....	49,505	50,310	53,137
Mandatory Outlays:			
Federal Direct Student Loans.....	97	4,844	-135
Federal Family Education Loans .....	2,297	2,103	4,984
Teacher Loan Forgiveness (legislative proposal) .....	—	—	178
All other programs .....	2,585	2,392	2,668
Total, Mandatory outlays .....	4,979	9,339	7,695
<b>Credit activity</b>			
Direct Loan Disbursements:			
Federal Direct Student Loans (FDSL) .....	10,235	12,435	13,393
FDSL Consolidations.....	9,228	7,436	6,106
Subtotal, FDSL disbursements .....	19,463	19,871	19,499
Other Direct Loans .....	41	21	41
Total, Direct loans .....	19,504	19,892	19,540
Guaranteed Loans:			
Federal Family Education Loans (FFEL).....	24,167	30,570	33,245
FFEL Consolidation .....	20,106	17,013	13,003
Total, Guaranteed loans.....	44,273	47,583	46,248

<sup>1</sup> Excludes \$430 million increase in advance appropriations in 2002.

<sup>2</sup> Includes \$1.0 billion in 2002 supplemental funding.