NSBA Advocacy Institute 2014
BACKGROUND
Federal Funding

Sixteen days into the shutdown of the federal government last October and just hours before the federal debt ceiling would have been reached, Congress agreed to a deal to end the shutdown and raise the debt ceiling temporarily. The agreement, brokered by Senate Majority Leader Harry Reid (D-NV) and Minority Leader Mitch McConnell (R-KY), passed the Senate by a vote of 81-18 and the House by a vote of 285-144. The bill, H.R. 2775, the agreement funded the federal government through January 15, 2014, at the FY 2013 sequester level of $986 billion, and suspended the debt limit through February 7, 2014. The bill also required that the House and Senate convene a conference on the FY2014 budget.

On December 29, 2013, President Obama signed H.J. Res 59 (Rogers, R-KY) which created a two-year federal spending plan. H.J. Res 59 also modified sequestration by erasing most of, if not all of, the impending cuts for the current fiscal year. It sets spending levels at approximately $1.2 trillion and provides over $63 billion in sequestration relief and $85 billion in mandatory savings. Additional budget funding is split equally between defense and non-defense programs and brings the cap for non-defense discretionary programs to $492 billion, which is approximately 87 percent of total non-defense spending pre-sequestration funding levels.

The legislation offsets the increased costs of the new budget by extending sequestration for mandatory programs like Medicare through 2023 (this cut varies by program but can range from 2 percent to 8 percent). It also changes several federal programs, including Medicaid, to strengthen enforcement mechanisms to prevent fraud, waste, and abuse and makes changes to the management of oil and gas leasing and procurement, and increases the required employee contribution for new federal employees' retirement plans. Overall, the budget proposal is projected to reduce the deficit by about $23 billion over the next decade.

On Monday, January 13, House and Senate negotiators rolled out a $1.1 trillion spending bill – a package that fills in the blanks of the December budget agreement and promises to restore some order to government funding over the next year. It also keeps a tight rein on new funding for Wall Street regulators and effectively freezes appropriations for President Barack Obama's healthcare program at the reduced, post-sequester level. However, the White House retains the flexibility to find the financing it needs to implement the health exchanges.

As expected, the final appropriations bill increases spending in most programs almost to pre-sequestration FY 2013 levels. This means no additional cuts for federal programs in the current fiscal year – and in many cases, program grantees will see some extra dollars in their next funding allocation. Education spending wouldn't quite catch up to pre-sequester levels with the omnibus spending bill - but it would come close. The $67 billion in discretionary funding for education comes out roughly $811 million less than in the 2012 fiscal year, according to an analysis by the Committee for Education Funding's Joel Packer. Congress clearly favored formula funding over competitive grants. And early childhood education programs would grow – followed by boosts and even a new program for higher education. Highlights for education funding include:

- Title I of the Elementary and Secondary Education Act (ESEA) will be funded at $14.4 billion dollars across FY 2014, an increase of $624 million over sequestration, but still $103 million less than pre-sequester FY 2013 levels.
- Migrant Education will see a $2 million boost, and education for homeless children and youth will see an increase of about $3.3 million.
- The bill includes a new provision which clarifies that Title I funds may be used to address the transportation needs of homeless youth and fund homeless liaison programs.
- Existing Charter School Grant Program assurances – first outlined in the FY 2010 appropriations bill – have been restated here, reinforcing Congressional intent.
- State grants under the Individuals with Disabilities Education Act (IDEA) will see an increase of nearly $500 million over final FY 2013 funding, for a total appropriation of $11.5 billion (though this amount is still about $82 million less than pre-sequester FY 2013 levels)
- Renewed funding for School Improvement Grants (SIG) at $505 million, but it comes with some strings attached. The U.S. Department of Education (ED) must allow states to pick from one of the four original SIG "models," another model as approved by ED, or a new "whole school reform" model in which schools partner with outside organizations that have a proven track record in turning around low-performing schools. These changes closely mirror adjustments made in ESEA reauthorization legislation introduced in the Senate last year.
- Impact Aid will see an increase of nearly $65 million, putting total funding levels at $1.3 billion – topping even pre-sequestration FY 2013 levels.
- Head Start is big winner, with a funding increase of $612 million. That amount brings total program funding to $8.6 billion – enough to restore all sequestration cuts, give grantees a 1.3 percent cost of living adjustment, and add $500 million to the Early Head Start program.
- Career and Technical Education State Grants will see an increase of $53 million in the bill, for a total of $1.12 billion. Perkins and Adult Education and Family Literacy Act (AEFLA) programs will be funded at $1.7 billion, up about $54 million from FY 2013 levels.
- Funding for Adult Basic and Literacy Education State Grants will hold steady at $563 million, while the English Language/Civics Education grant will be funded at $70.8 million.

The White House had requested funding for a new $750 million preschool development grant – intended to serve as a precursor to its proposed universal pre-kindergarten program and while it did not get a green light from appropriators, Senate Democrats did push successfully for a new early-education round of Race to the Top. The new grant dedicates $250 million in new competitive funding for developing or expanding high-quality preschool programs for four-year-olds under 200 percent of the Federal Poverty Level.

Various federal agencies, including the Department of Education are currently working to determine state appropriation levels based on the new appropriations bill.

While all of this is good news, Congress must still address the debt ceiling issue by early February in order to meet the requirements of HR 2775 that suspended the debt ceiling only until February 7. The "debt ceiling" is a congressional limitation on the amount of money the country is allowed to borrow from creditors. In the past year, Congressional Republicans have latched onto the debt ceiling debate as an important battle in the war on federal spending, and have vowed to fight any increases. It is not known how the issue will be resolved and if both sides of the aisle will "dig in their heels" as they have on prior debt ceiling debates.

Formula Programs:

There are two federal programs which provide the largest sources of federal funding to states that operate as mandates on school districts:

- Title I grants – the main source of federal funding for the Elementary and Secondary Education Act (ESEA); and
- IDEA grants – special education funding under the Individuals with Disabilities Education Act (IDEA).

Historically, federal funding levels for Title I and IDEA have been consistently underfunded in comparison to the actual amounts needed by school districts and states to raise student achievement, implement successful intervention plans and address the costs of increasing student enrollment.

Under ESEA, Title I grants are the major source of federal funding to schools districts and are used to fulfill requirements for student achievement (e.g. adequate yearly progress, testing and assessments, tutoring and remedial services, and school reform). The overall purpose of a Title I grant is to ensure that children in low income school attendance areas have a fair, equal, and significant opportunity to obtain a high-quality education and achieve, at a minimum, proficiency on state academic achievement standards and state academic assessments.

Under IDEA, which provides the major source of federal funding to help school districts fund educational services to students with disabilities, the federal share of funding that Congress promised is 40 percent of the average per pupil cost for every student served under the IDEA. However, the federal share of funding actually provided has been between 13 and 17 percent, except for the two-year funding increase provided under the ARRA program.

Prior to the economic stimulus of 2009, the lack of federal IDEA funding had created a perpetual shortfall for school districts and communities. School districts frequently cut other education programs in order to fulfill this federal mandate. With the ARRA increase, the federal share of IDEA funding averaged approximately 26.3 percent for each of the two years—a clear improvement. However, since then the federal percentage has fallen and is expected to top out at 15 percent for FY 2014.

We need to ensure that school districts have the funding needed to develop Individual Education Programs (IEPs) for students, provide assistive technology, ensure healthcare services, and comply with adequate yearly progress reporting requirements which are all key functions that school districts fulfill under IDEA.

TALKING POINTS FOR FUNDING:

- **CSBA appreciates and congratulates Congress for the agreement it reached regarding FY 2014 funding for education and in ending the sequestration cuts that were harming students and the programs they need in order to succeed.**

- **However in order to ensure continued success for students Congress must continue to provide additional funding for formula programs in future years.**

- **Key investments in Title I and IDEA will help sustain and continue the progress school district are making in closing the achievement gap by improving student performance, teacher and principal effectiveness, increasing graduation rates and college and career readiness.**

- **IDEA must be fully funded up to the 40 percent promised level in order to meet the increasing costs of special education mandates and services.**

- **Before Congress considers continuing and/or increasing funding for competitive grant programs, it must ensure that base level funding for federal programs is appropriated to all schools/districts. While some districts receive funding through the competitive grant process, most do not. Many of the districts with the greatest need for school improvement and innovation programs do not have the resources to successfully leverage a competitive grant. The federal investment in formula grants, such as Title 1 is a core component to helping the majority of school districts reduce obstacles to student success.**

- **CSBA understands that the federal budget must be balanced and spending reigned in but it must be done in a way that is well-reasoned and equitable and that does not hurt our students.**

    - There needs to be a balanced approach that protects ordinary Americans
    - Kids will never be able to make up for lost time and opportunities