

DEPARTMENT OF EDUCATION

AT A GLANCE:

2006 Discretionary Budget Authority: \$56.0 billion
(Decrease from 2005: 1 percent)

Major Programs:

- Title I grants to States and local school districts
- Special education
- Pell Grants
- Research and statistics



MEETING PRESIDENTIAL GOALS

Promoting Economic Opportunity and Ownership

- Creating a new high school initiative to extend No Child Left Behind (NCLB) into the upper grades through improved accountability and effective interventions to help at-risk youth complete high school successfully, and through testing in grades 9–11.
- Providing grants to improve education in low-income communities and support NCLB reforms.
- Supporting reforms in special education to improve services for students with disabilities.

Making Government More Effective

- Reforming the student loan programs by reducing unnecessary subsidies to lenders and other financial intermediaries, and redirecting these funds to the Pell Grant program to help low-income students pay for college.

PROMOTING ECONOMIC OPPORTUNITY AND OWNERSHIP

Building a Strong Foundation: Leaving No Child Behind

At the center of the President's commitment to education is his promise to "leave no child behind." When President Bush launched his No Child Left Behind initiative, he said, "The Federal role in education is not to serve the system. It is to serve the children." No Child Left Behind (NCLB) is making a difference for every child, in every public school. It is no longer acceptable for any child to slip through the cracks or fail to receive the challenging education he or she deserves. Schools are held accountable for ensuring that all children, including those who are disadvantaged or disabled, become proficient in reading and math. Parents receive detailed information about the performance of their schools. Students who attend low-performing schools have the option to attend a better public school or, if their schools do not improve, to receive tutoring funded by the school district. And all this is guided by a commitment to support practices that rigorous research shows to be effective.

It is far too soon to know the full impact of NCLB as school districts have set ambitious goals for ensuring that all children are proficient in reading and math by 2014. Nonetheless, there are early signs of success. An October 2004 report by the Education Trust analyzed student achievement data from the 24 States that had three years of comparable test scores. It found that in 23 of them, overall achievement had improved. States are making gains in closing the achievement gap between students from disadvantaged backgrounds and their peers from more advantaged backgrounds, while also improving achievement generally. The majority of the 24 States analyzed reported a narrowing of the achievement gap between African Americans, Latinos, and Native Americans and their white peers in both reading and math. Compared to a year ago, the percentage of schools meeting their student performance targets on State assessments has increased significantly in several States.

**Student Achievement Results for States That Have at Least Three Years of Data
Disaggregated by Race and Ethnicity**

In Reading	In Mathematics
The African American-white gap narrowed in 16 States and grew wider in three.	The African American-white gap narrowed in 17 States, grew wider in two, and remained the same in one.
The Latino-white gap narrowed in 14 States, grew wider in three, and remained the same in two.	The Latino-white gap narrowed in 16 States, grew wider in three, and remained the same in one.
The Native American-white gap narrowed in 13 States, grew wider in two, and remained the same in two.	The Native American-white gap narrowed in 14 States, grew wider in two, and remained the same in two.
The gap between poor and non-poor students narrowed in nine States and grew wider in one.*	The gap between poor and non-poor students narrowed in all 10 States examined.*

* Only 10 States provided data for both poor and non-poor students.

Source: Education Trust, "Measured Progress," October 2004

The 2006 Budget continues the President's support for the major components of NCLB, on top of the dramatic funding increases for key K-12 programs since 2001. While education remains principally the responsibility of the States, the Federal Government will continue its aggressive leadership in the education of America's children.

Title I Grants to Local Educational Agencies. Title I provides funds to schools in low-income communities and is the foundation for the NCLB accountability, school improvement, and parental choice reforms. The Budget requests \$13.3 billion for Title I, a \$603 million, or 4.7-percent increase over the 2005 level, and a 52-percent increase since 2001, to help schools implement the No Child Left Behind Act.

Reading First and Early Reading First. The Budget includes \$1.1 billion for the President's signature literacy programs to help students in preschool and elementary school improve their reading skills. Reading First supports high-quality, scientifically proven reading practices in grades K–3 to ensure that all children can read at grade level by third grade. The Budget proposes \$1.0 billion, fulfilling the President's commitment to provide \$5 billion for reading over five years. The Budget includes \$104 million for Early Reading First to develop model childhood literacy and pre-reading programs for schools serving high-poverty communities.

State Assessments. The Budget provides \$412 million to help States implement current NCLB testing requirements. This includes \$400 million for formula grants to States and \$12 million for competitive grants to help States tackle some of the most difficult testing issues including assessments for special populations.

Beating the Odds

Students in schools in large cities often face the most difficult odds and need the most help to reach academic excellence.

When President Bush first took office, two-thirds of inner-city fourth graders could not read at a basic level. The most recent Council of Great City Schools' report, "Beating the Odds IV," showed that many schools in large cities are meeting the challenge and have made important gains in reading and math scores on 2003 State assessments. In addition, achievement gaps may be narrowing between urban areas and the population as a whole, between African Americans and whites, and between Hispanics and whites. Findings show that:

- 84.6 percent of all grades included in the Great City Schools report showed gains in math scores.
- 72.1 percent of all grades tested showed gains in reading scores.
- In 73.1 percent of fourth grades tested, the gap in reading scores between whites and African American students narrowed.
- In 60.0 percent of fourth grades tested the gap in reading scores narrowed between whites and Hispanics.

Districts in the Council of Great City Schools enroll 15 percent of the Nation's public school students and 30 percent of the Nation's African American, Hispanic, limited English proficient, and poor students.

Source. http://www.cgcs.org/reports/beat_the_oddsIV.html.

Teachers. Recognizing that well-trained, highly qualified teachers are critical to student learning, the Budget provides \$500 million in funding for the President's new Teacher Incentive Fund. This program would reward teachers and schools making great progress in closing the achievement gap between students of different socio-economic backgrounds, recruit the most effective teachers to teach in high-need schools, and provide support for school districts to link teacher compensation more closely to growth in student achievement. The Budget also provides \$2.9 billion for the Teacher Quality State Grants program to support teacher training and recruitment. In addition, \$40 million is requested for the Adjunct Teacher Corps initiative to create opportunities for professionals with

PROMOTING ECONOMIC OPPORTUNITY AND OWNERSHIP—Continued



The new Teacher Incentive Fund will help place more high-quality teachers in low-performing schools and reward teachers who improve student achievement.

extensive knowledge in the core academic subjects to teach middle and high school courses, particularly in mathematics and science.

Choice. To support and enhance school choice reforms, the Budget provides \$50 million in new funding for the Choice Incentive Fund to support development of innovative school choice programs, \$219 million for Charter Schools Grants, \$37 million for Credit Enhancement for Charter School Facilities, and \$15 million through the District of Columbia budget for scholarships to help low-income students in Washington, D.C., attend higher-performing schools.

Finishing the Job: Bringing NCLB to High Schools

The vast majority of NCLB reforms affect K–8 education, as only five percent of Title I funds go to high schools. In the 2006 Budget, the Administration is building on NCLB with an aggressive, comprehensive high school initiative. The \$1.5 billion high school initiative gives States the support they need to upgrade the quality of secondary education and ensure that every student graduates from high school prepared to enter college or the workforce with the skills to succeed. The need for this initiative is great. For example, according to the latest results from the Program for International Student Assessment, America’s 15-year-olds performed below the international average in mathematics literacy and problem-solving, placing 28th out of 39 industrialized countries.

High School Intervention Initiative. This initiative provides \$1.2 billion to help States implement a high school accountability framework and a wide range of effective interventions. In return for a commitment to improve academic achievement and graduation rates for secondary school students, States will receive the flexibility to choose which intervention strategies will be most effective in serving the needs of their at-risk high school students. Allowable activities would include vocational education programs, mentoring programs, and partnerships between high schools and colleges, among other approaches. A portion of the funding will be used for randomized trials and evaluations to identify the most effective intervention strategies to enable school administrators to make better choices on what educational strategies to adopt.

To provide funding for States under the High School Intervention Initiative, the Administration proposes to consolidate narrow-purpose programs that support a particular high school intervention strategy. These include Vocational Education, Upward Bound, Talent Search, GEAR UP, and Smaller Learning Communities. Most of these programs have not proven effective in improving our secondary students’ academic achievement or ability to obtain a job. Under the Administration’s Program Assessment Rating Tool (PART), Vocational Education was rated Ineffective because it has produced little or no evidence of improved outcomes for students despite decades of increasing Federal investment.

The PART found that Upward Bound was not serving the high-risk students who were most likely to benefit from the program. Under the new High School Intervention Initiative, States will have the option of continuing activities funded under these programs if they will help States improve student outcomes.

High School Assessments. Building on the accountability framework of NCLB, the high school initiative would require testing in grades 9–11 in language arts and math. States and school districts would have the flexibility to align the testing system with their existing instructional program, but be held accountable for improving student achievement. The Budget provides \$250 million to help States implement this aspect of the new initiative.

Other aspects of the President’s high school program include:

Striving Readers. This Presidential initiative, first funded in 2005, complements the Administration’s reading initiatives in elementary school. The Budget provides \$200 million, an increase of \$175 million—or eight times the 2005 level—to develop and implement research-based interventions that will improve the reading skills of high school students who read below grade level.

Math-Science Partnerships. The Budget continues the President’s efforts to improve math and science education, providing \$269 million for this Department of Education program, a \$90 million increase over the 2005 level. Of this amount, \$120 million would support direct Federal competitive grants to partnerships between secondary schools and colleges to increase achievement in math for struggling secondary students.

State Scholars. Studies show that high school students who take rigorous courses are more likely to succeed in college. The President proposes \$12 million to help States establish State Scholars programs that encourage students to complete a rigorous curriculum that includes at least three years of math and science, three and one-half years of social studies, four years of English, and two years of foreign language courses. In addition, the Budget provides \$33 million to give low-income high school students up to \$1,000 in additional Pell Grant aid for the first two years of college if they complete the State Scholars curriculum.

Strengthening Performance and Accountability: Reforming Special Education

On December 3, 2004, the President signed into law the Individuals with Disabilities Education Improvement Act of 2004, reauthorizing the Individuals with Disabilities Education Act (IDEA). The reauthorized IDEA makes several adjustments to align special education to NCLB’s accountability systems. Together, these landmark laws provide the framework for high hopes and expectations that all students, including the 6.9 million children with disabilities, can succeed in school. This law is fully consistent with the Administration’s principles for IDEA reauthorization, and with the 2002 recommendations of the President’s Commission on Excellence in Special Education.

Over the next year, the Administration will provide guidance and technical assistance to States, schools, and parents so that they can be partners with the Department in implementing the myriad regulatory and paperwork changes required by the law, many of which will take effect in July 2005 (see box for the most significant provisions). The President’s 2006 Budget complements the law and provides \$12.2 billion for all IDEA programs, including \$83 million for special education research, studies, and evaluations funded under the Institute for Education Sciences, and \$11.1 billion for IDEA Grants to States, a 75-percent increase since 2001. These increases, along with the law’s local



Three out of ten students who enter 9th grade won't complete high school. For African American and Hispanic students, it's nearly five out of ten. Without a diploma, students are likely to face a lifetime of low-skill, low-paying jobs. The President's High School Initiative will help all students complete high school successfully.

PROMOTING ECONOMIC OPPORTUNITY AND OWNERSHIP—Continued

flexibility provisions, will improve the State and local special education systems, and produce real benefits for students served by IDEA.

Special Education Reforms Achieved through the 2004 Reauthorization of the Individuals with Disabilities Education Act (IDEA)

Accountability for Results. Aligns provisions on assessments and the contents of the individualized education programs (IEPs) with NCLB.

Quality Teachers. Strengthens requirements for special education teachers to be highly qualified in their core subjects, with some flexibility for States, school districts, and new teachers of multiple subjects.

Paperwork Reduction Pilots. Includes option of multiyear IEPs for 15 States and gives the Secretary authority to waive paperwork requirements for up to 15 States for up to four years to reduce paperwork burden for teachers and to increase their time for instruction.

Parental Choice. Lets parents choose early intervention services for their pre-school children.

Research-Based Practices. Places new emphasis on using evidence-based information for all aspects of special education, creates the new Center for Special Education Research and places it in the Institute of Education Sciences, which coordinates all education research and will help inform special and regular education practices.

Local Flexibility on Use of Funds. 1) Allows States to establish funds that help school districts pay for high-cost services received by a small number of children with severe disabilities. 2) Allows local educational agencies to use 15 percent of IDEA Grants to States to provide “early intervening services” to K–12 students who have not been identified as children with disabilities. 3) Allows States to use IDEA Grants to States to provide supplemental education services to children with disabilities in schools that are in need of improvement, consistent with NCLB.

The 2006 Budget also continues the Administration’s focus on results for children with disabilities. For example, based on the 2004 PART findings that IDEA’s early childhood programs do not have annual or long-term performance measures to judge program effectiveness, the Department of Education will continue to work with States to identify measures and to pilot-test State data systems.

Future Reforms in Elementary and Secondary Education

The President’s commitment to “leave no child behind” is matched by his commitment to achieve results. If Federal programs are not working or if they do not give State and local administrators the flexibility they need to achieve results, they should be reformed. In the coming months, the Administration will work with the Congress to achieve a number of program consolidations to create streamlined, flexible, performance-based grants in the areas of improving reading and math instruction, safe schools, teacher training, education innovation, and school choice. This will allow States and schools to better tailor Federal dollars to best meet the needs of students.

Creating Opportunity: Higher Education

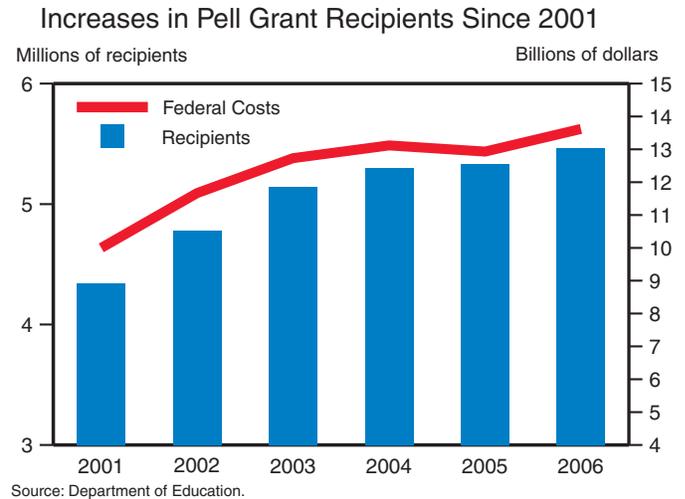
The Administration is committed to providing equal access to higher education and life-long learning through such important programs as expanded loan options and increased grant awards. College costs are rising significantly. As a result, student aid is increasingly important to ensure that students have an opportunity to go to college.

Increasing Pell Awards. This year, the Administration will be working with the Congress to enhance opportunity for students by expanding the Pell Grant program. Pell Grants are the single largest source of grant aid for postsecondary education, and help nearly one-third of all undergraduates afford the cost of college education. To help students keep up with the rising cost of college, the Budget proposes to increase the \$4,050 maximum award by \$100 in 2006, and \$500 over five years, lifting the maximum award to \$4,550. The Budget also retires the \$4.3 billion Pell Grant shortfall, which has been a major obstacle preventing increased awards for the more than five million Pell-eligible students. In addition, the Budget proposes to make larger Pell awards available both to students who accelerate their studies by attending school year-round and to many active duty military personnel. The Budget's Pell Grant proposal is part of a larger package of reforms intended to modernize and improve the Federal student aid system.

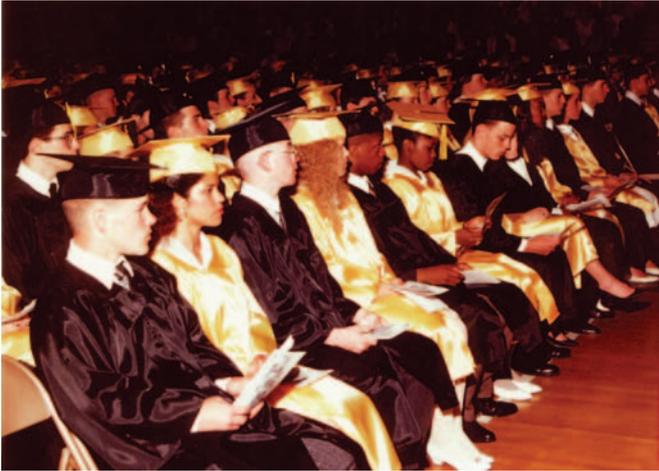
Reforming Student Loans. The Administration is strongly committed to the lender-based guaranteed Federal Family Education Loan program and expects it to continue as the primary source of loans to students in the years ahead. In addition, the Administration will continue to maintain a strong Direct Loan program to ensure that no eligible student is denied access to student loans in the event a student or school cannot find a suitable lender.

However, problems in the structures of the current student loan programs prevent them from meeting all their policy and program objectives. Specifically, the Federal Government assumes almost all of the risk for the loans, while Federal subsidies to intermediaries—lenders and guaranty agencies—are set high enough to allow the less efficient ones to generate a profit. These problems lead to unnecessary costs for taxpayers and prevent the program from achieving the efficiencies the market is designed to provide.

The Budget proposes a comprehensive package of reforms to make the student loan programs more efficient, cost-effective vehicles for helping students finance their postsecondary educations. These reforms will link subsidy payments for lenders and guaranty agencies more closely to their costs and modify interest rates for borrowers who are no longer in school and who have consolidated their loans. The Budget achieves \$34 billion in savings over 10 years by reducing unnecessary subsidies and payments to lenders, guaranty agencies, and loan consolidators and by placing a larger share of the loan risks on lenders. These savings will be used to increase the Pell Grant maximum award, pay off the current \$4.3 billion Pell shortfall, and improve benefits to students in school by increasing loan limits for first year students and extending the current favorable interest rate framework. This package will also include budget scoring rules to ensure that the Pell Grants program is fully funded and shortfalls will not be created in future years. In addition, \$10 billion in savings over ten years will be set aside to reduce the Federal budget deficit.



PROMOTING ECONOMIC OPPORTUNITY AND OWNERSHIP—Continued



According to 2003 Census data, the median annual income of Americans aged 25 or older with a bachelor's degree is 61 percent higher than those who pursued no further education beyond a high school diploma. The President's proposals to increase Pell Grants and raise student loan limits will help remove financial barriers that prevent many Americans from completing a postsecondary education.

Improving Access to Community Colleges. The Budget provides \$125 million to establish a new Community College Access Grants Fund designed to boost college enrollment and completion, in particular among low-income students. The initiative offers incentives to community colleges to provide dual-enrollment programs, which ease the transition to college by allowing high school students to earn college credit, and encourages States to create policies to make it easier for students to transfer credits earned at community colleges to four-year institutions.

New Loans for Short-term Training. The President has proposed a new loan program to help students, the unemployed, transitioning workers, and older workers acquire or upgrade specific job-related skills through short-term training programs. The program will be

market-oriented and use an industry-driven approach with risk-sharing by lending institutions to ensure that the loans are targeted at real jobs projected both now and for the future.

MAKING GOVERNMENT MORE EFFECTIVE

Improving Program Performance

The Department of Education used the Program Assessment Rating Tool (PART) to analyze the performance of 23 of its programs in the 2006 Budget; the Department has assessed 56 programs since 2004. The PART reviewed each program's purpose and design, management, and achievements; determined its level of effectiveness; and led to recommendations for program improvements. Of the programs that have been analyzed using the PART, two are Effective, 14 are Adequate, 15 are Ineffective, and 35 do not have sufficient data to determine a rating. PART analyses contributed to the development of the High School Intervention Initiative; helped determine which programs should be funded, reduced, or terminated; and identified inefficiencies in the student loan programs that will be addressed by the proposed legislative reforms described above.

Program Terminations and Reductions

At a time of constrained Federal discretionary spending, achieving the goals of academic excellence and expanded access to higher education requires that every education dollar be spent wisely. Funding for programs that do not perform well, duplicate other programs at the Federal or State level, or have completed their mission must be re-directed toward programs that have either been proven to work or those that hold the promise of reaching the Department's goals more effectively. The 2006 Budget proposes the termination of 48 programs, including many that the PART has shown to be ineffective (Even Start, Safe and Drug-Free Schools State Grants, and Vocational Education) and many that are unable to demonstrate results. In addition, funding for 16 programs will be reduced. As a result, \$4.7 billion will be redirected toward such programs as Title I, IDEA, the High School Intervention Initiative, and improving teacher quality.

Update on the President's Management Agenda

The table that follows provides an update on the Department of Education's implementation of the President's Management Agenda as of December 31, 2004.

MAKING GOVERNMENT MORE EFFECTIVE—Continued

	Human Capital	Competitive Sourcing	Financial Performance	E-Government	Budget and Performance Integration
Status					
Progress					

The Department of Education’s management improvement efforts achieved significant results in the past year. Not only has the Department achieved critical financial operational goals such as receiving an unqualified opinion for the third year in a row and meeting early reporting deadlines, but the Department has also begun implementing enhanced reporting capabilities to improve risk management, compliance with laws and regulations, and overall organizational governance. Education also completed key competitions with anticipated savings of \$53 million over the next five years that will improve performance in payment processing and human resources management. In addition, the Department is participating in critical E-Government initiatives that will simplify and expand the public’s access to Education programs through Grants.gov and e-loans. Finally, the Department continues to collect performance information and measure outcomes to focus budget, program, grant making, and policy initiatives on improving the effectiveness of Education programs.

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

The Department has eliminated barriers to faith- and community-based organization (FBCO) participation in relevant education programs and is implementing extensive outreach and technical assistance efforts. As a result, FBCO applications for specific Federal education programs have increased by 87 percent since 2002.

To eliminate improper payments, the Department has developed a risk model that identifies risk-susceptible grant programs. Initial assessments in 2004 indicate that relative risk is low in those programs. The Department will assess risk in other programs in 2005 with an emphasis on student aid programs. (Because this is the first quarter that agency efforts were rated in the Eliminating Improper Payments Initiative, progress scores were not given.)

The Department has demonstrated improvements monitoring key areas as needed to improve performance and reduce fraud and error in Student Aid Programs. For example, student loan default rates have dropped and collections on defaulted loans have increased. In addition, the Department is beginning a new project to integrate its front-end business lines to streamline the process of applying for and awarding student loans.

Department of Education
(In millions of dollars)

	2004 Actual	Estimate	
		2005	2006
Spending			
Discretionary Budget Authority:			
Elementary and Secondary Education:			
Title I Grants to LEAs ¹	12,342	12,740	13,342
Reading First and Early Reading First	1,118	1,146	1,146
State Assessments.....	390	412	412
Teacher Incentive Fund.....	—	—	500
Adjunct Teacher Corps.....	—	—	40
Teacher Quality State Grants	2,930	2,917	2,917
Charter Schools programs.....	256	254	256
Choice Incentive Fund			50
Impact Aid.....	1,230	1,244	1,241
Safe and Drug Free Schools Programs ²	674	672	317
21st Century Community Learning Centers.....	999	991	991
English Language Acquisition	681	676	676
IDEA Part B State Grants ³	10,068	10,590	11,098
High School Programs:			
High School Intervention	—	—	1,240
High School Assessments.....	—	—	250
Striving Readers.....	—	25	200
Mathematics and Science Partnerships	149	179	269
Advanced Placement.....	24	30	52
Vocational Education	1,195	1,194	—
TRIO Upward Bound	280	280	—
TRIO Talent Search.....	145	145	—
GEAR UP	298	306	—
State Scholars Capacity Building.....	—	—	12
Higher Education:			
Community College Access Grants	—	—	125
Pell Grants—Discretionary Funding (legislative proposal)	12,007	12,365	13,232
<i>Pell Grants—Mandatory Funding (non-add, legislative proposal)</i>	—	—	4,721
<i>Enhanced Pell Grants for State Scholars (non-add)</i>	—	—	33
Historically Black Colleges and Graduate Institutions.....	276	297	299
Research and Statistics ⁴	335	338	338
All other	10,265	9,776	7,046
Total, Discretionary budget authority ⁵	55,662	56,577	56,049
Total, Discretionary outlays	52,542	56,901	56,894

Department of Education—Continued
(In millions of dollars)

	2004 Actual	Estimate	
		2005	2006
Mandatory Outlays:			
Federal Direct Student Loans (legislative proposal).....	3,246	1,335	39
Federal Family Education Loans (legislative proposal)	4,800	10,193	5,346
All other	2,228	2,524	1,993
Total, Mandatory outlays	10,274	14,052	7,378
 Total, Outlays	 62,816	 70,953	 64,272
Credit activity			
Direct Loan Disbursements:			
Federal Direct Student Loans (FDSL).....	12,506	13,598	14,681
FDSL Consolidations	7,649	9,064	7,615
Loans for Short-Term Training	—	—	85
Subtotal, FDSL disbursements:			
Other Direct Loans	54	31	46
Total, Direct loan disbursements	20,209	22,693	22,427
 Guaranteed Loan Commitments:			
Family Federal Education Loans (FFEL)	37,712	41,934	45,362
FFEL Consolidation	36,119	34,785	25,319
Loans for Short-Term Training	—	—	198
Total, Guaranteed loan commitments.....	73,831	76,719	70,879

¹ Program level. Budget authority is \$600 million less than program level in 2004 and \$195 million less in 2006.

² Program level. Budget authority is \$330 million more than program level in 2004 and 2005.

³ Program level. Budget authority is \$259 million more than program level in 2004 and \$791 million less in 2006.

⁴ Includes special education research and studies funding.

⁵ Program level. Budget authority is \$11 million less than program level in 2004.