

DEPARTMENT OF EDUCATION

Since 2001, the Administration:

- Reformed K–12 education through the landmark No Child Left Behind Act that is raising standards, improving accountability, and expanding parental choice;
- With this Budget, increased funding for Title I grants by \$4.6 billion (or 52 percent) to help improve low-income schools and Special Education grants by \$4.7 billion (or 75 percent) to better serve students with disabilities;
- Refocused education research so that parents, teachers, and administrators have access to practices with proven results;
- Provided approximately \$60 billion in student aid annually through grants, loans, and work study to help nearly 10 million students attend college each year; and
- Initiated tax reforms that help families save for college.

The President's Budget:

- Continues unprecedented increases in Title I and Special Education to help schools implement No Child Left Behind and meet the needs of students with disabilities;
- Supports new initiatives that will help students make the transition from high school to college and from college to the workforce; and
- Achieves the President's commitment to increase funding for Historically Black Colleges and Universities and minority serving institutions by 30 percent since 2001.

Department of Education

Rod Paige, Secretary

www.ed.gov 800–USA–LEARN

Number of Employees: 4,487

2005 Discretionary Budget Authority:
\$57.3 billion

Key Components: 10 regional and 11 field offices.



Secretary Paige visits with fourth grade students in Westerville, Ohio.

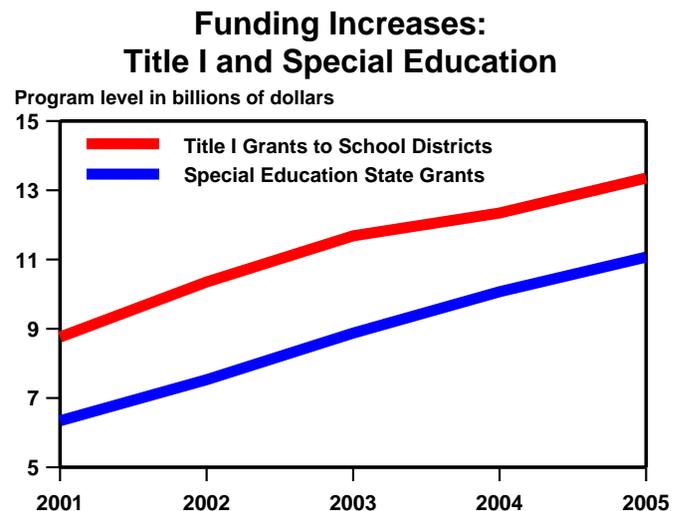
OVERVIEW

Education is the fundamental building block of American prosperity and growth. Without a strong education system, America would be unable to sustain an expanding economy, maintain improvements in citizen health, foster scientific advancement, protect our Nation's security, or meet many of the other various challenges of the 21st Century. The Department of Education plays a critical role in ensuring that America maintains a strong, effective, and inclusive education system by: 1) providing formula and competitive grants to States and local educational agencies to support improvement of elementary and secondary education; 2) offering student aid in the form of loans and grants designed to ensure that post-secondary education is affordable and attainable; 3) conducting research and disseminating information on the best educational practices; and 4) producing statistics on the condition of education in the United States. The 2005 Budget targets resources to education programs that most effectively help all children and young adults, especially disadvantaged populations, achieve academic and economic success; maintains the momentum of recent accomplishments; and helps fulfill the President's vision for continuing education improvement.

Leaving No Child Behind. When President Bush entered office, two-thirds of all low-income fourth graders could not read on grade level, and the achievement gap between rich and poor students was growing. On January 8, 2002, President Bush signed into law the No Child Left Behind Act and forever changed public education in America. Local schools are now held accountable for rigorous achievement goals for all students, parents are provided with detailed information on school performance, and students in under-performing schools have the option to attend a school that demonstrates results. The soft bigotry of low expectations is being removed from our schools and communities. The 2005 Budget continues the President's unprecedented commitment to K–12 education and to helping schools meet the new challenges of No Child Left Behind, providing \$13.3 billion for Title I grants, a \$1 billion increase from last year, and a \$4.6 billion, or 52-percent, increase since the President took office. With the 2005 Budget, funding for reading programs will have increased nearly five-fold since 2001—for a total of \$1.3 billion—so that every child can read at grade level or above by the end of third grade.

Renewing America's Commitment to Students with Special Needs. America's schools need better tools to improve services for students with disabilities—11 percent of all students. The President is committed to reforms for Federal special education programs that increase accountability for results, reduce administrative burdens on States and schools, enhance the role of parents, and ensure that research-based practices are widely used. The 2005 Budget demonstrates the President's commitment to serving students with disabilities by providing \$11.1 billion for Special Education Grants to States, a \$1 billion increase from last year, and a \$4.7 billion, or 75-percent, increase since the President took office.

Getting Students Ready for College and the Workforce. America faces many challenges in ensuring that young adults get the academic and work-related skills they need to meet the demands of today's and tomorrow's workforce. High school test scores are declining, career and technical education programs are outdated and have proven ineffective, the cost of higher education continues



to rise, and the percentage of minority and low-income students going to college remains unacceptably low. To address these challenges, the President is committed to focusing Federal resources on successful programs serving young adults and to developing promising new initiatives that build on these successful programs. The 2005 Budget, therefore, supports several new Federal high school initiatives designed to invigorate and update career and technical education programs as well as strengthen students' reading and math skills. Moreover, the Budget continues the Administration's strong commitment to the Pell Grant program, and proposes a new program that enhances Pell by providing additional aid for students who complete a rigorous high school curriculum.

LEAVING NO CHILD BEHIND

The President's landmark No Child Left Behind Act (NCLB) means just that. No child, as the President has said, will suffer from the "soft bigotry of low expectations," and no child will be trapped in a low-performing school. NCLB sets the Nation's sights high: all children will be proficient in reading and math within 12 years. Although the full impact of NCLB will not be seen for several years, States already have made great strides in putting in place the reforms that will help them reach their achievement goals.

Accountability for Results. Every State has a NCLB accountability plan that has been peer-reviewed and approved by the Department of Education; 47 States have had their plans approved by their State legislative or regulatory bodies. These plans are the States' blueprints for ensuring that all students can read and do math, for holding schools responsible for improving achievement, for publishing report cards to give parents information on their schools' performance, and for expanding parental choice options.

Testing in Grades 3-8. NCLB requires reading and math tests in grades 3-8 and in high school to give teachers and parents information on how their schools are performing. States must have these tests in place by the 2005-2006 school year, yet 20 States already meet the NCLB requirement.

Reporting Results. As a result of NCLB, most States are now publishing performance information on their districts and schools. These reports indicate which schools are performing well and which need to improve, and provide data on the achievement of all populations of students. Under NCLB, 43 States are publishing report cards this year, up from 16 in 2002-2003. School districts are adding other useful data to their report cards, including information on teacher qualifications.

School Improvement. Forty-five States have identified over 5,000 schools in need of improvement because they did not meet their performance goals for two consecutive years. Over half a billion

Beating the Odds and Closing the Achievement Gap

Over 90 percent of the children in Longfellow Elementary School in New York State qualify for a free or reduced-price lunch. Normally, these children would be some of the lowest achieving in the State. But since 1999, this urban Title I school has made dramatic gains in student achievement and outscored 97 percent of all other New York State elementary schools in both reading and math.

How have they done it? While Longfellow's reforms began before NCLB became the law of the land, their strategies represent many of the key principles of NCLB. Longfellow is implementing research-based practices, focusing on reading in the early grades, providing before- and after-school tutoring, and training its teachers in high-quality instruction. Most important, all children are expected to succeed, and the data show that they are meeting these expectations.

dollars will be made available under the Title I program to help these schools implement the reforms they need to raise student achievement.

Parental Choice. Under NCLB, students will no longer be trapped in schools that are not meeting rigorous academic achievement goals. If schools do not meet their goals for two years, students may transfer to better-performing schools. In the 2003-2004 school year, an estimated 2.5 million students are eligible to transfer to a better school. If students do not transfer and their schools do not meet their goals for a third year, students have the option of receiving tutoring funded by the school district. States are offering tutoring services from over 1,600 providers, nearly three-quarters of which are from the private sector.

Funding What Works. NCLB's Reading First program supports K–3 reading instruction that has been proven to be effective so that all children can read proficiently by the end of third grade. All 50 States have been awarded Reading First grants on the basis of rigorously reviewed applications demonstrating comprehensive support for improved reading instruction grounded in scientifically based research. In addition, 45,000 teachers have already been trained under this program. The Department of Education is conducting several rigorous studies to identify effective educational practices in such areas as reading, the use of technology, and after-school programs. The Budget provides \$185 million for core departmental research activities, a 12-percent increase over the 2004 level.

The 2005 Budget for Elementary and Secondary Education. The Budget proposes several key funding increases to continue and enhance the NCLB reforms.



The First Lady has played a prominent role in national literacy efforts through various activities that are helping children to be better readers. Mrs. Bush participated in the Second Annual Book Festival, an event sponsored by the Library of Congress to celebrate the works of America's most renowned children's authors.

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 \$1 billion, or 8.1-percent, increase over the 2004 level, and the third \$1 billion annual increase requested by this Administration.

Reading First and Early Reading First. The Budget includes nearly \$1.3 billion 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. The Budget proposes \$1.1 billion, an increase of \$101 million (9.9 percent) over the 2004 level, for Reading First. The Budget also includes \$132

million for Early Reading First, an increase of more than \$37 million, to develop model childhood literacy and pre-reading programs for schools serving high-poverty communities.

State Assessments. The Budget provides \$410 million for this program to help States implement NCLB testing requirements. This includes \$10 million for competitive grants to help States tackle some of the most difficult testing issues including assessments for special populations.

Choice. As noted, NLCB provides unprecedented choice for parents of children in low-performing schools. To support and enhance school choice reforms, the Budget provides \$219 million for Charter School Grants, \$100 million for Credit Enhancement for Charter School Facilities, \$50 million for the Choice Incentive Fund to support development of innovative school choice programs, and \$14 million

through the District of Columbia budget for scholarships to help low-income students who reside in Washington, D.C. attend higher-performing schools.

Military Families. Children of military families—who frequently move to new schools—face difficult challenges when the new school has different educational and health-related requirements. The Department of Education and the Department of Defense will work with States on strategies to prevent disruption in the educational progress of children of military families and to ease the stresses on military families. The Department of Education’s budget includes \$10 million to support grants to States to encourage reciprocity agreements, develop data management systems, and support other activities to facilitate the transfer of children of military families between schools.

RENEWING AMERICA’S COMMITMENT TO STUDENTS WITH SPECIAL NEEDS

The Administration continues to work with the Congress on revising the Individuals with Disabilities Education Act (IDEA) to improve services for students with disabilities. The Administration’s reauthorization principles for this law promote accountability for results, provide flexibility and reduce paperwork burdens for States and school districts, enhance the role of parents, and improve student achievement based on sound research. These principles also align IDEA to the framework of the landmark NCLB Act so that the 6.5 million children who receive special education services are fully included in the effort to raise academic achievement for all students. The 2005 Budget provides significant new resources, over \$1 billion in total, to assist States in implementing reforms that will benefit States, schools, students with disabilities and their families.

One of the major achievements of IDEA is the integration of special education students into mainstream school environments, such as the regular education classroom shown here. In the 2001-2002 school year, almost 96 percent of all special education students ages 6 through 21 attended regular schools while about four percent were in separate schools, residential facilities or hospitals. Almost half of special education students spend 80 percent or more of their day in regular classrooms, where students have the opportunity to learn together and from each other.



Since 1975, the Federal Government has played an important role in helping States and school districts provide a free, appropriate public education for special needs children. The President is firmly committed to expanding opportunities for students with disabilities, one of the priorities of his New Freedom Initiative. Since taking office, the President has sought and received unprecedented funding increases for IDEA Grants to States. In 2005, the Budget requests another \$1 billion, or 10-percent, increase for a total of \$11.1 billion. In addition, the President is targeting resources to the most at-risk population—infants and toddlers with disabilities. The Budget provides \$467 million, a \$22 million, or five-percent, increase for the IDEA Infants and Families program because research

has shown that early intervention may help reduce or eliminate the need for special education when children enter school. As part of this initiative, the Administration will work with State and local governments to demonstrate how this program benefits children and their families.

A Public Agenda survey in 2002 showed that more than half of parents with children in special education agreed that “better programs and policies, not more money, is the best way to improve special education.” The Administration believes that research can be better focused and coordinated so that schools can learn from programs that work and put them into practice. Consistent with the legislative proposals to create a new Center for Special Education Research, the Budget moves the IDEA Research and Innovation program to the Department of Education’s Institute of Education Sciences. This association will strengthen the Department’s investment in relevant, high quality special education research that can also help inform regular education practices.

GETTING STUDENTS READY FOR COLLEGE AND THE WORKFORCE

We need an educated workforce to keep this country the most productive in the world.

President George W. Bush
June 2003

As the demands of the workforce change, so must America’s approach to educating young adults. Recent test scores show that many high school students lack the basic reading and math skills necessary to make the transition to college or the workplace. Moreover, studies show that an increasing number of high school students require remedial education once they get to college. Other research indicates that current high school career and technical education is outdated and ineffective. Students and parents face rising college costs and a complex array of student aid and college options. Unfortunately, these realities disproportionately affect low-income and minority students who attend and complete college at an unacceptably low rate. The Administration proposes to address these challenges in a variety of ways.

Ensuring Our Nation’s High School Students Are Academically Prepared. The NCLB promise is not only about our Nation’s elementary and middle school students. Recent results from the National Assessment of Educational Progress demonstrate that while achievement for our Nation’s fourth and eighth-graders is on the rise, reading and math scores for twelfth-graders are declining. Many students who are behind in reading and math skills in ninth grade are dropping out, while those who stay in school find the transition to college or the workplace is significantly more difficult. To help reverse this trend, the Administration proposes to direct resources to the following promising new initiatives:

Strengthening Math Skills. The President will increase funding to strengthen math education, with a new emphasis on improving math learning among high school students. Two separate components of the Math and Science Partnership program, which had been operated by the National Science Foundation and the Department of Education, will be unified within the Department of Education to infuse research-based practices into federally supported projects. The Budget includes \$269 million for the Department of Education’s program, including support for competitive grants to help States and school districts improve classroom instruction and accelerate learning in math for struggling students.

Striving Readers. This new grant program builds on the Administration's reading initiatives in elementary school. It would provide \$100 million to develop and implement research-based interventions that will improve the reading skills of high school students who read below grade level.

Adjunct Teacher Corps. Good and qualified teachers can come from many backgrounds—not just from teaching colleges—and the Administration proposes to encourage their participation in America's schools. This competitive grant program would provide \$40 million to lower barriers to and create opportunities for well-trained individuals and professionals with appropriate academic training and background experience to teach specific high school courses in core academic subjects.

Advanced Placement (AP). To help low-income students bridge secondary schooling with college-level coursework, the Budget provides \$52 million, more than double the current program total of \$24 million. The additional \$28 million will provide teacher training to expand the pool of instructors qualified to teach AP classes at schools that serve large populations of low-income students.

State Scholars. Studies show that high school students who take rigorous courses are more likely to succeed in college. Under this new program, low-income high school students would be eligible for up to \$1,000 in additional college aid if they complete a rigorous curriculum, including at least three years of math and science, four years of English and social studies, and foreign language courses. Students would receive this aid in their first two years of college. The Budget provides \$33 million for this aid to students, and an additional \$12 million to help States establish State Scholar programs.

Updating Career and Technical Training. Career and technical training (or "vocational education") in our Nation's high schools has largely been an outdated relic, suitable for the classroom realities of the 1950s, instead of a dynamic, academically rigorous component of the 21st Century high school. As a result, students participating in vocational education programs in our Nation's high schools are often limited to courses that offer a narrow set of job skills and poor academic preparation for college and the modern workforce. For many decades, there has been scant evidence that the Department's Vocational Education State Grants program leads to positive student outcomes despite decades of increasing Federal investment. The program scored the lowest possible rating (Ineffective) on the Administration's Program Assessment Rating Tool (PART).

The President is committed to ensuring that our Nation's high school and college students have the academic and technical skills necessary to prepare them for challenging careers in today's rapidly changing economy. Therefore, the Administration proposes to reinvigorate career and technical education by holding schools accountable for high academic achievement standards, improved job readiness skills, and critical employment outcomes such as quality job placements. The President's plan would target funds through a competitive State-based grant to high school, community college, and business partnerships that prove they can use the funds effectively.

In addition, the President's Budget proposes a new initiative to expand the capacity of community colleges to help students get jobs. With their connections to local businesses and neighboring schools,

Entering Freshmen Need Better Academic Skills

An alarming number of America's students are enrolling in remedial courses once they get to college, according to a new study conducted by the National Center for Education Statistics. The study found that almost half of all entering freshmen at public two-year schools and one out of five entering freshmen at four-year schools enrolled in at least one remedial course in the fall of 2000. The study also found that students spent a longer period of time in remediation in 2000 than they did in 1995. The President's proposed reforms are designed to help reduce the need for remedial education by ensuring that students obtain the academic skills they need while they still are in high school.

community colleges provide vital training and academic preparation for our Nation's young and old alike. In order to capitalize on these strengths, both the Departments of Labor and Education propose to strengthen the role of community colleges in workforce development and academic preparation. (Please refer to the Department of Labor chapter for more information on this initiative.)

Easing Student Financial Burdens.

With college costs rising at an unprecedented rate, student aid has become more critical to ensuring that students from all backgrounds have an opportunity to go to college. This year, the Federal Government will make more than \$60 billion in financial aid available to nearly 10 million students through grants, loans, work study, and tax credits. Federal student aid is available to students who go to school full-time and those who attend on a part-time basis pursuing an undergraduate degree, as well as adults returning to school in degree or certificate programs to improve their employment opportunities.

This year, the Administration plans to work closely with the Congress to reauthorize the Higher Education Act. In this reauthorization, the Administration's goal is to make college more accessible and affordable to millions of Americans, particularly those from disadvantaged and historically underrepresented populations. The Administration also plans to improve higher education accountability and simplify the student aid process for millions of Americans. To help support these goals, the Budget includes the following:

Pell Grants. The 2005 Budget includes \$12.8 billion for the Pell Grant program, the single largest source of grant aid for postsecondary education, to provide nearly five million undergraduates up to \$4,050 to help pay for school. As found in the PART analyses, Pell Grants are well targeted to low-income families, and help increase the college enrollment rates of historically underrepresented students. Based on current estimates, the Budget provides sufficient funding for every Pell Grant that will be awarded to students in the 2005-2006 school year. However, the Pell Grant program also has a \$3.7 billion funding shortfall that requires it to borrow from the subsequent year's appropriation to pay for program costs. This is largely due to recent underfunding. For instance, in last year's budget the Administration requested \$12.7 billion for Pell Grants to pay for both student awards in the 2004-2005 school year and part of the shortfall. The Congress, however, increased the cost of the Pell Grant program and provided less money than requested. We now expect the Pell Grant shortfall

An Interactive Roadmap to College

The Department of Education has developed a new tool to help students and parents navigate the complexities of planning for and choosing a college. Student Aid on the Web (www.studentaid.ed.gov) offers students and their families a single source of free information on choosing a career, selecting a school, and identifying resources to pay for higher education. Students and parents can use the website through each stage of the college lifecycle:

Preparing for college. Plan high school courses and use the college savings calculator to predict tuition costs and establish a monthly savings plan.

Choosing a college. Obtain a list of potential colleges based on individual priorities on a number of factors that affect college choice—cost, academics, demographics, social activities, athletics, etc. Also, take an online campus tour.

Applying for college. Obtain a timeline for high school seniors, make a "to do" list, and fill out and submit college applications online.

Funding for college. Find and apply for different sources of Federal student aid.

Attending college. Obtain entrance counseling on how to manage resources, reapply for aid each year, and maintain eligibility.

Repaying college loans. Obtain exit counseling for managing debt and paying loans online.

to increase to \$3.7 billion this year, \$1 billion more than the shortfall was in 2003 and \$2.3 billion more than 2002. We can no longer continue to underfund the Pell Grant program and make the existing shortfall even worse. The Administration will work closely with the Congress to provide sufficient funding for Pell Grants, and retire the shortfall.

Other Student Financial Aid Reforms. The Budget proposes to modernize the Federal student aid programs to help millions of students and families realize their dreams through higher education. To help students meet rising tuition costs, the Budget increases loan limits for first-year students, extends the favorable interest rate framework currently available to students, and eases and expands repayment options so millions of students can manage higher debts. The Administration also proposes to make higher education more accessible by expanding college and university options for offering courses and programs online. The Budget further provides \$17,500 in student loan forgiveness to math, science, and special education teachers who work in high-poverty schools for at least five years. The President will work closely with the Congress on other student aid reforms that will ease the financial burden of college for millions of students and families. The Budget offsets the cost of these proposals with modest reforms to the existing student loan programs.

The Administration will also work closely with the Congress to provide more information to help students and families make better decisions on their higher education options. Moreover, the Administration will explore ways to streamline outdated and unnecessary Federal student aid requirements as well as other higher education reporting requirements.

Minority Serving Institutions. To address the educational needs of many of America's most disadvantaged students, the Department of Education provides support for Historically Black Colleges and Universities (HBCUs), Historically Black Graduate Institutions (HBGIs) and Hispanic-Serving Institutions (HSIs). The President committed to increasing funding for these important institutions by 30 percent by 2005 in order to strengthen the institutions' infrastructure and help them achieve financial stability. The Budget fulfills the President's commitment by proposing \$240 million for HBCUs, \$58 million for HBGIs, and \$96 million for HSIs.

PERFORMANCE EVALUATION OF SELECT PROGRAMS

The Budget continues to focus on improving program performance. Nineteen of the Department of Education's programs were assessed using the Program Assessment Rating Tool (PART), which evaluated each of the programs' design and purpose, strategic planning efforts, how well they are managed, and whether they are generating

positive results for taxpayers. Below are some of the highlights and recommendations from the PART evaluations. For further details on the Department of Education's performance assessments, see the White House budget website at www.whitehouse.gov/omb/budget/.

It is not enough to spend more on schools. The issue is not just about money. We must spend money more wisely. We must spend money on what works. And we must make sure we continue to insist upon results for the money we spend.

President George W. Bush
January 2003

Program	Rating	Explanation	Recommendation
National Center for Education Statistics (NCES)	Effective	NCES has a useful performance measurement system that measures customer satisfaction with the comprehensiveness, timeliness, and utility of NCES products and services.	Although NCES consistently demonstrates high levels of customer satisfaction regarding the comprehensiveness and utility of products and services, timeliness needs improvement to meet the Department's performance targets.
Troops to Teachers	Moderately Effective	71 percent of teachers supported by this program were rated as better than non-program teachers by their school administrators.	While General Accounting Office reports and program evaluations report promising results, the Department will work to strengthen data collection for its new program measures and make such information more easily accessible to the public.
Perkins Loans	Ineffective	This program is duplicative and unnecessary given the broad availability of need-based, subsidized, relatively low interest loans available through the two larger student loan programs (Federal Family Education Loans (FFEL) and Direct Loans (DL)). In addition, the program is less cost efficient than FFEL or DL and does not adequately target resources to the neediest students.	The Administration proposes to eliminate funding for this program and redirect funds to more effective student aid programs, such as Pell Grants.
Even Start	Ineffective	Even Start is a family literacy program. Two national evaluations have shown that neither the children nor their parents who received services made educational gains compared to those who do not receive Even Start services.	The Administration proposes to eliminate this program and redirect funds to more promising literacy programs, such as Reading First and Early Reading First.

UPDATE ON THE PRESIDENT'S MANAGEMENT AGENDA

The table below provides an update on the Department of Education's implementation of the President's Management Agenda as of December 31, 2003.

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

Double-arrow indicates change in status rating from red to green since evaluation as of September 30, 2003.

The Department of Education's management reform efforts are beginning to yield significant and measurable results. The Department achieved a second consecutive clean financial audit, eliminating its last remaining material weakness, and complying with OMB's accelerated audit schedule one year ahead of schedule. These financial management improvements, unprecedented in the agency's history, are providing the Department with more timely and accurate financial data so that it can be a better steward of taxpayer dollars. Education has also developed a comprehensive approach to competitive sourcing, where competitions will be considered for each business process analyzed under its human capital restructuring plan. Competitions in areas affecting human resources and payment processing have already been initiated. The Department is implementing important E-Government reforms, making more than 85 percent of all its Government-citizen transactions available electronically. Finally, Education has made extensive use of the PART process, assessing a majority of the agency's program funding over the past two years and ensuring that budget requests and program reform proposals reflect PART results.

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

Elimination of Fraud and Error in Student Aid programs and Deficiencies in Financial Management. The Department is increasing its efficiency in administering its student aid programs. The financial management improvements referenced above are improving Education's ability to account for program dollars and thus better ensure that Federal student aid dollars are being used for their intended purpose. Other successes include: 1) playing a key role in the introduction of legislation that would allow the Department to match data with the IRS and dramatically reduce fraud and error in the Pell Grant program; 2) working closely with the Inspector General on strategies for improving oversight of schools, lenders, and other financial partners; and 3) securing a new contract for administering the Direct Loan program that is estimated to cost \$1 billion less than the existing contract over a 10-year period.

Faith-Based and Community Initiative. The Department of Education is one of seven Federal agencies focusing on removing barriers to the participation of faith-based and community organizations (FBCOs) in providing social services. Education has conducted extensive outreach and technical assistance. The staff has organized 23 workshops, distributed 45,000 pieces of literature, maintained contact with 5,000 local organizations, and established an informative website. As a direct result of these activities and efforts to reduce regulatory barriers and streamline application processes, participation by FBCOs in targeted discretionary grant programs has quadrupled since 2001.

DEPARTMENT OF EDUCATION
(In millions of dollars)

	Actual		Estimate	
	2001	2003	2004	2005
Spending				
Discretionary Budget Authority:				
Elementary and Secondary Education				
Title I Grants to LEAs ¹	8,763	11,689	12,342	13,342
Reading First and Early Reading First	286	1,068	1,118	1,257
State Assessments	—	384	390	410
Charter Schools programs	190	224	256	319
Choice Incentive Fund	—	—	—	50
Impact Aid	993	1,188	1,230	1,230
Teacher Quality State Grants	2,108	2,931	2,930	2,930
Safe and Drug Free Schools State Grants ²	439	469	441	441
21 st Century Community Learning Centers	846	994	999	999
English Language Acquisition	446	684	681	681
IDEA Part B State Grants ³	6,340	8,874	10,068	11,068
Striving Readers	—	—	—	100
Adjunct Teacher Corps	—	—	—	40
Mathematics and Science Partnerships	—	100	149	269
Advanced Placement	22	23	24	52
Education for the Workforce				
<i>Vocational Rehabilitation State Grants (non-add)</i>	(2,400)	(2,533)	(2,584)	(2,636)
Vocational Education (legislative proposal)	1,243	1,326	1,328	1,012
Adult Education	560	587	590	590
<i>State Scholars Initiative (non-add)</i>	—	—	—	(45)
Higher Education				
Pell Grants (legislative proposal)	8,756	11,365	12,007	12,863
Historically Black Colleges and Graduate				
Institutions	230	267	276	299
TRIO/GEAR UP	1,025	1,120	1,131	1,131
Research and Statistics	201	229	257	277
All other programs	7,655	9,590	9,433	7,979
Total, Discretionary budget authority	40,103	53,112	55,650	57,339
Total, Discretionary outlays	35,866	48,708	55,881	56,223
Mandatory Outlays:				
Federal Direct Student Loans (legislative proposal)	255	5,055	3,108	231
Federal Family Education Loans (legislative proposal)	-2,460	1,192	1,288	5,510
All other	2,060	2,445	2,538	2,378
Total, Mandatory outlays	-145	8,692	6,934	8,119
Total, Outlays	35,721	57,400	62,815	64,342

DEPARTMENT OF EDUCATION—Continued
(In millions of dollars)

	Actual		Estimate	
	2001	2003	2004	2005
Credit activity				
Direct Loan Disbursements:				
Federal Direct Student Loans (FDSL).....	10,764	11,749	12,806	14,028
FDSL Consolidations	7,402	6,673	6,290	6,320
Subtotal, FDSL disbursements:.....	18,166	18,422	19,096	20,348
Other Direct Loans.....	12	11	38	57
Total, Direct loan disbursements	18,178	18,433	19,134	20,405
Guaranteed Loan Commitments:				
Family Federal Education Loans (FFEL)	23,582	23,196	37,446	41,539
FFEL Consolidation	6,955	34,958	25,631	22,054
Total, Guaranteed loan commitments.....	30,537	58,154	63,077	63,593

¹ Program level. Budget authority is \$554 million less in 2001, \$599 million more in 2003, and \$600 million less in 2004

² Program level. Budget authority is \$330 million more in 2004.

³ Program level. Budget authority is \$1,330 million less in 2001, \$600 million less in 2003, and \$259 million more in 2004.

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.

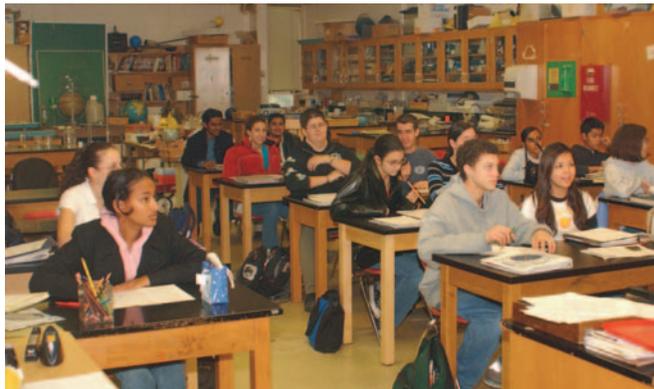
Math-Science Partnerships. The Budget continues the President's efforts to improve math and science education, providing \$269 million for this Department of Education program, a \$90 million increase over the 2005 level. Of this amount, \$120 million would support direct Federal competitive grants to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

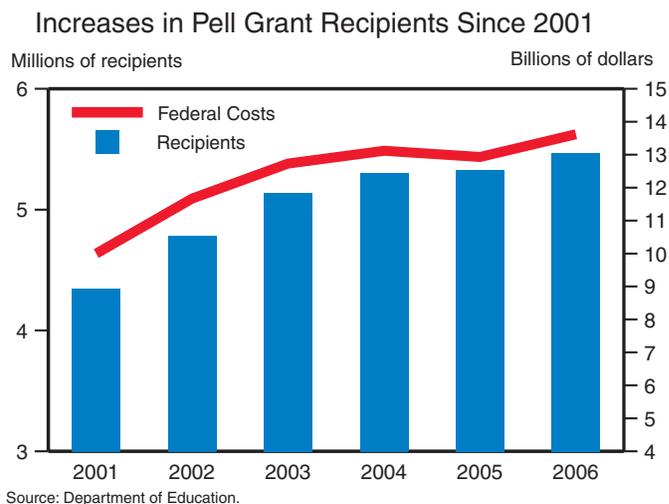
The Administration is committed to providing equal access to higher education and life-long learning through such important programs as expanded loan options and increased grant awards. College costs are rising significantly. As a result, student aid is increasingly important to ensure that students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

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.

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

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.

DEPARTMENT OF EDUCATION

Since 2001, the Administration:

- Reformed K–12 education through the No Child Left Behind Act, which is raising academic standards, improving accountability, and expanding parental choice. No Child Left Behind funding has increased 34 percent since 2001;
- Made significant improvements to the Individuals with Disabilities Education Act to align special education with No Child Left Behind accountability systems to provide the framework for educating students with disabilities to the highest standards;
- Provided Pell Grants to more than five million needy students each year, and reformed the Federal student aid programs to make them more cost efficient and targeted additional aid to the neediest students; and
- Assessed 74 programs using the Program Assessment Rating Tool and used the results to guide budget decisions and programmatic reforms.

The President's Budget:

- Proposes a new competitive grant program, America's Opportunity Scholarships for Kids, to expand the educational opportunities available to students in chronically low-performing schools;
- Supports a comprehensive approach aligned with the key principles of the No Child Left Behind Act to increase the achievement of high school students;
- Proposes, as part of the President's American Competitiveness Initiative, a series of K–12 math and science initiatives designed to strengthen the capacity of our schools to improve math and science learning; and
- Supports, as part of a new multi-agency effort, a National Security Language Initiative designed to strengthen the national capacity in critical languages.

FOCUSING ON THE NATION'S PRIORITIES

Signs of Progress: Leaving No Child Behind

The 2007 Budget continues the President's support for the major components of the No Child Left Behind Act (NCLB). While education remains principally the responsibility of the States, the Federal Government will continue its aggressive leadership in the education of America's children.

Four years ago, President Bush signed NCLB into law to ensure that every child, regardless of race, income, or special need, has the opportunity to receive a high quality education. 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 proven instructional methods. In return for Federal funding, we are asking for results. States are responding and the results are promising. Test scores in reading and math are at an all-time high for African-American and Hispanic students. As a Nation, we have made more progress in the last five years than in the previous 30 combined, but we still have a long way to go.

The President is committed to reaching the goal of making sure every child is proficient in reading and math by 2014. Each State now has an accountability system in place to track its progress toward reaching this goal. These accountability systems help indicate which schools are succeeding and which need extra help. A priority of the 2007 Budget is assisting those schools most in need of improvement.

Closing the Achievement Gap in Our Cities

While large urban school districts face some of the toughest challenges in meeting NCLB goals, some are making great strides in closing the achievement gap between disadvantaged students and their more advantaged peers. According to the 2005 Urban National Assessment of Education Progress, a set of tests that provides a common measure of student achievement in 11 of our largest cities, disadvantaged students in New York and Boston not only made significant gains relative to past years, but also scored much higher than national averages. In Boston, 65 percent of African-American children and 70 percent of Hispanic children scored at or above the basic level in fourth grade math, compared to national averages of 55 percent and 64 percent respectively. In New York, 49 percent of African-American and 51 percent of Hispanic students scored at or above the basic reading achievement level, outperforming their peers in large central cities who scored 38 percent and 40 percent, respectively.

Title I Grants to Local Educational Agencies. Title I provides funds to schools in low-income communities and is essential to NCLB's accountability, school improvement, and parental choice reforms. The Budget requests \$12.9 billion for Title I, a \$200 million increase over the 2006 level, and a 47-percent increase since 2001. The entire 2007 increase will be devoted to schools in need of improvement, specifically schools that have not met their NCLB student achievement goals for at least two years. This will ensure that States and school districts are able to receive the assistance needed to improve low-performing schools.

Teachers. Well-trained, highly qualified teachers are critical to student learning. Recognizing both the importance and the challenges of finding these teachers, especially in subjects such as math and science, the Budget provides \$99 million for the Teacher Incentive Fund, the same as 2006, and \$25 million for the creation of an Adjunct Teacher Corps. The Teacher Incentive Fund provides support for

school districts that are working to link teacher compensation more closely to student performance. The Adjunct Teacher Corps will provide opportunities for professionals with extensive knowledge in core academic subjects to teach middle and high school courses, particularly in math and science. The Budget also provides \$2.9 billion for the Improving Teacher Quality State Grants program to support teacher training and recruitment. Funding for this program assists States in meeting NCLB teacher quality requirements and ensuring every class is taught by a qualified teacher.

School Choice. While the Administration expects most schools in need of improvement to turn around and meet the goals of NCLB, some schools will not be able to do so quickly. Students attending these chronically low-performing schools need to have other educational opportunities available to them.

The 2007 Budget includes an innovative approach to assist students in chronically low-performing schools. The Administration proposes a new \$100 million competitive grant program, America's Opportunity Scholarships for Kids, that will enable States, school districts, or non-profit organizations to offer low-income students in these schools expanded educational opportunities. These students will be eligible for funding that may be used to cover some of the cost of attending the private school of their choice or receiving intensive supplemental services.

The 2007 Budget also continues to support school choice reforms through existing programs, including \$215 million for Charter Schools Grants, \$37 million for Credit Enhancement for Charter School Facilities, and \$15 million in the District of Columbia's budget for scholarships to help low-income students in Washington, D.C., attend higher-performing schools.

American Competitiveness Initiative

The jobs of the 21st Century will require critical thinking skills, problem-solving abilities, and computer literacy. To remain competitive in the global economy, every student that graduates from high school in the United States, whether they plan to go on to college or immediately into the workforce, will need the strong analytical skills that only a rigorous math and science curriculum can provide. International testing continues to demonstrate that American students are lagging behind their foreign peers in math and science. To address these issues, the President is proposing the American Competitiveness Initiative, which focuses on improving the Nation's long-term economic competitiveness. As part of this initiative, the Budget proposes a series of new and expanded K-12 programs designed to strengthen the capacity of our schools to improve math and science learning by investing in research, teacher training, and teacher recruitment.

A major component of this initiative's math education efforts is the creation of a National Math Panel, which would research and develop key principles in math instruction. The Panel's work would complement two new proposals: a \$125 million Math Now for Elementary School Students program to support the sharing and research of promising practices to help K-7 teachers prepare students for more rigorous courses in middle and high school, and a \$125 million Math Now for Secondary School Students program designed to identify middle school students who are not proficient in math and provide targeted services to boost their achievement. As mentioned previously, the Budget also

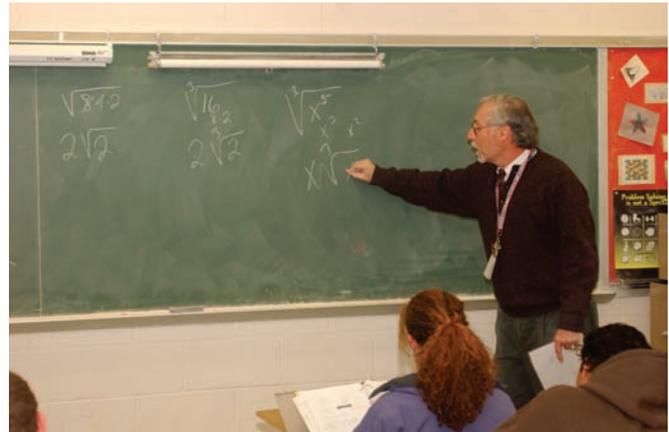


The Department worked closely with States and schools affected by Hurricane Katrina to provide financial relief for restarting school operations and educating displaced students. Here, First Lady Laura Bush and Secretary Margaret Spellings visit Greenbrook Elementary School in Southaven, Mississippi, shortly after Hurricane Katrina.

FOCUSING ON THE NATION'S PRIORITIES—Continued

includes \$25 million for the creation of an Adjunct Teacher Corps to provide opportunities for professionals with extensive knowledge in science and mathematics, as well as other core academic subject areas, to teach middle and high school courses. The Budget provides a \$90 million increase from \$32 million to \$122 million for the Advanced Placement program, which offers training and incentives for teachers to become qualified to teach rigorous core subject courses, as well as support and incentives for low-income students to take and pass these courses.

At the college level, the new Academic Competitiveness Grants program, included in the Deficit Reduction Act will help target \$3.7 billion over the next five years to low-income students who excel in math and science. The program provides grant aid to high achieving eligible undergraduate students in their first two years of college. It also provides grants to students in their third and fourth year of college who are majoring in critical areas like science, math, technology, engineering, and foreign languages vital to national security. Grant recipients must be enrolled full-time at a four-year degree-granting institution of higher education, be eligible for a Federal Pell Grant, and be a citizen of the United States.



A high school class working on math problems at T.C. Williams High School in Alexandria, Virginia.

Improving Performance for Special Education Students

On December 3, 2004, the President signed into law the Individuals with Disabilities Education Improvement Act of 2004. This Act made several changes to the Individuals with Disabilities Education Act (IDEA). These changes to IDEA will help redefine how States and schools identify children with disabilities, set assessment standards, and strengthen the contents of student's individualized education programs. The new IDEA also adopts NCLB's highly qualified teacher standards for those teaching core subjects, while providing some flexibility for States, school districts, and new teachers of multiple subjects. Over the past year, the Department has undertaken an elaborate and thorough process to clarify the law's provisions and review thousands of public comments before it finalizes the implementing regulations.

The newly reauthorized IDEA refocuses special education programs on student outcomes and will require States to establish performance plans and implement programs to meet their performance goals. These improvements will advance the progress that we are already seeing in several key areas. The 2005 National Assessment of Educational Progress, the Nation's Report Card, and the Department's Office of Special Education Programs have reported the following progress:

- The percentage of fourth-grade students with disabilities scoring at or above Basic in reading has increased from 22 percent in 2000 to 33 percent in 2005, and the percentage of eighth-grade students scoring at or above Basic in mathematics increased from 20 percent in 2000 to 31 percent in 2005.
- The percentage of students with disabilities who graduate from high school with a regular high school diploma increased from 46 percent in 2000 to 54 percent in 2004, while the percentage of students who drop out of school decreased from 42 percent in 2000 to 31 percent in 2004.

In addition, in response to the Program Assessment Rating Tool (PART) finding that the IDEA program should more effectively track special education students' transition after school, the Department recently adopted another performance indicator for the program. The Department will now begin to track the percentage of children with disabilities who are employed or enrolled in a postsecondary school within two years of leaving high school. The emphasis on measuring the performance of students after high school will help the Department of Education and the States maintain their focus on the outcomes of special education students as they transition into postsecondary education and the workforce.

From 2001 to 2006, funding for IDEA Grants to States increased by 68 percent, from \$6.3 billion to \$10.6 billion. The 2007 Budget provides an additional \$100 million for States to maintain this positive trajectory and provide a high quality education to the nearly seven million IDEA students.

Bringing NCLB to High Schools

NCLB also provides an important framework for improving high schools and transforming them into places that prepare our students for college or the workforce. The vast majority of NCLB reforms affect K–8 education and only five percent of Title I funds go to high schools. There is a growing need for expanding NCLB principles to high schools and for improving secondary education, as nearly one-third of incoming ninth-graders do not make it to Graduation Day within four years and less than one-third of high school graduates are prepared for college. In addition, international assessments show that our high school students score well behind those of many other nations in key subjects like mathematics. In response, the 2007 request includes a \$1.7 billion comprehensive proposal to improve the quality of secondary education and ensure that every student not only graduates from high school, but is prepared to enter college or the workforce with the skills to succeed.

High School Reform. The proposal creates a new, flexible \$1.5 billion grant program to help States implement tests in language arts and math in high schools and to support a wide range of effective interventions. In exchange for a commitment to improve academic achievement and graduation rates for secondary school students, States will receive the flexibility to implement intervention strategies most effective in serving the needs of their at-risk high school students.

Striving Readers. This Presidential initiative, first funded in 2005, extends the Administration's elementary school reading initiatives into high schools. The Budget provides \$100 million, an increase of \$70 million over the 2006 level, to develop and implement research-based interventions that will improve the reading skills of secondary school students who read below grade level.

Statewide Data Systems. The Budget more than doubles this program with a request of \$55 million to help States design and implement data systems to monitor performance of high schools. Statewide Data Systems, coupled with the Department's efforts to improve its use of data to improve results (see *Using Data to Achieve Results* later in this chapter), will enhance the States' capacity to manage, analyze, and use data to improve student achievement and to provide policymakers and parents the timely information they need to keep improvements on track.

FOCUSING ON THE NATION'S PRIORITIES—Continued

National Security Language Initiative

The National Security Language Initiative (NSLI) is a multi-agency effort designed to strengthen the national capacity in critical languages. The post September 11th world has placed significant attention and demands on our foreign language capacity, yet there remains a persistent national foreign language deficit. Just one percent of all undergraduate and doctoral degrees are awarded to students specializing in foreign languages. Less than one percent of U.S. high school students combined study certain languages critical to our national security, such as Arabic, Farsi, Urdu, Korean, Japanese, Russian, or Chinese.

In addition to complementary efforts at the Departments of Defense and State, NSLI includes \$35 million in new funding for initiatives at the Department of Education to address these critical language deficiencies. As part of this initiative, the Budget provides \$24 million for a new proposal, Advancing America through Foreign Language Partnerships, which would create pilot programs between universities and school districts for language learning from early childhood through high school and into college. The Budget also includes \$5 million for the Language Teacher Corps, a new program that would allow individuals with language skills interested in teaching to receive training and certification to teach in the classroom. In addition, the Budget supports a \$2 million increase for the existing Foreign Language Assistance program to support innovative model programs providing for the establishment, improvement, or expansion of critical foreign language study for elementary and secondary school students.

Improving Access and Accountability in Higher Education

Higher education is increasingly important to American economic competitiveness. Student aid ensures that all students have an opportunity to pursue higher education. Each year, the Federal Government makes more than \$80 billion in student aid available to approximately 10 million post-secondary students. This includes more than five million needy students who receive Pell Grants each year, approximately one million more than when President Bush took office. Last year, the President proposed a comprehensive set of reforms to the student aid programs that increased benefits to students while making the student aid programs more cost effective. The Congress agreed with the President's principles, and they were reflected in the Deficit Reduction Act, passed by the Congress.

In the coming year, the Administration will develop a comprehensive national strategy for post-secondary education that addresses the Nation's economic and workforce needs. Last September, Secretary Spellings announced the creation of a new Commission on the Future of Higher Education. This Commission will engage students and families, policymakers, business leaders, and the academic community in a national conversation on the future of higher education. Through public hearings around the United States, this Commission will attempt to answer questions such as: What skills will students need to succeed in the 21st Century? And, how can we make sure opportunities for quality higher education and the best jobs are open to all students? In August, the Commission will report its findings and recommendations, which will serve as a blueprint for a 21st Century higher education system.

RESTRAINING SPENDING AND MANAGING FOR RESULTS

Federal dollars must be spent wisely or not at all. The focus must be on results. Funding for programs that do not perform well, or are duplicative of other Federal or State spending, must be redirected toward programs that either have been proven to work or hold promise of achieving the Administration's goals most effectively. While the Budget provides targeted funding increases to efforts that help achieve academic excellence and increase educational opportunities for all students, it also terminates or reduces funding for poor-performing or low-priority programs.

Program Terminations and Reductions. The Department of Education's 2006 appropriation terminated funding for five programs totaling \$26 million and included significant reductions to ineffective and low-priority programs, including a \$87 million reduction to Safe and Drug Free Schools and a \$125 million reduction to Even Start. The 2007 Budget builds on this success by proposing to terminate an additional 42 programs, including many that the PART has shown to be ineffective or unable to demonstrate results. These terminations will save \$3.5 billion, most of which will be redirected toward priority programs such as Title I, High School Reform, School Choice, the Teacher Incentive Fund, and programs that make up the Administration's Competitiveness Initiative.

Reforming Student Loans. As part of the ongoing efforts to restrain increases in spending, the Administration has worked to reform Federal student loan programs. Over 14 million student and parent loans will be originated in 2007, adding more than \$60 billion to the almost \$400 billion in outstanding loans. While successful in helping students fund their education, the PART analysis found that the student loan programs were not cost effective or market-sensitive. In recent years, loan servicing has been significantly concentrated in a few large companies, allowing economies of scale not previously possible. Additionally, these companies have aggressively participated in the loan securitization markets, increasing their financial returns without a corresponding reduction in Federal subsidies.

Last year, the Administration worked to improve the way the loan programs perform by eliminating unnecessary subsidies, expanding risk-sharing to reduce costs, and improving the financial stability of the guaranty agency system. In response, the Congress passed the Deficit Reduction Act, which will reduce excess subsidies in the Federal Family Education Loan (FFEL) program and help make both the Direct Loan and FFEL programs more efficient. Specifically, the Act included the following reforms:

- Reducing the percentage of Federal loans guaranteed against default from 98 percent to 97 percent, in recognition of the strong repayment record associated with student loans today;
- Eliminating an unnecessary and costly loan subsidy provision that allowed some loan holders to have increased financial returns on loans funded through tax-exempt securities; and
- Requiring that all guaranty agencies collect the statutory one-percent insurance premium paid by either the borrower or the lender on all loans guaranteed or disbursed after July 1, 2006.

These and other reforms will reduce taxpayer costs, while increasing benefits to students and making it easier for them to afford college.

Assessing Programs. The Department of Education continues its focus on improving program performance and efficiency. Over the last four years, the Department has used the PART to assess 74 programs, including 18 new and five revised PART assessments in 2005. The Department's 2007 budget decisions reflect, among other factors, how programs perform in these evaluations. In the past year, the Department has refocused its efforts on developing and implementing measures to ensure that Education programs are managed efficiently.

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

Using Data to Achieve Results. Policy decisions about the education of our children should not be made based on guesswork and anecdote. NCLB provides the performance data to make informed decisions. Over the past year, the Department has focused on improving its PART ratings for several programs, developing efficiency measures, and accelerating its progress to collect and analyze State accountability data as required by NCLB. The Department has also developed a database and reporting system, ED Facts, that allows States to report their student achievement, demographic, and financial information in one central repository. In exchange, the Department will eliminate, in part or in full, dozens of State reporting requirements. This system will both reduce burden on States and deliver timely, useful data to policymakers and parents at the national, State, and local levels.

Investments in Information Technology. Continued investment in information technology is helping to make Federal student aid more effective. Recent streamlining and enhancements to the systems that support student loan borrowers have improved customer service and performance. In addition, new upgrades to the way student loans are originated and disbursed, through the Advance Project, will also result in significant improvements in operations.

IRS Verification. The Administration continues to work to reduce fraud and error in the student aid programs. For example, the Administration is working closely with the Congress to enact legislation that would allow the Department to match data with the Internal Revenue Service and dramatically reduce fraud and error in the Pell Grant program. Once fully implemented, this common sense reform could save more than \$300 million annually.

Update on the President's Management Agenda

The table below provides an update on the Department of Education's implementation of the President's Management Agenda as of December 31, 2005.

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

The Department of Education continued to make improvements in its management over the past year. Since the PART process identified the lack of appropriate performance measures as a major problem, Education has taken steps to develop program measures and goals. In 2005, OMB reevaluated five programs that were rated Results Not Demonstrated and upgraded their ratings. For example, the Improving Teacher Quality State Grants program was upgraded to Moderately Effective. The program has improved its data management, collecting and reporting data on the percentages of core academic classes taught by highly qualified teachers in elementary, high poverty, and secondary schools, consistent with the requirements of NCLB to improve the quality of teachers. Also, the Department is implementing important E-Government initiatives aimed at improving access and performance of critical education grant and loan programs. For example, the Department is posting an increasing number of grant opportunities at www.Grants.gov and loan opportunities at www.GovLoans.gov. The Department also has a long-term plan for improving commercial operations through the use of public-private competition. Competitions conducted in 2005 will save the Department approximately \$7 million. In addition, financial management practices continue to improve, and the Department is using key, risk-based data in day-to-day operations, such as identifying and closely monitoring high-risk grantees to ensure the proper expenditure of taxpayer funds.

Initiative	Status	Progress
Faith-Based and Community Initiative		
Eliminating Improper Payments		

The Department's efforts to improve management have achieved some important goals in the past year. Federal Student Aid (FSA) reached green status in the Elimination of Fraud and Error In Student Aid Programs and Deficiencies in Financial Management initiative of the PMA. It was removed from the Government Accountability Office's High Risk list for the first time in 15 years. To achieve this important goal, FSA held itself accountable for accomplishing management improvements, and was able to demonstrate it had addressed all the deficiencies of concern. Furthermore, as a major lender through the Federal student loan programs, the Department of Education is participating in a new PMA initiative to evaluate management of Federal credit programs. Assessments will be made of the Department's strengths and weaknesses in managing the student loan portfolio. The Department of Education is committed to building on its management successes to date in order to continue to improve management of this almost \$400 billion portfolio. This initiative will be included in the scorecard beginning in the second quarter of 2006.

Education has completed the initial phases of ensuring that community and faith-based organizations can compete fairly for relevant grants. Education has eliminated regulatory barriers, done extensive outreach, provided technical assistance to organizations, and has evaluated the impact of community and faith-based organizations in Education programs.

Education is assessing its programs' risk of improper payments, developing an estimate to measure the amount of improper payments and initiating different processes and internal control improvements to enhance the accuracy and integrity of payments. For example, one source of error in the Pell Grant program stems from self-reported tax information by applicants. The Department is expanding the online edit checks for Federal financial aid forms to help catch potential errors as they are entered and alerting the applicant to re-check the data.

Department of Education
(In millions of dollars)

	2005 Actual	Estimate	
		2006	2007
Spending			
Discretionary Budget Authority:			
Elementary and Secondary Education:			
Title I Grants to LEAs ¹	12,740	12,713	12,913
School Improvement Grants (non-add)	—	—	200
Reading First and Early Reading First ²	1,146	1,132	1,132
State Assessments.....	412	408	408
Teacher Incentive Fund.....	—	99	99
Teacher Quality State Grants	2,917	2,887	2,887
Charter Schools programs.....	254	251	251
America's Opportunity Scholarships for Kids	—	—	100
Impact Aid.....	1,244	1,228	1,228
Safe and Drug Free Schools Programs.....	672	569	216
21st Century Community Learning Centers.....	991	981	981
English Language Acquisition	676	669	669
IDEA Part B State Grants ³	10,590	10,583	10,683
High School Programs:			
High School Reform.....	—	—	1,475
Striving Readers.....	25	30	100
Vocational Education ⁴	1,206	1,192	—
TRIO Upward Bound	310	311	—
TRIO Talent Search.....	145	145	—
GEAR UP.....	306	303	—
American Competitiveness Initiative:			
Math Now for Elementary Schools Students	—	—	125
Math Now for Secondary School Students.....	—	—	125
Advanced Placement.....	30	32	122
National Mathematics Panel	—	—	10
Evaluation of Mathematics and Science Education Programs.....	—	—	5
Adjunct Teacher Corps.....	—	—	25
Adult Education	579	573	573
Higher Education:			
Pell Grants ⁵	12,365	17,345	12,739
Perkins Loans Institutional Recall	—	—	-664
Perkins Loans Cancellations.....	66	65	—
National Security Language Initiative activities.....	—	—	35
Historically Black Colleges and Graduate Institutions.....	297	296	296
Hispanic Serving Institutions.....	95	95	95
Research and Statistics ⁶	523	517	554
All other	9,590	4,128	7,229
Total, Discretionary budget authority ⁷	57,179	56,541	54,411

Department of Education—Continued
(In millions of dollars)

	2005 Actual	Estimate	
		2006	2007
<i>Memorandum: Budget Authority from enacted supplementals</i>	—	1,600	—
Total, Discretionary outlays	56,998	58,840	56,830
Mandatory Outlays:			
Federal Direct Student Loans	2,280	4,791	63
Federal Family Education Loans.....	11,565	18,245	5,340
Academic Competitiveness Grants.....	—	190	789
All other	2,102	1,918	1,462
Total, Mandatory outlays	15,947	25,144	7,654
Total, Outlays	72,945	83,984	64,484
Credit activity			
Direct Loan Disbursements:			
Federal Direct Student Loans (FDSL).....	12,359	13,649	14,705
FDSL Consolidations	15,136	13,740	7,908
Total, Direct loan disbursements	27,495	27,389	22,613
Guaranteed Loan Commitments:			
Family Federal Education Loans (FFEL)	28,443	45,616	49,186
FFEL Consolidation	53,134	45,311	25,128
Total, Guaranteed loan commitments.....	81,577	90,927	74,314

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

² Program level. Budget authority is \$195 million more than program level in 2006.

³ Program level. Budget authority is \$11 million less than program level in 2006 and \$791 million less than program level in 2007.

⁴ Program level. Budget authority is \$791 million more than program level in 2007.

⁵ Reflects new budget authority and not funding for shortfalls or surpluses. The Pell maximum award remains \$4,050 in all three years.

⁶ Includes special education research and studies funding in 2005.

⁷ Program level. Budget authority is \$11 million less than program level in 2006. The Deficit Reduction Act moved Section 458 Federal Student Aid funds for administrative expenses from the mandatory to the discretionary side of the budget in 2007. For comparability purposes, this change is reflected in the 2005 and 2006 columns as well.



DEPARTMENT OF EDUCATION

Since 2001, the Administration:

- Reformed K–12 education through the No Child Left Behind Act, which is raising academic standards for students, improving accountability in schools and States, and expanding parental choice. No Child Left Behind funding has increased 34 percent since 2001;
- Aligned the Individuals with Disabilities Education Act with No Child Left Behind accountability systems to improve the quality of education for students with disabilities and ensure that all students achieve high academic standards;
- Reformed the Federal student aid programs to make them more cost efficient and targeted additional aid to the neediest students, including 5.2 million Pell Grant recipients in 2006; and
- Assessed 89 programs using the Program Assessment Rating Tool and used the results to guide budget decisions and programmatic reforms.

The President's 2008 Budget:

- Proposes reauthorization of the landmark No Child Left Behind Act;
- Provides a \$1.7 billion increase for schools in low-income communities, including a \$1.2 billion increase for the core Title I program and \$500 million for schools in need of improvement;
- Requests \$300 million to enable low-income students in low-performing schools to transfer to a public or private school of their choice or receive intensive supplemental services;
- Increases the Pell Grant maximum award from \$4,050 to \$5,400 over five years, to help over 5.4 million low-income students access quality higher education each year; and
- Exercises spending restraint by terminating 43 low-priority or non-performing programs and redirecting funds to priorities that will deliver better results for students and families.

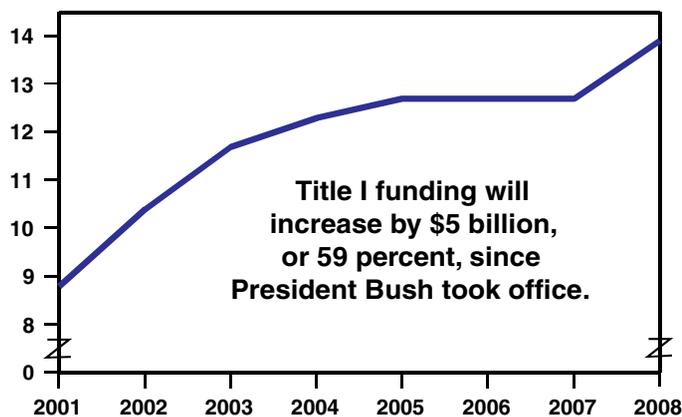
FOCUSING ON THE NATION'S PRIORITIES

Reauthorizing the No Child Left Behind Act

The central goal of the 2001 No Child Left Behind Act (NCLB) is for all students to read and do math at grade level or above by 2014. 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 proven instructional methods. NCLB is moving education in the right direction. Test scores are rising, and in most States, the learning gap between poor and non-poor students, and between black, Hispanic, and white students, is starting to close. In 2007, President Bush will work with the Congress to reauthorize NCLB while maintaining the Act's core principles. Highlights of the President's plan include the following:

Title I Funding Increases

Budget authority in billions of dollars



Source: Department of Education.

The 2008 Budget proposes a \$1.2 billion increase for Title I, the cornerstone NCLB program. With this increase, Title I will have increased by 59 percent since 2001.

low-performing schools. Schools that have been low performing for five years or more will be required to offer Promise Scholarships, and competitive grants will be available to communities willing to launch Opportunity Scholarships to further expand parents' options. These scholarships will help parents cover some of the cost of attending the public or private school of their choice or the cost of intensive supplemental educational services, such as tutoring.

Reforming High Schools and Improving College Readiness. NCLB provides an important framework for transforming high schools in order to prepare students for college and the workplace. However, less than 10 percent of NCLB funds go to high schools, limiting the law's current impact. The Budget provides \$13.9 billion for Title I, a \$1.2 billion increase, which devotes new funds to high schools in proportion to the number of low-income students they educate, while also increasing funding for elementary schools. In addition, the Administration proposes to add two tests in two new high school grades, including an assessment of college readiness. Together with the existing tests in reading and math in grades 3–8 and once in high school, these assessments will help parents and teachers know how their schools are performing across all grades and how well students are being prepared for success after graduation. The Budget provides \$412 million for these State assessments.

Helping Schools in Need of Improvement. The Budget provides \$500 million that, along with over \$500 million reserved from Title I, will help improve schools that have not met their NCLB student achievement goals for at least two years, with a particular focus on schools that have been low-performing for five years or more. This funding will ensure that States and school districts have the capacity to turn around the schools that need the most help.

Enhancing Opportunities for Parental Choice. While the Administration expects most schools in need of improvement to turn around and meet their NCLB goals, some schools will not be able to do so quickly. The President's Budget includes \$300 million for two new programs to offer educational alternatives to low-income students in

Ensuring our Future Competitiveness. To remain competitive in the global economy, every high school graduate needs strong analytical skills in mathematics and science. In support of this objective, the Budget provides a \$365 million increase for math and science education programs as part of the President's American Competitiveness Initiative (ACI). ACI includes an array of research and education programs that focus on improving the Nation's long-term economic competitiveness. A \$250 million Math Now proposal would support a new math program to help elementary school teachers prepare students for rigorous coursework and a new middle school program to identify and provide targeted services to boost achievement of middle school students who are not proficient in math. Other ACI investments include a \$90 million increase for the Advanced Placement program to train 70,000 teachers over five years, with a focus on math and science, and \$25 million for an Adjunct Teacher Corps to help recruit 30,000 professionals, especially professionals from technological fields, over the next eight years to teach in high-need schools.



President Bush and Secretary Spellings visit with a teacher and students at Parkland Magnet Middle School for Aerospace Technology, April 18, 2006, in Rockville, Maryland.

Providing Access to and Raising Quality in College Education

Access to quality postsecondary education for America's students is crucial to U.S. economic prosperity. In 2008, the Federal Government will provide nearly \$91 billion in financial aid to 10.4 million students to help pay for college. In September 2006, the Secretary's Commission on the Future of Higher Education offered recommendations to improve the Nation's postsecondary education system. It called for more resources, student aid system reforms, and greater accountability and transparency. The Budget includes several reforms that are aligned with the Commission's recommendations, including the following:

Increasing Need-based Grant Aid. The Pell Grant program remains the single largest source of grant aid, helping 5.2 million students in 2006. The Budget increases the maximum Pell award from \$4,050 to \$5,400 over five years. The Administration also proposes to increase Academic Competitiveness Grants for high achieving, low-income students.

Ensuring Accountability and Transparency in Higher Education. Taxpayers, parents, and students lack clear and comprehensive information on the outcomes of their investments in higher education. The Budget provides \$25 million for a pilot initiative for collecting and analyzing student data to measure outcomes such as graduation rates and academic performance. The pilot would assess the feasibility of implementing a system that would safeguard privacy of individual data.

Restraining Federal Spending

Reforming the Student Aid System. The Deficit Reduction Act of 2006 included several important reforms to help make the Federal student loan programs more efficient while increasing benefits to students. The President's Budget builds on these reforms by reducing Government subsidies to lenders and guaranty agencies that are higher than necessary while still ensuring that all eligible students receive loans, and eliminating the poorly targeted Perkins Loan and Supplemental Educational Opportunity Grant programs. Savings from these reforms will allow the Administration to

increase grant and loan aid, such as larger Pell Grants and Academic Competitiveness Grants, in a better targeted, fiscally responsible manner. With these reforms, the Administration remains committed to making both the direct and guaranteed student loan programs more efficient, in order to continue the mutually beneficial competition that has led to better services for students and schools and lower costs in both programs.

Terminating and Reducing Discretionary Programs. The Budget proposes to terminate 43 programs, including many that the Program Assessment Rating Tool has shown to be ineffective or unable to demonstrate results. These terminations will save \$2.2 billion, all of which will be redirected toward priority programs, including programs that support the reauthorization of NCLB.

Department of Education
(In millions of dollars)

	2006 Actual	Estimate	
		2007	2008
Spending			
Discretionary Budget Authority:			
No Child Left Behind Act Reauthorization			
Title I Grants to LEAs	12,713	12,713	13,910
School Improvement Grants	—	—	500
Reading First/ Early Reading First.....	1,132	1,122	1,136
Striving Readers.....	30	32	100
American Competitiveness Initiative.....	32	32	397
Teacher Quality State Grants	2,887	2,887	2,787
Teacher Incentive Fund.....	99	4	199
Safe and Drug Free Schools programs	488	524	324
IDEA Part B State Grants ¹	10,583	10,492	10,492
Career and Technical Education State Grants ²	1,182	1,182	600
Adult Education.....	573	573	573
Federal Student Aid:			
Pell Grants—Discretionary Funding, Legislative proposal.....	13,045	12,607	13,223
<i>Pell Grants—Mandatory Funding</i> <i>(non-add, Legislative proposal)</i>	—	—	2,216
Supplemental Educational Opportunity Grants.....	771	771	—
Federal Work-Study	980	980	980

Department of Education—Continued
(In millions of dollars)

	2006 Actual	Estimate	
		2007	2008
Higher Education:			
TRIO programs	828	828	828
GEAR UP	303	303	303
National Security Language Initiative	—	—	35
Historically Black College and Graduate Institutions	296	296	296
Hispanic Serving Institutions.....	95	95	95
All other.....	10,516	10,545	9,218
Total, Discretionary budget authority ³	56,553	55,985	55,995
<i>Memorandum: Budget authority from enacted supplementals</i>	<i>1,885</i>	<i>179</i>	<i>—</i>
Total, Discretionary outlays	58,264	58,933	54,971
Mandatory Outlays:			
Federal Direct Student Loans, Legislative proposal	6,258	4,310	466
Federal Family Education Loans, Legislative proposal	26,307	1,399	-222
Academic Competitiveness Grants.....	44	867	843
All other	2,574	2,551	2,565
Total, Mandatory outlays	35,183	9,127	3,652
Total, Outlays	93,447	68,060	58,623
Credit activity			
Direct Loan Disbursements:			
Federal Direct Student Loans (FDSL).....	12,387	13,153	14,306
FDSL Consolidation.....	19,647	4,523	4,943
Historically Black College and University Capital Financing.....	42	170	249
Total, Direct Loan disbursements.....	32,076	17,846	19,781
Guaranteed Loan Disbursements:			
Family Federal Education Loans (FFEL)	45,821	50,436	56,024
FFEL Consolidation	72,036	27,021	31,862
Total, Guaranteed loan disbursements	117,857	77,457	87,886

¹ Program level. Budget authority is \$11 million less than program level in 2006 and \$791 million less than program level in 2008.

² Program level. Budget authority is \$791 million more than program level in 2008.

³ Program level. Budget authority is \$9 million less than program level in 2006 rather than \$11 million noted above, due to rounding. The Deficit Reduction Act of 2005 moved Section 458 Federal Student Aid funds for administrative expenses from the mandatory to the discretionary side of the budget in 2007. For comparability purposes, this change is also reflected in 2006.



DEPARTMENT OF EDUCATION

The President's 2009 Budget will:

- Build on the success of the No Child Left Behind Act;
- Advance the President's historic commitment to increasing access to higher education;
- Ensure Federal education investments are targeted to high-performing programs; and
- Support State and local leadership to improve the quality of education for America's children.

Building on the Success of the No Child Left Behind (NCLB) Act

- *Improves access to quality education.* Fosters positive change in the Nation's schools by requiring accountability for results, offering more choices for parents and students, providing greater flexibility for States and school districts, and expanding the use of proven instructional methods. Successful NCLB results include:
 - Improvement across-the-board in fourth and eighth grade reading and math on the National Assessment of Educational Progress (NAEP) with minority students posting all-time highs in a number of categories;
 - Increase of 11 percentage points in second grade reading scores in the research-based Reading First program from 2004–2006;
 - Establishment in all 50 States of systems for holding districts and schools accountable for improving student achievement; and
 - Enhanced educational options for students in struggling schools, including the choice of a better performing public school and access to free tutoring.
- *Builds on the 2007 blueprint for reauthorizing and strengthening NCLB.*
 - \$14.3 billion for Title I, a 63-percent increase since 2001.
 - \$1 billion for effective, research-based literacy instruction through Reading First.
 - \$491 million for School Improvement Grants to help turn around schools in need of improvement, along with over \$570 million reserved from Title I.

2007 Reading Achievement Gains on NAEP

Student Group	Grade 4		Grade 8	
	Since 2000	Since 2005	Since 2000	Since 2005
Overall	↑	↑	↑	↑
White	↑	↑	↑	↑
Black	↑	↑	↑	↑
Hispanic	↑	↑	↑	↔

↑ Indicates the score was significantly higher in 2007.

↔ Indicates there was no significant change in the score in 2007.

Source: National Center for Educational Statistics

- *Expands school choice to support students at risk of being left behind.*
 - \$25 million, or 12-percent, increase in Federal grants to charter schools.
 - A new \$300 million Pell Grants for Kids to enable low income students enrolled in low performing schools to attend a private or out of district public school.
 - Reforms to the 21st Century Community Learning Centers program to make \$800 million available in scholarships for low-income students to participate in after school programs of their choice.
- *Assists at-risk students.* Provide extra assistance for students most at risk of being left behind, including students with disabilities, migrant students, students in State-run institutions, and limited English proficient students.
- *Emphasizes math and science.* Ensure the Nation's future competitiveness by supporting the education components of the President's American Competitiveness Initiative.
 - \$70 million to train teachers to teach Advanced Placement/International Baccalaureate courses and expand low-income students access to these courses.
 - \$95 million for Math Now, to prepare elementary and middle school students for more rigorous high school math classes.
 - \$10 million for an Adjunct Teacher Corps to bring math and science professionals into high-need schools as teachers.

Sustaining the President's Historic Commitment to Higher Education

- *Makes college more affordable for neediest students.* In September 2007, the President signed the College Cost Reduction and Access Act into law, which helped further his longstanding goal of increasing need-based aid for students. The Act provided \$11.4 billion in new funding for Pell Grants over the next five years building on the Administration's unprecedented funding increase for this program. The Budget implements and builds on this law and promotes access to higher education by providing:
 - \$95 billion in loans and grants to help 10.9 million students pay for college;
 - \$2.7 billion increase in annual appropriations for Pell Grants. This investment, together with funding provided by the College Cost Reduction and Access Act, will support a maximum Pell Grant of \$4,800 in 2009 and allow the maximum grant to rise to \$5,400 by 2012;
 - \$21 million to improve access to, and success in, postsecondary education for adult and non-traditional students and \$363 million in new loans for short-term training; and
 - A 50-percent tax credit for the first \$2,000 that moderate- and low-income parents invest annually in 529 tuition-savings accounts.

Major Savings and Reforms

- In order to fund increases for education programs that are effective or show promise of demonstrating results while restraining overall Federal spending, the Budget reduces or terminates funding for 50 programs totaling \$3.8 billion. Many of these funding reductions were based, in part, on the Administration's thorough review of programs under the Program Assessment Rating Tool (PART). Program terminations include:
 - Even Start, which received an Ineffective PART rating and failed to effectively increase the literacy skills of participating children and parents according to three national evaluations; and
 - Small, narrowly focused programs that have not demonstrated results, do not align with national priorities, or can be funded under other authorities, including programs such as the

Exchanges with Historic Whaling and Trading Partners, Education Technology State Grants, and the Carol M. White Physical Education Program. Populations served by these programs receive services through other Federal programs.

Since 2001, the Department of Education has:

- Reformed K–12 education through the No Child Left Behind Act, which is raising academic standards for students, improving accountability in schools and States, and expanding parental choice.
- Aligned the Individuals with Disabilities Education Act with No Child Left Behind accountability systems to improve the quality of education for students with disabilities and ensure that all students achieve high academic standards.
- Reformed the Federal student aid programs to make them more cost efficient and targeted additional aid to the neediest students, including an estimated 5.3 million Pell Grant recipients in the 2007/2008 academic year.
- Assessed 92 programs using the PART to guide budget decisions and programmatic reforms.

Educational Reform, Infrastructure Improvements, and National Security in the District of Columbia

The District of Columbia (D.C.) is the Seat of Government of the United States and the Nation's capital. As such, the Federal Government has a particular interest in ensuring that D.C. provides a healthy, vibrant environment for its local citizens and visitors from across the Nation and around the world. Accordingly, the Budget provides \$157 million for D.C. This includes \$74 million to improve K–12 education in the District, the Mayor's top priority.

The Budget expands upon the successful three-sector education strategy, an effort to help all sectors of education in the Nation's capital. In addition to \$18 million in base funding, the Budget provides \$20 million to jump-start reform initiatives for the District's traditional public school system, where the Mayor's office has assumed more responsibility and is committed to building on key principles of the No Child Left Behind Act. It provides \$18 million to support public charter school development and quality, and \$18 million to continue and better target the D.C. Opportunity Scholarship program, which provides District parents—particularly low-income parents—more options for obtaining a quality education for their children. The Budget proposes an increase to the maximum scholarship amount for high school tuition, and to track future tuition expenses more accurately by indexing the scholarships to inflation.

The Budget also supports the District's unique position as the Nation's capital by providing \$15 million for planning and security costs directly related to the Federal Government's presence in the District. These funds defray D.C.'s security costs for events such as the 2009 Presidential inauguration, and the annual World Bank and International Monetary Fund meetings.

The President's Budget continues support for infrastructure improvements and public safety projects in the District, providing: \$14 million to rehabilitate existing water, sewer, and waste water treatment systems; \$10 million to support forensic and public health needs; and \$7 million to continue the rehabilitation of the city's public libraries.

Department of Education
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
Spending			
Discretionary Budget Authority:			
No Child Left Behind Act:			
Title I Grants to LEAs ¹	12,838	13,899	14,305
School Improvement Grants	125	491	491
Reading First	1,029	393	1,000
Striving Readers	32	35	100
Pell Grants for Kids	—	—	300
21st Century Learning Opportunities	981	1,081	800
Charter Schools Grants	215	211	236
American Competitiveness Initiative	37	44	175
Teacher Quality State Grants	2,887	2,935	2,835
Teacher Incentive Fund	—	97	200
English Language Acquisition State Grants	669	700	730
Special Education State Grants ²	10,783	10,948	11,285
Career and Technical Education State Grants ³	1,182	1,161	—
Adult Education	572	561	568
Federal Student Aid:			
Pell Grants—Discretionary funding	13,661	14,215	16,851
<i>Pell Grants—Mandatory funding (non-add)</i>	—	2,030	2,090
Supplemental Educational Opportunity Grants	771	757	—
Federal Work Study	980	980	980
Higher Education:			
Minority Serving Institutions—Discretionary funding	435	432	293
<i>Minority Serving Institutions—Mandatory funding (non-add)</i>	—	250	250
TRIO programs—Discretionary funding	828	828	828
<i>TRIO programs—Mandatory funding (non-add)</i>	—	57	57
GEAR UP	303	303	303
National Security Language Initiative	24	26	59
All other	9,116	9,063	6,850
Total, Discretionary budget authority ⁴	57,469	59,183	59,210
<i>Memorandum: Budget authority from enacted supplementals</i>	374	—	—
Total, Discretionary outlays	57,367	60,171	59,032

Department of Education—Continued
(Dollar amounts in millions)

	2007 Actual	Estimate	
		2008	2009
Mandatory Outlays:			
Legislative proposal, Federal Direct Student Loans	4,194	4,973	-1,349
Legislative proposal, Federal Family Education Loans	1,766	-1,092	1,094
Legislative proposal, Perkins Loan recall	—	—	-1,116
Pell Grants, Mandatory add-on.....	—	562	2,026
Academic Competitiveness/SMART Grants	449	599	705
Vocational Rehabilitation (VR) State Grants.....	2,766	2,916	2,945
All other	-150	-63	183
Total, Mandatory outlays	9,025	7,895	4,488
Total, Outlays	66,392	68,066	63,520
Credit activity			
Direct Loan Disbursements:			
TEACH Grants.....	—	30	96
Legislative proposal, Loans for Short Term Training	—	—	37
Federal Direct Student Loans (FDSL).....	12,290	13,832	14,594
FDSL Consolidation.....	3,575	4,114	4,424
Historically Black College and University Capital Financing.....	170	192	147
Total, Direct loan disbursements	16,035	18,168	19,298
Guaranteed Loan Disbursements:			
Legislative proposal, Loans for Short Term Training	—	—	246
Family Federal Education Loans (FFEL)	50,181	54,875	57,076
FFEL Consolidation	46,596	33,991	38,018
Total, Guaranteed loan disbursements	96,777	88,866	95,340
		Number of Programs	2009 Savings
Major Savings, Discretionary			
Terminations	47		-3,261
Reductions	3		-544

¹ Program level. Budget authority is \$551 million less than program level in 2008.

² Program level. Budget authority is \$1,433 million less than program level in 2008 and \$791 million less than program level in 2009.

³ Program level. Budget authority is \$791 million more than program level in 2009.

⁴ Program level. Budget authority is \$1,984 million less than program level in 2008. The 2008 discretionary total does not include mandatory changes enacted in that year's appropriations bills. The 2009 discretionary total is net of two mandatory changes—a \$652 million cancellation of Academic Competitiveness/SMART Grant balances, and a \$101 million reduction from the VR State Grants baseline.