

Fiscal Year 2005 Budget  
Summary and Background Information

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*Our reforms insist on high standards because we know every child can learn.  
Our reforms call for testing because the worst discrimination  
is to ignore a school's failure to teach every child.  
And our reforms identify underperforming schools because  
we need to direct our help to the schools that need it most.*

*President George W. Bush*

## I. SUMMARY OF THE 2005 BUDGET

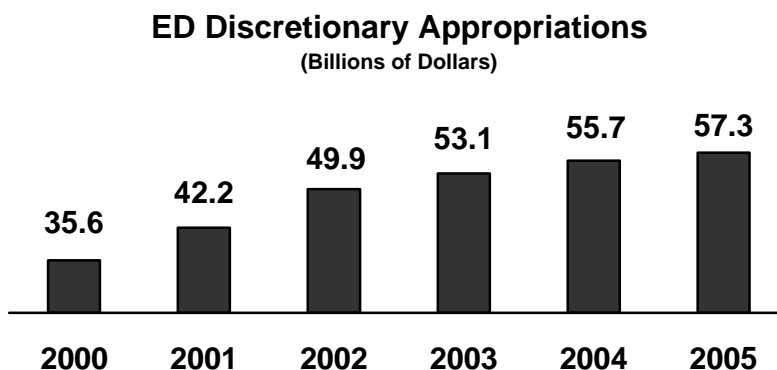
Two years ago President George W. Bush launched the most important reform of public education in a generation by signing into law the *No Child Left Behind Act (NCLB Act)*, which reauthorized the Elementary and Secondary Education Act (ESEA). The new law was based on stronger accountability for results, more choices for parents and students, greater flexibility for States and school districts, and the use of instruction proven effective through scientifically based research.

In response, State officials, administrators, and teachers across the country worked hard to strengthen accountability systems, identify low-performing schools and make the changes needed to improve, and provide new options to parents, such as the opportunity to transfer to a better performing school or to obtain supplemental educational services from the provider of their choice. The overall goal is to ensure that by 2013-2014, every student who attends an American school will be proficient in reading and mathematics.

The early results of these changes are promising. All 50 States and the District of Columbia developed accountability plans, under which each State creates its own assessments and sets its own levels for student achievement, school and district accountability, and teacher quality. Under these plans, high average achievement by a school can no longer mask low scores by poor and minority students, English language learners, or students with disabilities. Districts and schools can meet adequate yearly progress (AYP) goals only if individual student subgroups—not just all students as a whole—reach the same academic proficiency targets.

States have identified more than 5,000 schools for improvement, and placed another 20,000 on “watch lists” for not making AYP for one year. These schools need to address weaknesses that, in many cases, were identified for the first time under the NCLB Act, and President Bush is committed to providing the resources needed to help these schools improve.

For 2005, the President is requesting \$57.3 billion in discretionary appropriations for the Department of Education, an increase of \$1.7 billion or 3.0 percent over the 2004 level. The 2005 request would build on the substantial Federal investment in education over the past five years, raising discretionary appropriations from \$35.6 billion in fiscal year 2000 to \$57.3 billion in fiscal year 2005, an increase of 61 percent.



Note: 2005 reflects the President's request level.

These funds support educational opportunity and excellence at all levels of America's education system. In particular, under No Child Left Behind, they reflect an effort to leverage the nearly \$500 billion that our Nation spends annually on elementary and secondary education. Despite the size of this overall investment—more than we spend on national defense, and more per-pupil than any other nation in the world except Switzerland—educational achievement has improved little over the past decade, and achievement gaps between minority students and their non-minority peers remain unacceptably large.

**Total Department of Education Appropriations**  
(in billions of dollars)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
<b>Discretionary</b>	<b>\$53.1</b>	<b>\$55.7</b>	<b>\$57.3</b>
<b>Mandatory</b>	<b><u>10.1</u></b>	<b><u>7.6</u></b>	<b><u>9.1</u></b>
<b>Total</b>	<b>63.2</b>	<b>63.3</b>	<b>66.4</b>

For this reason, President Bush has focused new education investments on programs with a demonstrated record of success in improving educational outcomes, and on programs that have been fundamentally reformed by the NCLB Act. The President also has targeted new resources to programs that help to close the achievement gaps that persist among racial, ethnic, and socioeconomic groups across the country.

The 2005 budget request for the Department of Education includes the following significant increases: \$1 billion for Title I Grants to Local Educational Agencies, \$1 billion for Special Education Grants to States, \$823 million for Pell Grants, \$333 million to support the President's *Jobs for the 21<sup>st</sup> Century* initiative, \$113 million to expand choices for students and parents, and \$101 million for Reading First State Grants.

In particular, the Department's share of the *Jobs for the 21<sup>st</sup> Century* initiative reflects President Bush's understanding of the challenges faced by young people in preparing for future careers, and his determination to help them get the skills and training they need to compete successfully in today's changing economy.

New money funds *Jobs for the 21<sup>st</sup> Century*, but other increases are offset in part by reductions that reflect the President's priorities for the Department, including the elimination of categorical programs and low-priority activities in favor of funding through the flexible State grant programs created by the NCLB Act. In addition, the Department used findings from the government-wide Program Assessment Rating Tool, or PART, to redirect funds from ineffective programs to more effective activities, as well as to identify reforms to help address program weaknesses. Increases for 2005 also are offset in part by the completion of one-time projects.

**>>>Stronger Accountability>>>>**

All 50 States, the District of Columbia, and Puerto Rico are implementing peer-reviewed accountability plans detailing how they will ensure that all students reach proficiency in reading and mathematics.

In addition to the discretionary priorities described above, the request includes funding for mandatory programs, such as Vocational Rehabilitation State Grants and the student loan programs. Mandatory costs fluctuate from year to year due to changes in inflation, interest rates, and other factors. For 2005, new student loans provided under the Federal Family

Education Loans and Federal Direct Loans programs will grow from \$52.2 billion to \$56.9 billion, an increase of \$4.7 billion or 9 percent.

The 2005 request is complemented by significant tax-related investments in education, such as the Administration's proposal to expand from \$250 to \$400 the above-the-line deduction for qualified out-of-pocket classroom expenses incurred by teachers. Other existing tax-related benefits include education savings accounts (Coverdell IRAs) that permit up to \$2,000 in annual contributions and tax-free withdrawals to pay educational expenses from kindergarten through college, as well as tax-free withdrawals from qualified State tuition savings plans. In addition, the Administration is proposing to revise and simplify rules for three higher education tax benefits—the Lifetime Learning credit, the HOPE credit, and the above-the-line deduction for higher education expenses.

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

### **SUPPORTING STATE AND LOCAL IMPLEMENTATION OF THE NCLB ACT**

States, school districts, and schools are meeting the challenge of successfully implementing the No Child Left Behind Act. They are recognizing and addressing achievement gaps that for too long were largely ignored. They are identifying schools for improvement, and making the changes needed to turn these schools around. They are giving parents new information—such as online data about school performance and teacher credentials—and new choices such as the option to transfer their child to a better school, or to obtain supplemental educational services from more than 1,700 approved providers.

To help States and school districts to stay the course and continue delivering on the promise of No Child Left Behind, the President's 2005 request includes the following:

#### **>>>>Data-Driven Reform>>>>**

Georgia is one of many States that has made its NCLB "report cards" available online, and the Tennessee State Department of Education is developing a streamlined, Internet-based data collection program that will manage student information for public schools at no cost to local school districts.

- \$13.3 billion for Title I Grants to Local Educational Agencies, an increase of \$1 billion or 8 percent over the 2004 level, to give States and school districts additional resources to turn around low-performing schools, improve teacher quality, and expand choices for students and parents. States would reserve approximately \$520 million of these funds for assistance to school districts with the greatest need for improvement efforts. If enacted, the request would result in an overall increase of \$4.6 billion, or 52 percent, in Title I Grants to LEAs funding since the passage of the NCLB Act.
- \$1.1 billion for Reading First State Grants, an increase of \$101 million, or 10 percent, to expand the nationwide effort to support comprehensive reading instruction for children in grades K-3. The request would help school districts and schools provide professional development in reading instruction for teachers and administrators, adopt and use reading diagnostic assessments for students in kindergarten through third grade to determine where they need help, implement reading curricula that are based on recent findings of the 2000 National Reading Panel report, and provide reading interventions for young school children reading below grade level.

- \$132 million for Early Reading First, an increase of \$38 million, or 40 percent, for the pre-school component of the Reading First initiative, which funds competitive grants to develop and support the school readiness of preschool-aged children in high-poverty communities.

**>>>>Reading on Grade Level>>>>**

All 50 States and the District of Columbia have approved Reading First plans to ensure that every child is reading on grade level by the end of the third grade.

- \$333 million in new funding to initiate or expand activities that help meet the goals of the President's new *Jobs for the 21<sup>st</sup> Century* initiative by ensuring that all students are prepared to succeed in postsecondary education and the workforce. Specific proposals include the following:
  - \$100 million for a secondary school reading initiative, Striving Readers, that would focus on developing and implementing research based interventions to improve the skills of teenage students that are reading below grade level;
  - \$120 million for a new Secondary Education Mathematics Initiative under the Mathematics and Science Partnership program that will make 100-140 competitive grants to ensure that secondary-school mathematics teachers are highly qualified and help mathematics teachers meet the needs of struggling students;
  - \$40 million for an Adjunct Teacher Corps Initiative to support approximately 60 to 100 awards to partnerships to create and implement arrangements for utilizing well-qualified individuals from business, technology, industry, and other areas as teachers in secondary schools on an adjunct basis;
  - \$33 million for Enhanced Pell Grants for State Scholars to provide an additional Pell Grant award of up to \$1,000 to low-income students who participate in the State Scholars program by taking a rigorous high school curriculum.
  - \$12 million under the Administration's reauthorization proposal for "Secondary and Technical Education State Grants" to increase the number of States implementing State Scholars programs that encourage high school students to complete a rigorous four-year course of study.
  - \$28 million for the Advanced Placement program to ensure that teachers in low-income schools are well-trained to teach AP and International Baccalaureate courses and to increase the rigor of the high school curriculum.
- \$100 million to double funding for the Mentoring program to support the development, expansion, and strengthening of exemplary school-based mentoring programs that meet the needs of at-risk middle school students. The initiative draws on the expertise and resources of the USA Freedom Corps to encourage citizen service to help improve public education outcomes.
- \$10 million for a Military Families Initiative to address the challenges faced by students from military families that frequently change duty stations, promote smoother transitions to new schools, enable them to continue their education without disruption, and graduate on time.

- \$185 million for Research, Development, and Dissemination, an increase of \$19 million to further our understanding of how students learn and to develop effective practices for improving student achievement through investments in research on reading comprehension, mathematics and science education, and teacher quality.
- \$410 million for State Assessment Grants to maintain statutorily required levels of support for State-level development and implementation of annual reading and math assessments in grades 3 through 8 by the 2005-2006 school year. The request would make available \$10 million for new competitive grants focused on improving the assessment of limited English proficient students and students with disabilities.
- \$681 million for English Language Acquisition to support flexible, performance-based formula grants to help ensure that limited English proficient (LEP) students learn English and meet the same high academic standards as all other students. The NCLB Act replaced a complex series of categorical grants to school districts and institutions of higher education with a flexible program that enables States to design and implement statewide strategies, grounded in scientifically based research, for meeting the educational needs of LEP and immigrant students.

**>>>>>Testing All Students>>>>>**

Since schools must test 95 percent of each subgroup, it is no longer possible to ignore the needs of some students by simply not testing them. Florida previously excluded the scores of limited English proficient students and students with disabilities, but now includes these students in its accountability system.

## **EXPANDING OPTIONS FOR PARENTS**

Expanding educational options for parents was a key achievement of the No Child Left Behind Act and remains one of the President's highest priorities. No Child Left Behind requires school districts to offer students attending schools identified for improvement, corrective action, or restructuring, the opportunity to transfer to a better-performing school, or to obtain supplemental educational services from a public- or private-sector provider, which may include a faith-based organization. President Bush also has provided strong support for the expansion of charter schools, and championed the creation of a scholarship program for low-income students in the District of Columbia, particularly those enrolled in low-performing schools.

**>>>>>Public School Choice>>>>>**

With more than 5,000 schools identified for improvement during the 2003-2004 school year, an estimated 2.5 million students are eligible to transfer to a better performing public school that is not identified for improvement.

The reality, however, is that in most school districts there are too few options for parents seeking a quality education for their children. To help overcome this problem, the 2005 request includes the following proposals designed to ensure that parents have meaningful choices:

- \$50 million for a new Choice Incentive Fund that would provide competitive awards to States, school districts, and community-based nonprofit organizations to provide parents the opportunity to transfer their children to a higher-performing public, private, or charter school. A major objective would be to fund applicants proposing to provide large numbers of students with expanded choice opportunities.

- \$27 million for Voluntary Public School Choice grants to give families better education options by encouraging States and school districts to establish or expand public school choice programs, including those across a State or across districts. Grants support planning, transportation, tuition transfer payments, and efforts to increase the capacity of schools to accept students exercising a choice option.

- \$219 million for Charter Schools Grants, which would support approximately 1,200 new and existing charter schools. The request includes \$19 million for the Per-Pupil Facilities Aid program, which assists charter schools in obtaining facilities by matching funds from State programs that make payments, on a per-pupil basis, to finance charter schools facilities.

**>>>>New Tutoring Options>>>>**

In New York and California alone, more than 60,000 students are receiving supplemental educational services in the 2003-2004 school year, and States have now approved more than 1,700 providers of supplemental educational services, nearly three-quarters of which are private-sector providers.

- \$100 million for the Credit Enhancement for Charter School Facilities program, an increase of nearly \$63 million, to assist charter schools in acquiring, leasing, and renovating school facilities. A major obstacle to the creation of charter schools is their limited ability to obtain suitable academic facilities. This program supports competitive grants to public and nonprofit entities to help charter schools finance their facilities through such means as providing loan guarantees, insuring debt, and other activities to encourage private lending.

## **INCREASING FLEXIBILITY AND REDUCING BUREAUCRACY**

No Child Left Behind provided unprecedented flexibility for States and school districts to combine resources from selected State formula grant programs to pursue their own strategies for helping all students reach proficiency in reading and mathematics. For example, school districts may transfer up to 50 percent of the funding they receive under four major formula grant programs to any one of the programs, or to Title I. Covered formula grant programs include Improving Teacher Quality, Educational Technology, Innovative Programs, and Safe and Drug-Free Schools and Communities. The following programs support this flexibility:

- \$2.9 billion for Improving Teacher Quality State Grants, which gives States and school districts flexibility to select the research-based strategies that best meet their needs for improved teaching that will raise student achievement in the core academic subjects. In return for this flexibility, districts are required to demonstrate annual progress in ensuring that all teachers teaching in core academic subjects within the State are highly qualified.

**>>>Highly Qualified Teachers>>>**

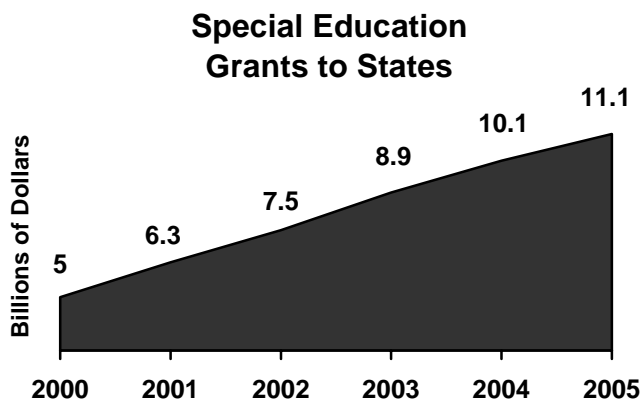
The Ohio Department of Education has created an interactive Internet site that permits parents and others to access the credentials of Ohio teachers—a change driven in part by the Parents' Right to Know provision of the NCLB Act.

- \$692 million for Educational Technology State Grants to support State and local efforts, particularly in high-poverty districts, to improve student achievement through the effective integration of technology into classroom instruction. Funds may be used, for example, to train teachers to use technology, to develop courses in information technology, and to purchase technology-based curricula.
- \$441 million for Safe and Drug-Free Schools and Communities State Grants, which fund a variety of activities in school districts and communities to foster a safe and drug-free learning environment that supports academic achievement.
- \$297 million for State Grants for Innovative Programs, the most flexible of the Department's State formula grant programs, to help States and school districts implement innovative strategies, including expanded school choice options, and other reforms to improve student achievement. Innovative Programs funds may be used by States, for example, to support charter schools or pay for urgent school renovations, as well as to augment funding available for supplemental educational services for students attending schools identified for improvement, corrective action, or restructuring under Title I.

## **SPECIAL EDUCATION AND VOCATIONAL REHABILITATION**

President Bush has demonstrated a strong commitment to improving educational opportunities for children with disabilities, both by requesting significant annual increases for Special Education Grants to States and in his determination to apply the same rigorous accountability demanded by the NCLB Act to the upcoming reauthorization of the Individuals with Disabilities Education Act (IDEA). Drawing on the principles of the NCLB Act, as well as from the recommendations of his Commission on Excellence in Special Education, the President will work with Congress to make changes to IDEA designed to strengthen accountability and improve student outcomes, improve identification practices and promote early intervention, and reduce administrative and paperwork requirements.

The President also is committed to the wide-ranging reform of the Federal government's overlapping training and employment programs. This multi-year reform effort targets resources to programs with documented effectiveness, and eliminates funding for ineffective, duplicative, or overlapping programs. As part of this effort, the 2005 request renews the Administration's proposal to consolidate three secondary vocational rehabilitation programs (Supported Employment State Grants, Projects With Industry, and the Migrant and Seasonal Farmworkers program) within the Vocational Rehabilitation State Grants program.



The 2005 request for these activities includes the following:

- \$11.1 billion for Special Education Grants to States, an increase of \$1 billion over the 2004 level, and the fourth consecutive \$1 billion increase requested by the President, for a total increase of \$4.7 billion, or 75 percent, since 2001. The request would provide an estimated \$1,612 per student for some 6.9 million individuals with disabilities ages 3-21. The 2005 budget also would raise the Federal contribution to about 20 percent of the national average per pupil expenditure for all children—the highest level of Federal support ever provided for children with disabilities.
- \$2.7 billion for Vocational Rehabilitation State Grants, an increase of \$113 million or 4.4 percent, to help State VR agencies increase the participation of individuals with disabilities in the labor force. The increase includes \$51.7 million to satisfy the statutory requirement to increase funding for the program by at least the percentage change in the CPIU for the 12-month period completed in October 2003 as well as \$61.8 million in consolidated funds.

## **VOCATIONAL AND ADULT EDUCATION**

Decades of Federal investment in vocational and adult education programs have produced little in the way of measurable benefits either in improved vocational outcomes or significant improvement in reading and math skills that can lead to job placements. To ensure that this educational investment produces measurable results, the Administration is proposing a stronger emphasis on high levels of academic achievement in vocational education programs and increased accountability in adult education programs. The following requests will support the Administration's strategy in this area:

- \$1 billion for a new Secondary and Technical Education State Grants program would create a coordinated high school and technical education improvement program in place of the current Vocational Education State Grants program. The new program would support and complement the achievement and accountability goals of No Child Left Behind by requiring States and school districts to focus more intensively on improving academic achievement and outcomes in career and technical education programs, as well as ensuring that students are being taught the necessary skills to make successful transitions from high school to further education and training and into the workforce. States would use most of their formula allocations to make competitive grants to partnerships between school districts and community and technical colleges. The request includes \$12 million to expand the number of States supporting State Scholars programs, which encourage high school students to complete a rigorous curriculum needed to succeed in postsecondary education and the workforce.
- \$590 million for Adult Basic and Literacy Education, including State formula grants, national leadership activities, and the National Institute for Literacy. The request assumes reauthorization of the Adult Education and Family Literacy Act to support a stronger focus on building skills in basic reading, math, and English acquisition for adults who need to improve their literacy or who want to earn their high school diploma or its recognized equivalent (the GED). Key changes to be sought by the Administration during reauthorization include assessment-based accountability measures and expanded use of research-based instructional practices.

## POSTSECONDARY EDUCATION

The Administration's 2005 request would expand overall student aid available for postsecondary education to more than \$73 billion, an increase of \$4.4 billion, or 6 percent, over the 2004 level. The number of recipients of grant, loan, and work-study assistance would grow by 426,000 to 10 million students and parents, reflecting both an increase in the amount of student aid available and growth in postsecondary enrollment, which is expected to jump about 20 percent between 1998 and 2010.

The request also increases support for institutional development at colleges and universities serving large percentages of minority students, funds opportunities for students to gain international expertise and training as language and area specialists, and promotes access to postsecondary education through outreach and student support services. Highlights of the President's 2005 request include the following:

- An \$856 million increase for the Pell Grant program, for a total of \$12.9 billion, to fully fund the cost of maintaining a \$4,050 maximum award for over 5.3 million students in award year 2005-2006, and to support new Enhanced Pell Grants for State Scholars. Since 2000, the number of Pell recipients has grown by nearly 25 percent, thanks in part to the overall boom in college enrollment.
  - Although funding for Pell Grants has increased since fiscal year 2000 by \$4.4 billion, or nearly 60 percent, in recent years both insufficient Pell appropriations and a surge in the number of Pell Grant recipients is expected to result in a \$3.7 billion funding shortfall at the end of the 2004-2005 award year. The Administration is committed to working with Congress to address this problem and put the program on firm financial footing.
- Within the Pell Grant total, \$33 million for Enhanced Pell Grants for State Scholars to encourage States to offer and students to take demanding high school courses by increasing Pell Grants by up to \$1,000 for first-year, full-time students who complete a rigorous State Scholars program of study in high school. This proposal is part of the President's *Jobs for the 21<sup>st</sup> Century* initiative.
- \$419 million for the Aid for Institutional Development (HEA Title III) programs, an increase of \$18.8 million or 4.7 percent, to help close achievement and attainment gaps between minority students and their non-minority peers by assisting institutions that enroll a large proportion of minority and disadvantaged students, including Historically Black Colleges and Universities and Historically Black Graduate Institutions.
- \$96 million for Developing Hispanic-serving Institutions, an increase of \$1.9 million, to maintain support for postsecondary education institutions that serve large percentages of Hispanic students. This program is a key part of Department efforts to increase academic achievement, high school graduation, postsecondary participation, and life-long learning among Hispanic Americans.

- \$104 million for the International Education and Foreign Language Studies (IEFLS) programs to help meet the Nation's security and economic needs through the development of expertise in foreign languages and area and international studies. The increased complexity of the post-Cold War world, the events surrounding the September 11 terrorist attacks on the United States, and the war on terrorism underscore the importance of maintaining and expanding American understanding of other peoples and their languages.
- \$833 million for the Federal TRIO Programs and \$298 million for Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), which provide educational outreach and support services to help an estimated 1.8 million disadvantaged students to enter and complete college.

## **STUDENT LOAN REAUTHORIZATION**

The Administration's 2005 request for postsecondary education also includes a package of loan program proposals for the upcoming reauthorization of the Higher Education Act of 1965. These proposals are intended to make college more affordable for students and their families and to strengthen the financial stability of the student loan programs. These reforms would:

- Increase loan forgiveness for mathematics, science, and special education teachers serving poor communities;
- Reduce interest rates for most borrowers, under the current interest rate environment, by retaining the variable interest rate structure after July 1, 2006;
- Increase loan limits for first-year students from \$2,625 to \$3,000. The current loan limits have remained essentially unchanged since the early 1970s;
- Broaden the availability of extended repayment options;
- Phase out higher special allowance payments to lenders for loans funded with the proceeds of certain tax-exempt securities;
- Allow low-default schools more flexibility in disbursing loan funds;
- Clarify that student aid applicants who are convicted of a drug-related offense are ineligible for Federal student aid only if the offense was committed while they were receiving Federal student aid and enrolled in a postsecondary institution;
- Strengthen the financial stability of the FFEL system by requiring guaranty agencies to collect the currently optional 1 percent insurance premium on all loans guaranteed or disbursed after October 1, 2004; and
- Reserve \$3 billion in future years for additional student benefits. These additional proposals—which could include reduced fees, default prevention activities, or additional loan limit increases—will be developed in consultation with Congress as part of the HEA reauthorization process.

## DEPARTMENT MANAGEMENT

The Department continues to implement its *Blueprint for Management Excellence*, a long-term action plan for improving Department management that incorporates key features of the *President's Management Agenda*. The *Blueprint* sets priorities for management improvement designed to facilitate effective monitoring of Department programs, eliminate financial management deficiencies, and prevent fraud, waste, and abuse of taxpayer dollars. The 2005 request for Department Management would support the following priorities:

- Improving financial integrity/management and internal controls. The Department demonstrated continued progress in the area of financial management and integrity by receiving a “clean” opinion on the audit of its fiscal year 2003 financial statements—its second consecutive “clean” audit. The 2005 request will support efforts to further strengthen management and internal controls, as well as to implement an action plan for correcting remaining weaknesses in management systems and processes.
- Ongoing modernization of student aid systems. The Department is implementing a 5-year plan aimed at improving system integration and strengthening default management strategies. Recent accomplishments include the new Common Services for Borrowers contract, which will consolidate loan servicing and default collection activities currently performed under four separate contracts. The Department estimates that costs over the 10-year contract period will be as much as \$1 billion below projected levels under the antecedent contracts.
- Consolidation of student aid administrative funding. To improve accountability and ensure the efficient, cost-effective delivery of over \$100 billion in Federal student aid, the Administration is again proposing to consolidate nearly \$935 million in administrative funding, currently split between two separate accounts, into a new discretionary Student Aid Administration account. Most of these funds support payments to private-sector contractors or guaranty agencies that help administer the student loan programs.
- Competitive sourcing. The Department is using its “One ED” plan—a blueprint for finding the best way to perform its mission—to identify new opportunities to improve Department performance while lowering costs, such as reengineering of business processes or outsourcing. The Department recently announced competitions for its Human Resources and Payment Processing functions, and expects to announce additional competitions in the coming year.

## II. THE 2005 EDUCATION BUDGET BY PROGRAM AREA

### A. ELEMENTARY AND SECONDARY EDUCATION

#### Overview

The No Child Left Behind Act (NCLB), which reauthorized the Elementary and Secondary Education Act of 1965 (ESEA), closely followed the four pillars of education reform proposed by President Bush.

First, the new law greatly strengthens accountability for results in Federal elementary and secondary education programs. States must set challenging standards in reading and mathematics and develop statewide annual adequate yearly progress (AYP) objectives that will result in all groups of students achieving proficiency by the 2013-2014 school year. These objectives must be met by all groups of students, disaggregated by poverty, race and ethnicity, disability, and limited English proficiency. States must conduct annual reading and math assessments for all students in grades 3-8 and once in high school. States, school districts, and schools must report annually on their progress in helping all groups of students to reach proficiency. Biennial State participation in the State-level version of the National Assessment of Educational Progress will help gauge the rigor of State standards and assessments.

School districts and schools that do not make AYP will, over time, be subject to improvement, corrective action, and restructuring measures aimed at getting them back on course to meet State standards. To ensure that students in such schools do not fall further behind, districts must provide them with an option to transfer to a better public school or, if schools do not improve, to obtain supplemental educational services from a public- or private-sector provider. Schools that meet or exceed AYP objectives or close achievement gaps will be eligible for State Academic Achievement Awards.

Second, NCLB provides unprecedented State and local flexibility and reduced red tape in the operation of Federal elementary and secondary education programs. For example, local school districts now may transfer up to 50 percent of the funding they receive under four major State formula grant programs to any one of the programs, or to Title I. In addition, new flexibility demonstration programs would permit up to 7 States and 150 school districts to enter into performance agreements allowing them to consolidate all funding from certain formula grant programs for any educational purpose authorized under the ESEA. The covered programs include Improving Teacher Quality State Grants, Educational Technology, Innovative Programs, and Safe and Drug-Free Schools and Communities. Participating States also may consolidate their Title I, Part A administrative funding with other State level funds.

Third, the reauthorized ESEA better focuses Federal education resources on proven educational methods. For example, the Title I Grants to LEAs program now requires instructional strategies, school improvement plans, professional development, and assistance to low-performing schools to be based on methods proven effective through scientifically based research. In addition, the Reading First State Grants and Early Reading First programs help States and local communities use activities drawn from scientifically based reading research, such as professional development in evidence-based reading instruction, to help all children learn to read at grade level by the end of the third grade.

And fourth, the NCLB Act expands choices for parents, particularly for parents of students in low-performing schools. Parents of students in Title I schools identified for improvement (not making State adequate yearly progress objectives for 2 consecutive years) have the option to transfer their children to a better-performing public school, which may include a public charter school. If their school continues to not meet State standards for a third year, parents of low-income students may obtain supplemental educational services—paid for by the district—from the State-approved public- or private-sector provider of their choice (including faith-based organizations). NCLB also includes provisions to help expand the number of public charter schools available for parents seeking educational options for their children.

The President's 2005 budget for elementary and secondary education provides significant resources in support of these reform principles. Highlights include:

- \$13.3 billion for Title I Grants to Local Educational Agencies, an increase of \$1.0 billion, or 8 percent, to help States, school districts, and schools carry out the reforms called for by the NCLB Act. The increased funding, along with \$1.2 billion shifted from the Educated Finance Incentive Grants formula, would be allocated through the Targeted Grants formula, which more fairly targets resources to high-poverty districts and schools facing the greatest challenge in helping all students meet challenging State academic standards. If enacted, the request would result in a five-year increase for Title I of \$5.4 billion, or almost 70 percent, and an increase of \$4.6 billion, or 52 percent, since the passage of the NCLB Act.
- \$2.93 billion for Improving Teacher Quality State Grants to give States and school districts the resources and flexibility to select and implement research-based strategies that best meet their particular needs for developing a high-quality teaching force and improving student achievement. In return for this flexibility, LEAs are required to demonstrate annual progress in ensuring that all teachers teaching in core academic subjects within the State are highly qualified.
- \$1.26 billion for Reading First, an increase of \$139 million, or 12.4 percent, to expand support for comprehensive reading instruction, grounded in scientifically based reading research, to ensure that all young children learn to read well by the end of third grade. Reading First State Grants finance professional development in reading instruction for teachers and administrators, the adoption and use of reading diagnostics to determine where K-3 students need help, and improved reading curricula grounded in scientifically based research. Early Reading First supports activities in existing pre-school programs to enhance pre-reading skills of children from birth through age 5.
- \$410 million for State Assessment Grants to help States develop and implement the expanded annual assessments in grades 3 through 8 that are integral to the strong State accountability systems required by the NCLB Act.

- \$288 million in new funding for the elementary and secondary program share of the Presidents Jobs for the 21<sup>st</sup> Century initiative, which is aimed at helping to ensure that all students are prepared to succeed in postsecondary education and the workforce. Specific elementary and secondary proposals include the following:
  - \$100 million for a new Striving Readers program that would focus on developing and implementing research-based interventions to improve the skills of teenage students who are reading below grade level;
  - \$120 million for a new Secondary Education Mathematics Initiative under the Mathematics and Science Partnership program that will make 100-140 competitive grants to ensure that secondary-school mathematics teachers are highly qualified and help mathematics teachers meet the needs of struggling students;
  - \$40 million for an Adjunct Teachers Corps Initiative to support approximately 60 to 100 awards to partnerships to create and implement arrangements for utilizing well-qualified individuals from business, technology, industry, and other professions as teachers in secondary schools on an adjunct basis;
  - \$28 million for the Advanced Placement program to increase the rigor of high school curricula by more than doubling funding for professional development in teaching AP courses at schools that serve large populations of low-income students; and
- \$505 million to expand choices for parents and students, including \$219 million for Charter Schools Grants; \$100 million for the Credit Enhancement for Charter School Facilities program to assist charter schools in acquiring, leasing, and renovating school facilities; \$50 million for a new Choice Incentive Fund to support efforts to provide parents, particularly low-income parents, with expanded opportunities for transferring their children to a higher-performing school; \$27 million for Voluntary Public School Choice grants to enable States and school districts to establish or expand public school choice programs across a State or across districts; and \$109 million for Magnet Schools Assistance to districts to help reduce minority group isolation in elementary and secondary schools.
- \$692 million for Educational Technology State Grants to support State and local efforts, particularly in high-poverty districts, to improve student achievement through the effective integration of technology into classroom instruction. Funds may be used, for example, to train teachers to use technology, to develop courses in information technology, and to purchase technology-based curricula.
- \$716 million for the Safe and Drug-Free Schools and Communities program that includes both formula grants to States and national activities to foster a safe and drug-free learning environment that supports academic achievement. Funding for the Mentoring program, a joint effort with the USA Freedom Corps, would be doubled to \$100 million to significantly increase the number of youth participating and the number of hours that volunteers contribute to school-based mentoring programs.

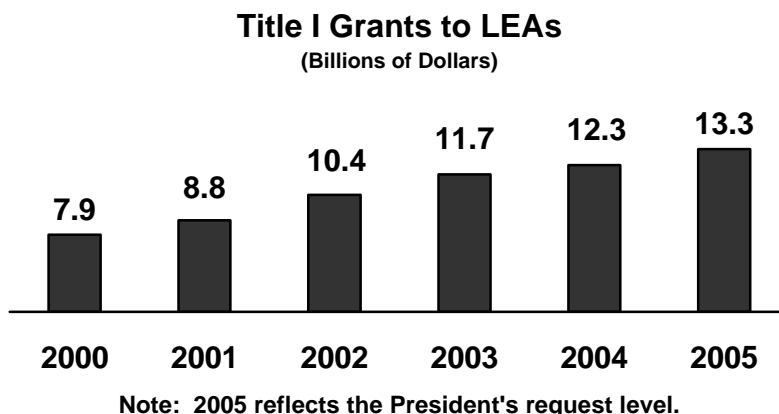
## Title I Grants to Local Educational Agencies

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$11,688.7	\$12,342.3	\$13,342.3

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

The 2005 request of \$13.3 billion—an increase of \$1 billion or 8.1 percent over the 2004 level—would help States, school districts, and schools meet the strong accountability and teacher quality requirements of the No Child Left Behind Act (NCLB Act). If enacted, the request would result in a five-year increase for Title I of \$5.4 billion, or almost 70 percent, and an increase of \$4.6 billion, or 52 percent, since the passage of the NCLB Act.

The request would fund school year 2005-2006, the third year under the tougher adequate yearly progress (AYP) requirements set by States under the new law. These requirements are expected to lead to the identification of more schools and districts for improvement than under the previous law, and consequently to greater demand for public school choice and supplemental educational services options.



The request would support the twin goals of school improvement and expanded choice for parents and students, in part by making available about \$520 million to States and school districts for school improvement activities under section 1003(a) of the ESEA, which requires States to reserve 4 percent of Title I Grants to LEAs for this purpose. These funds, which States must distribute to those districts with the greatest need for such funds, support the implementation of school improvement plans as well as public school choice and supplemental educational services options.

The Administration also is proposing to shift \$1.2 billion currently allocated through the Education Finance Incentive Grants (EFIG) formula to the Targeted Grants formula, which more fairly distributes funds to high-poverty school districts than EFIG. EFIG first allocates funding to States, on the basis of the formula's "effort" and "equity" factors, and only then targets funding within States on the basis of LEA counts of poor children. As a result, the EFIG formula produces two disparities at odds with the statutory purpose of the Title I program: first, it often provides sharply different levels of support to districts with similar numbers and percentages of

poor children that are located in different States; and second, the EFIG formula often provides much smaller per-child amounts to higher-poverty districts than lower-poverty districts.

In addition, the Administration is proposing to reserve up to \$10 million in Title I Grants to LEAs funding for National Leadership Activities aimed at building capacity at the LEA and school level to meet NCLB proficiency goals. In particular, the Administration believes that comprehensive technical assistance can help schools meet AYP requirements and avoid identification for improvement or, once identified, make the changes needed to move out of improvement status.

Proposed National Leadership Activities for 2005 would focus on identifying and disseminating promising interventions at schools that have successfully closed achievement gaps for poor and minority students, improvement of data collection and reporting systems at the State and local levels, promoting exemplary methods for providing information to help parents obtain the best possible education for their children, and providing expert-based technical assistance during the program monitoring process.

Title I schools help students reach challenging State standards through one of two models: “targeted assistance” that supplements the regular education program of individual children deemed most in need of special assistance, or a “schoolwide” approach that allows schools to use Title I funds—in combination with other Federal, State, and local funds—to improve the overall instructional program for all children in a school. Nearly three-fifths of the more than 47,000 schools participating in Title I use the schoolwide approach.

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

The NCLB Act reauthorized the ESEA to incorporate Title I reforms proposed by President Bush, particularly in the areas of assessment, accountability, and school improvement. The new law ensures that States will develop standards in reading and math, and assessments linked to those standards for all students in grades 3-8.

States also must develop annual adequate yearly progress (AYP) objectives that will result in all groups of students achieving proficiency in reading and math by the 2013-2014 school year. These objectives must be met by all groups of students, disaggregated by poverty, race and ethnicity, disability, and limited English proficiency.

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

The new law also ensures that Title I schools identified for improvement (after not making AYP for two consecutive years) will develop improvement plans incorporating strategies from scientifically based research. Schools that do not improve would be subject to increasingly tough corrective actions—such as replacing school staff or significantly decreasing management authority at the school level—and could ultimately face restructuring, which involves a fundamental change in governance, such as a State takeover or placement under

private management. In 2004, to help ensure that States, districts, and schools have the resources needed to carry out improvements, the NCLB Act doubled from 2 percent to 4 percent the statutory reservation of Part A allocations that States must use for this purpose.

The 2005 budget also includes a separate \$9.5 million request for Title I Evaluation, primarily to support studies designed to produce rigorous scientific evidence on the effectiveness of education programs and practices, including practices critical to the effective use of Title I, Part A funds.

#### State Assessment Grants

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$384.5	\$390.0	\$410.0

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

Under the NCLB Act, States select and design their own assessments, so long as they are aligned with State academic achievement standards. The new assessments must be in place by the 2005-2006 school year. The 2005 request would provide \$400 million for Grants for State Assessments, the same as the statutory 2005 “trigger amount.” Failure to provide the requested amount could result in delay of State efforts to develop and implement the new assessments in reading and mathematics for all students in grades 3 through 8—one of the Administration’s highest priorities and a linchpin of the stronger accountability for student achievement promised by the NCLB Act. All funds in excess of the trigger level are to be used for competitive Grants for Enhanced Assessment Instruments to support State efforts to improve the quality and use of State assessments. The request would provide \$10 million for a new round of Enhanced Assessment awards.

#### Reading First (BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Reading First State Grants .....	\$993.5	\$1,023.9	\$1,125.0
Early Reading First .....	<u>74.5</u>	<u>94.4</u>	<u>132.0</u>
Total .....	1,068.0	1,118.4	1,257.0

President Bush made the implementation of the Reading First initiative one of his highest priorities for education because of compelling evidence that far too many young people are struggling through school without having mastered reading, the most essential and basic skill.

On the 2003 National Assessment of Educational Progress, 60 percent of all fourth graders in high-poverty schools scored below the "basic" reading level. Research shows that students who cannot read well by fourth grade have a greater likelihood of dropping out and a lifetime of diminished success. Consistent, early support for reading success through Reading First activities helps improve reading gains, reduce the number of children who fall behind in reading, provide additional help to children who need it, and lower the number of children referred to special education programs based on low reading scores.

The request includes almost \$1.3 billion for the two components of Reading First. The Reading First State Grants program is a comprehensive, nationwide effort to implement high-quality, research-based reading instruction to help reach the President's goal of ensuring that every child can read at grade level or above by the end of third grade. The request is consistent with the President's commitment, in his original *No Child Left Behind* initiative, to provide \$5 billion for Reading First over a 5-year period.

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

Early Reading First complements Reading First State Grants by providing competitive grants to school districts and non-profit organizations to support activities in existing pre-school programs designed to enhance the verbal skills, phonological awareness, letter knowledge, and pre-reading skills of children from birth through age 5. Funds are targeted to communities with high numbers of low-income families.

#### Striving Readers

	<u>2003</u>	<u>2004</u>	<u>2005</u> <u>Request</u>
BA in millions .....	—	—	\$100.0

As part of the President's *Jobs for the 21<sup>st</sup> Century* initiative, the request includes \$100 million to involve States and school districts in developing and implementing research-based interventions to help improve the skills of secondary school students who are reading below grade level. Many of those students are at risk for dropping out of school because of their poor reading skills, which can affect their performance in all core subject areas.

The No Child Left Behind Act calls upon educators to adopt scientifically proven educational practices and programs designed to raise student achievement at all levels, including high schools. However, secondary school educators currently have little information to guide their decisions about which practices and programs are effective in helping to raise the reading achievement of teenage students. This initiative, which would be funded under the ESEA Section 1502 Title I demonstration authority, would test a variety of interventions through experimental studies to assess their effectiveness, and disseminate the results widely to school districts and schools.

### Advanced Placement

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$23.3	\$23.5	\$51.5

The Advanced Placement (AP) program makes grants to State educational agencies to pay Advanced Placement and International Baccalaureate (IB) test fees for low-income students, and also supports State and local efforts to make pre-advanced placement and advanced placement courses more widely available to low-income students. Low-income students who take such courses are much more likely to enroll and be successful in college than their peers, and offering AP and IB programs helps to upgrade the entire school curriculum for all students. In addition, participation in middle-school pre-advanced placement classes prepares students for AP and IB classes at the high school level.

The increase—part of the President's *Jobs for the 21<sup>st</sup> Century* initiative—would more than double funding for the program to help ensure that teachers are well trained to teach AP courses at schools that serve large populations of low-income students. A key element of high school reform is increasing the rigor of the curriculum, and AP courses set a high standard, in American high schools, for providing rigorous curriculum.

### Improving Teacher Quality State Grants

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$2,930.8	\$2,930.1	\$2,930.1

The No Child Left Behind Act requires States and school districts to ensure that all teachers are highly qualified—as defined by individual States according to statutory requirements—by the end of the 2005-2006 school year. This program gives States and school districts a flexible source of funding to meet the highly qualified teacher requirement. State-level activities may include changes to teacher certification or licensure requirements, alternative certification, tenure reform, merit-based teacher performance systems, and differential and bonus pay for teachers in high-need subject areas. School districts may use funds for professional development, class size reduction, recruitment and retraining of teachers and principals, merit pay, mentoring, and other activities.

### Mathematics and Science Partnerships

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$100.3	\$149.1	\$269.1

This program is designed to improve academic achievement in mathematics and science by promoting strong teaching skills for elementary and secondary school teachers. Grants to partnerships of State educational agencies, higher education institutions, and school districts support activities to develop rigorous mathematics and science curricula, distance learning programs, and incentives to recruit college graduates with degrees in math and science into the

teaching profession. Currently, the program finances formula grants to States, and States, in turn, make competitive grants to local partnerships. The \$120 million increase requested for 2005—part of the President's *Jobs for the 21<sup>st</sup> Century* initiative—would finance a new program of Federally competed grants focused on accelerating the mathematics learning of secondary-school students, especially those who are at risk of dropping out of school because they lack basic skills in mathematics. The initiative, which would incorporate similar teacher training activities currently supported by the National Science Foundation, would emphasize the use of research-based mathematics instruction.

#### Troops-to-Teachers

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$28.8	\$14.9	\$14.9

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

#### Transition to Teaching

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$41.7	\$45.3	\$45.3

This program addresses the national challenge of training and recruiting more than 2 million teachers over the next 10 years—due to the retirements of long-time teachers, high attrition rates among new teachers, and booming enrollments—by supporting alternatives to traditional teacher certification routes and other approaches for recruiting, training, and placing mid-career professionals and recent colleges graduates. The request would pay continuation costs for more than 100 5-year projects involving comprehensive approaches to train, place, and support candidates as teachers in high-need schools.

#### Adjunct Teacher Corps Initiative

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	—	—	\$40.0

The Administration is requesting, as part of the President's *Jobs for the 21<sup>st</sup> Century* initiative, \$40 million to create an Adjunct Teacher Corps that would draw on the skills of well-qualified individuals outside of the public education system to meet specialized teaching needs in secondary schools. Instead of the usual focus on certification or licensure of such individuals, the initiative would concentrate on helping schools find experienced professionals who would be

able to provide real-world applications for some of the abstract mathematical concepts being taught in the classroom and, in some cases, provide individuals to temporarily teach in hard-to-fill positions.

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

#### Teaching of Traditional American History

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$99.4	\$119.3	\$119.3

This program makes competitive grants to school districts to promote the teaching of traditional American history in elementary and secondary schools as a separate academic subject. The request recognizes the need to create and expand efforts to raise the level of student knowledge in this core academic area in order to prepare future generations of students to become responsible citizens who vote and who fully participate in our democratic traditions. At the request level, the program would fund up to 145 new awards, and about \$500,000 would be reserved to complete a 3-year evaluation of the program.

#### Advanced Credentialing

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$9.9	\$18.4	\$7.0

This program supports the development of advanced credentials based on the content expertise of master teachers. Funds also support related activities to encourage and support teachers seeking advanced credentials. The 2005 request would support the American Board for the Certification of Teacher Excellence's development of an Initial Certification and a Master Certification to give States and districts more options for improving teacher quality and, most importantly, raising student achievement.

#### Early Childhood Educator Professional Development Grants

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$14.9	\$14.8	\$14.8

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

preschool and other early childhood educators to help ensure that young children enter school ready to learn to read.

#### Reading Is Fundamental/Inexpensive Book Distribution

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$25.3	\$25.2	\$25.2

This program is administered through a contract with Reading is Fundamental, Inc. (RIF), a nonprofit organization affiliated with the Smithsonian Institution. RIF allocates funds to local community associations that select and distribute inexpensive books to children free-of-charge. RIF currently reaches about 5 million children through 23,000 projects. By increasing preschool children's access to books, and involving their parents as their child's first teachers, this program supports the President's goal that all children will be able to read well by third grade.

#### Ready-to-Learn Television

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$22.9	\$22.9	\$22.9

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

#### Literacy Through School Libraries

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$12.4	\$19.8	\$19.8

This program helps school districts improve student literacy skills by providing students with increased access to up-to-date school library materials and professionally certified school library media specialists. The 2005 request would fund an estimated 125 grants that would support the role of libraries in helping all children to read well by making information available to all students, training students and teachers about how to obtain and make use of information, and increasing access for low-income students to technology and information.

Educational Technology State Grants

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$695.9	\$691.8	\$691.8

While upgraded infrastructure now permits most teachers to access technology in their classrooms, few teachers have the knowledge, skills, and curricula needed to use technology effectively to improve student achievement. This program supports State, district, and school efforts to integrate technology into classroom activities and instruction. States distribute half of their allocations to districts by formula and half competitively to high-need districts, or consortia that include such a district, in partnership with an entity having expertise in integrating technology into the curriculum. District-level activities include training teachers to integrate technology into the curriculum and serve as technology experts in their schools, developing and implementing high-quality information technology courses, and purchasing effective technology-based curricula.

Military Families Initiative

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	—	—	\$10.0

This new initiative would provide \$10 million to help support State and local efforts to ease the education transitions for children from military families that frequently change duty stations. These families face problems of educational disruption when their children transfer between schools in States and districts that have different education requirements. The initiative would provide competitive grants to consortia of States, districts, and other appropriate organizations to address these problems by, among other things, developing strategies to ensure quick placement and enrollment of these students in classes and services; promoting continuity in educational coursework and opportunities for participation in extra-curricular activities; providing extra support needed for military students to meet high-school graduation requirements; and supporting data management systems to help facilitate the transfer of information between school districts.

21<sup>st</sup> Century Community Learning Centers (After-School Program)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$993.5	\$999.1	\$999.1

This program helps communities establish or expand community learning centers that provide extended learning opportunities for students and related services to their families. The request provides an estimated 1,800 grants that support nearly 7,000 after-school centers, and technical assistance informed by the initial findings of a rigorous evaluation showing that the centers funded in the program's first 3 years, on average, had little effect on participants' academic performance, feelings of safety, and behavior. These findings showed that past investments in the program have not paid off. At the same time, however, the findings, which were released

shortly after the program made the transition from Federal competitive grants to a State-administered competitive grant program in 2002, provided a timely focus for the new State-supported programs.

The request recognizes that the new grantees funded by States need some time to achieve better outcomes for students, and that national evaluation and technical assistance activities can play a key role in successful implementation. Current national activities include developing model after-school programs in reading and mathematics based on sound theory and scientific evidence and rigorously testing their effectiveness, improving the availability of research-based practices, and expanding technical assistance at both the State and local levels that focuses on increasing the academic achievement of participants in funded programs.

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

#### State Grants for Innovative Programs

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$382.5	\$296.5	\$296.5

This program provides flexible funding to State and local educational agencies for promising, evidence-based education reforms that meet the educational needs of all students. School districts may use funds to reduce class size, provide professional development, pay for Title I supplemental educational services, support smaller learning communities, and other activities. The program also provides a significant source of funding to support the transferability provisions of the No Child Left Behind Act, which permits school districts to transfer funds among four State grant programs (Improving Teacher Quality State Grants, Educational Technology State Grants, State Grants for Innovative Programs, and Safe and Drug-Free Schools and Communities State Grants) and from those programs to the Title I, Part A program.

#### Charter Schools Grants

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$198.7	\$218.7	\$218.7

This program increases public school choice options by supporting the planning, development, and initial implementation of public charter schools. A total of 41 States and the District of Columbia have charter school laws that relieve such schools from most education rules and regulations in exchange for greater accountability for improving student performance. The number of charter schools nationwide has grown to more than 2,700. Funds above \$200 million

would maintain support for the Per-Pupil Facilities Aid program, which provides matching funds to States that offer financial assistance to charter schools to obtain facilities.

Credit Enhancement for Charter School Facilities

	<u>2003</u>	<u>2004</u>	<u>2005</u> <u>Request</u>
BA in millions .....	\$24.8	\$37.3	\$100.0

Expanding the number of charter schools is a key Administration strategy for increasing the options available to parents seeking the best educational opportunities for their children. A major obstacle to the creation of charter schools in many communities is limited access to suitable academic facilities. The Credit Enhancement for Charter School Facilities program helps overcome this problem by providing grants to public and nonprofit entities to leverage funds to help charter schools purchase, construct, renovate, or lease academic facilities. With the proposed increase of almost \$63 million over 2004, the program will be able to leverage, through such means as guarantees and insurance on leases and bonds to reduce the risk to landlords and bondholders, an estimated \$963 million and support nearly 600 charter schools.

Choice Incentive Fund

	<u>2003</u>	<u>2004</u>	<u>2005</u> <u>Request</u>
BA in millions .....	—	—	\$50.0

This initiative would provide the parents of students who attend low-performing schools with expanded opportunities for transferring their children to a higher-performing public, charter, or private school. The Department would make competitive awards to States, local educational agencies, and community-based nonprofit organizations with a proven record of securing educational opportunities for children. In making awards, priority would be given to applicants that, among other things, would provide large numbers of students with expanded choice opportunities. The Choice Incentive Fund complements a \$14 million request in the 2005 District of Columbia Budget for opportunity scholarships to help increase the capacity of the District to provide parents—particularly low-income parents—with more options to obtain a quality education for their children who are trapped in low-performing schools.

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

Voluntary Public School Choice

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$25.8	\$26.8	\$26.8

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

Magnet Schools Assistance

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$109.3	\$108.6	\$108.6

The request would support approximately 50 continuation grants to local educational agencies to operate magnet schools that are part of a court-ordered or approved desegregation plan to eliminate, reduce, or prevent minority group isolation in elementary and secondary schools. Magnet schools address their desegregation goals by providing a distinctive educational program that attracts a diverse student population. About \$1 million would initiate a rigorous assessment of the impact of magnet schools on student outcomes.

Comprehensive Centers

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	—	—	\$27.7

The Administration is requesting \$27.7 million to support the comprehensive centers authorized under Title II of the Education Sciences Reform Act of 2002. By statute, the Department makes competitive awards to research organizations, institutions, agencies, institutions of higher education, or partnerships of such entities to establish not less than 20 centers, with at least one center in each of the 10 geographic regions served by the regional educational laboratories. The regional locations of the remaining centers are determined on the basis of the number of school-aged children, the proportion of disadvantaged students, the increased cost burdens of service delivery in sparsely populated areas, and the number of schools identified for improvement under Title I of ESEA.

Centers will provide services to State educational agencies, LEAs, regional educational agencies, and schools. At a minimum, each center would provide training and technical

assistance in: the implementation and administration of programs authorized under the ESEA; the use of scientifically valid teaching methods and assessment tools in mathematics, science, reading and language arts, English language acquisition, and educational technology; and facilitating communication among education experts, school officials, teachers, parents, and librarians. In addition, centers will disseminate information and reports on improving academic achievement, closing achievement gaps, and sustaining school improvement to schools, teachers, parents and policymakers.

#### Rural Education

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$167.7	\$167.8	\$167.8

The Rural Education Program funds two separate programs that assist rural school districts in carrying out activities to help improve the quality of teaching and learning in their schools. The Small, Rural School Achievement program provides formula funds to rural school districts serving small numbers of students, and the Rural and Low-Income School program provides formula grants to States, which have the option of suballocating funds to high-poverty rural districts competitively or by formula. The request recognizes that small, often geographically isolated rural districts face special challenges in implementing some of the provisions of the No Child Left Behind Act.

#### Safe and Drug-Free Schools and Communities (BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
State Grants .....	\$469.0	\$440.9	\$440.9
National Programs .....	<u>197.4</u>	<u>233.3</u>	<u>275.1</u>
Total .....	666.4	674.2	716.0

Teaching and learning to the high standards demanded by the NCLB Act requires that our schools are safe and our students are drug-free. For 2005, the request would provide an overall increase of \$41.8 million, or 18 percent, for Safe and Drug-Free Schools and Communities (SDFSC) activities. All of the new funds are requested for National Programs, while State Grants would be funded at the 2004 level of nearly \$441 million.

The request would provide \$100 million to more than double the number of youth served by the Mentoring Program, the largest component of the Administration's multi-agency, 3-year mentoring initiative in conjunction with the USA Freedom Corps. This program will harness millions of volunteer hours to support school-based mentoring programs that meet the needs of at-risk students in the middle school grades and assist them in the successful transition to secondary school.

Other National Programs activities focused on drug prevention and school safety include \$30 million for school safety initiatives, including grants to school districts to improve local emergency response and crisis management planning and preparedness; \$90 million for

comprehensive, community-wide “Safe Schools/Healthy Students” drug and violence projects that are coordinated with local law enforcement, and also include mental health preventive and treatment services; and \$12 million for “incentive grants” for school districts to help improve the outcomes of State Grant-funded projects. The request also includes \$25 million for school-based drug testing programs for students and \$5 million for Project SERV (School Emergency Response to Violence), which funds emergency response services to school districts in which the learning environment has been disrupted due to a violent or traumatic crisis.

#### Character Education

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$24.8	\$24.7	\$24.7

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

#### Civic Education Programs

(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
We the People .....	\$16.9	\$16.8	\$16.8
Cooperative Education Exchange.....	<u>11.9</u>	<u>11.9</u>	<u>11.9</u>
Total .....	28.8	28.6	28.6

These programs support activities to help students to understand, care about, and act on core ethical and citizenship values, while also helping to create safe and inclusive learning environments that foster student academic achievement along with increased social responsibility and tolerance for others.

Under We the People, a noncompetitive grant is awarded to the nonprofit Center for Civic Education in Calabasas, California. The program promotes civic competence and responsibility through teacher training and curriculum materials for upper elementary, middle, and high school students.

Cooperative Education Exchange supports education exchange activities in civics and economics between the United States and eligible countries in Central and Eastern Europe, any country that was formerly a republic of the Soviet Union, the Republic of Ireland, the province of Northern Ireland in the United Kingdom, and any democratic developing country. Award recipients provide educators from eligible countries with exemplary curriculum and teacher training programs in civics and economic education.

Physical Education Program

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$59.6	\$69.6	\$69.6

This program provides competitive grants to local educational agencies (LEAs) and community-based organizations to pay the Federal share of the costs of initiating, expanding, and improving physical education programs (including after-school programs) for students in kindergarten through 12<sup>th</sup> grade, in order to make progress toward meeting State standards for physical education. Funds may be used to provide equipment and support to enable students to participate actively in physical education activities and for training and education for teachers and staff. The request includes level funding to support the second year of funding for an estimated 230 projects initiated in 2004. The budget also includes proposed appropriations language that would make a portion of the funds available to support the Special Olympics.

Fund for the Improvement of Education  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
National Activities.....	\$32.8	\$27.1	\$45.0
Comprehensive School Reform .....	74.5	74.1	—
One-time Projects .....	<u>211.3</u>	<u>179.3</u>	<u>—</u>
Total .....	318.6	280.5	45.0

The Fund for the Improvement of Education (FIE) provides authority for the Secretary to support nationally significant programs to improve the quality of elementary and secondary education at the State and local levels and help all students meet challenging State academic content standards and student achievement standards. The request would support national recognition activities, fund continuation costs of the 2003 Teacher Quality Initiative grants, and fund a number of other nationally significant activities that show promise for improving American education, including Reach Out and Read, a program designed to promote early literacy. In addition, funds will be used for continuation costs of other grants awarded in earlier fiscal years. The 2004 total includes \$179.3 million for one-time projects and \$74.1 million for Comprehensive School Reform, for which funding is not requested in 2005.

English Language Acquisition  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Language Acquisition State grants .....	\$485.5	\$553.1	\$592.4
National Activities.....	44.5	44.3	44.3
Competitive Grant Continuations .....	<u>153.7</u>	<u>83.8</u>	<u>44.5</u>
Total .....	683.7	681.2	681.2

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

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

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

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

The Department is required to continue grants initiated under the antecedent statute. Thus, instructional services grantees funded under Subpart 1 of Title VII as it existed prior to enactment of the No Child Left Behind Act and professional development grantees under subpart 3 receive continuation awards consistent with their original grant terms. Since many projects concluded in 2004, the estimated funding needed for these continuations in 2005 is about \$44.5 million (compared to \$83.8 million in 2004).

Title I State Agency Programs  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Migrant Education .....	\$395.4	\$393.6	\$393.6
Neglected and Delinquent.....	<u>48.7</u>	<u>48.4</u>	<u>48.4</u>
Total .....	444.1	442.0	442.0

The budget provides \$394 million for Migrant Education to help nearly 750,000 children of migrant agricultural workers meet State academic standards. Migrant grants help States identify migrant children and pay the higher costs often associated with serving those children. The request also includes \$48 million for the Title I Neglected and Delinquent (N&D) program to provide educational services to an estimated 171,000 children and youth in State-operated institutions.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u> <u>Request</u>
High School Equivalency Program .....	\$23.3	\$18.9	\$18.9
College Assistance Migrant Program.....	<u>15.4</u>	<u>15.7</u>	<u>15.7</u>
Total .....	38.7	34.5	34.5

The High School Equivalency Program (HEP) funds projects to help low-income migrant and seasonal farm workers gain high school diplomas or equivalency certificates. The College Assistance Migrant Program (CAMP) provides stipends and special services such as tutoring and counseling to migrant students who are in their first year of college. The 2005 request provides sufficient funding for approximately 75 HEP and CAMP continuation grants. In addition, about 16 new HEP projects and 9 new CAMP projects will be initiated with funds released from projects that conclude in 2004.

Education for Homeless Children and Youth

	<u>2003</u>	<u>2004</u>	<u>2005</u> <u>Request</u>
BA in millions .....	\$54.6	\$59.6	\$59.6

This program provides formula grants to States to facilitate the enrollment of homeless students in school and give them access to services available to other children. States subgrant most funds to LEAs for tutoring, transportation, and other services that help homeless children to enroll in, attend, and succeed in school. Besides academic instruction, services help ensure access for these children to preschool programs, special education, and gifted and talented programs.

Since this program began in 1988, nearly all States have revised their laws, regulations, and policies to improve educational access for homeless students. States have typically eased residency requirements and improved transportation and immunization policies to ensure greater access for homeless students. Nevertheless, homeless children and youth continue to be at significant risk of educational failure and the request would maintain support for State and local activities designed to reduce that risk.

Indian Education  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005</u> <u>Request</u>
Grants to Local Educational Agencies .....	\$96.5	\$95.9	\$95.9
Special Programs for Indian Children .....	19.9	19.8	19.8
National Activities.....	<u>5.2</u>	<u>5.2</u>	<u>5.2</u>
Total .....	121.6	120.9	120.9

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

Grants to Local Educational Agencies provide funds to public and BIA-supported schools for activities to improve the educational achievement of Indian students. Special Programs for Indian Children includes \$9.7 million to continue the American Indian Teacher Corps, which will support training for Indian teachers to take positions in schools that serve concentrations of Indian children, funding for a new round of grants for an American Indian Administrator Corps, and \$10 million for demonstration grants to improve educational opportunities for Indian children in areas such as early childhood education and college preparation programs.

Finally, the request provides \$5.2 million to implement a comprehensive research agenda that responds to the national need for better research, evaluation, and data collection on the educational status of Indians. This agenda focuses on filling gaps in national information on the educational status and needs of Indians, and on identifying educational practices that are effective with Indian students. The program also provides technical assistance to school districts and other entities receiving Indian Education formula and discretionary grants.

Education for Native Hawaiians  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005</u> <u>Request</u>
Family-Based Education Centers .....	\$10.9	\$13.2	\$13.6
Curriculum Development .....	7.0	7.0	7.0
Gifted and Talented .....	1.3	1.3	1.3
Higher Education .....	3.5	3.5	3.5
Special Education .....	3.1	3.1	3.1
Community-Based Centers.....	2.1	2.1	2.1
College Preparation .....	1.2	1.2	1.5
Native Hawaiian Education Councils .....	0.5	0.5	0.5
Other Activities.....	<u>1.2</u>	<u>1.4</u>	<u>0.7</u>
Total .....	30.8	33.3	33.3

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

Alaska Native Education Equity  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005</u> <u>Request</u>
Mandated Awards .....	\$7.0	\$7.0	\$7.0
New Activities.....	7.3	2.5	1.7
Continuation Awards.....	<u>16.5</u>	<u>23.8</u>	<u>24.6</u>
Total .....	30.8	33.3	33.3

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

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

	<u>2003</u>	<u>2004</u>	<u>2005</u> <u>Request</u>
BA in millions .....	\$7.3	\$7.2	\$7.2

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

Impact Aid  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Payments for Federally Connected Children:			
Basic Support Payments.....	\$1,025.3	\$1,063.7	\$1,063.7
Payments for Children with Disabilities .....	50.7	50.4	50.4
Facilities Maintenance .....	7.9	7.9	7.9
Construction .....	44.7	45.9	45.9
Payments for Federal Property .....	<u>59.6</u>	<u>61.6</u>	<u>61.6</u>
Total .....	1,188.2	1,229.5	1,229.5

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

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

The \$50.4 million request for Payments for Children with Disabilities would help eligible districts meet the mandate under the Individuals with Disabilities Education Act to provide a free appropriate public education for federally connected children with disabilities.

The Department of Education owns and maintains 41 school facilities that serve large numbers of military dependents. The \$7.9 million request for Facilities Maintenance would fund essential repair and maintenance of these facilities and allow the Department to continue to transfer these schools to local school districts.

School districts also generally pay for most of their school construction costs using their own resources and rely on property taxes to finance these costs. The \$45.9 million proposed for Construction would provide both formula and competitive grants to school districts. Formula grants assist districts with large proportions of military dependent students and students residing on Indian lands. Competitive grants focus on helping LEAs make emergency renovations and modernization changes.

The \$61.6 million request for Payments for Federal Property would provide payments to districts that generally have lost 10 percent or more of their taxable property to the Federal Government.

## **B. SPECIAL EDUCATION AND REHABILITATIVE SERVICES**

### **Overview**

The Administration is committed to working to ensure that all Americans have the opportunity to learn and develop skills, engage in productive work, choose where to live, and participate in community life. The 2005 budget supports the President's *New Freedom Initiative* to help people with disabilities lead independent lives. Funds are requested for programs that can improve educational, employment, and independent living outcomes for people with disabilities.

The \$12.2 billion request for Special Education programs includes support for programs to improve educational and early intervention outcomes for children with disabilities. For the Grants to States program, the President is requesting his fourth consecutive \$1 billion increase, for a total of \$11.1 billion. If enacted, the request would result in an overall increase of \$4.7 billion, or 75 percent, for Grants to States under President Bush, and would provide an estimated average of \$1,612 per student for about 6.9 million children ages 3 through 21—the highest level of Federal support ever provided for children with disabilities. The budget also includes an increase of \$22.2 million for the Grants for Infants and Families program, from \$444.4 million to \$466.6 million, to improve outcomes and services for children from birth through age 2. Funding for the Preschool Grants program, which supplements Grants to States funding for children ages 3 through 5, would be maintained at the 2004 level of \$388 million.

The \$253.7 million request for National Activities would support a variety of technical assistance, dissemination, training, and other activities that assist States, local educational agencies, parents, and others in improving results for children with disabilities. The budget proposes level funding for each of these activities, with the exception of the Technology and Media Services program, which would be reduced from \$39.1 million to \$32.3 million.

For Rehabilitation Services and Disability Research, the budget provides \$3.0 billion to support comprehensive and coordinated programs of vocational rehabilitation and independent living for individuals with disabilities through research, training, demonstration, technical assistance, evaluation, and direct service programs. The request includes \$2.7 billion for Vocational Rehabilitation (VR) State Grants to help more than 222,000 individuals with disabilities obtain or maintain employment. The 2005 request would consolidate overlapping employment and training programs in this account within the Vocational Rehabilitation State Grants program, and would maintain funding for most other discretionary programs at the 2004 level. An exception is a \$512,000 increase for the Evaluation program in order to initiate a new longitudinal study of the VR State Grants program.

The President's *New Freedom Initiative* aims to tear down the barriers to equality that million of Americans with disabilities face in the workplace, schools, and the community. Increased access to assistive technology can dramatically improve the quality of life for such individuals, as well as their ability to engage in productive work. However, assistive technology can be prohibitively expensive. The Alternative Financing Program (AFP), authorized under the Assistive Technology Act, provides grants to States to pay for the Federal share of loan programs that help individuals with disabilities purchase assistive technology devices and services. The request includes \$15 million to increase access to assistive technology for individual with disabilities by helping States initiate or expand alternative financing programs. Currently 31 States participate in the Alternative Financing Program, and the request would fund as many as 15 additional awards to new or existing grantees.

## Special Education State Grants

### Grants to States

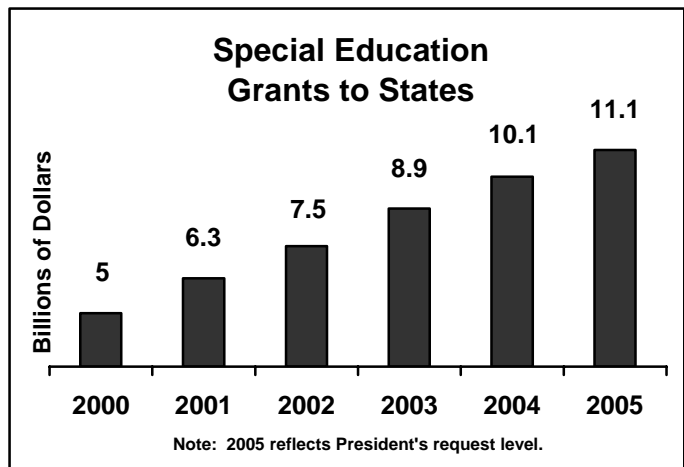
	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$8,874.4	\$10,068.1	\$11,068.1
Children ages 3 through 21 Number served (thousands) .....	6,611	6,737	6,858

The Grants to States program, which is authorized under the Individuals with Disabilities Education Act (IDEA), makes formula grants that help States pay the excess costs of providing special education and related services to children with disabilities aged 3 through 21 years. In each of his first three years, President Bush requested \$1 billion increases for the Grants to States program—the largest increases ever requested by a President. This year, the budget would provide another \$1 billion increase to help States and localities educate children with disabilities, for a total of \$11.1 billion. If enacted, the request would result in a five-year increase for Grants to States of \$6.1 billion, or 122 percent, and an increase of \$4.7 billion, or 75 percent, since the President entered office.

The request would provide an average of \$1,612 for about 6.9 million children with disabilities. At this level of funding, the Federal contribution would equal about 20 percent of the national average per pupil expenditure for all children. It is about twice as expensive to educate a child with a disability as a child who does not have a disability.

Under IDEA, States are required to provide a free appropriate public education (FAPE) to all children with disabilities. Services are provided in accordance with individualized education programs (IEPs) that are developed by teams of individuals that include the child's parents; a special educator; a representative of the local educational agency; a regular educator, if appropriate; and others. In addition, services must be provided—to the maximum extent appropriate—in the least restrictive environments. For most children this means in classes with children who are not disabled. Under IDEA, children with disabilities must be included in general State and district-wide assessments, including the assessments required under the No Child Left Behind Act. States must provide appropriate accommodations, where necessary, to enable children with disabilities to participate in these assessments, or alternate assessments for those children who cannot participate in regular assessments.

The request also includes \$16 million that would be reserved for studies and evaluations to assess progress in implementing the IDEA.



### Preschool Grants

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$387.5	\$387.7	\$387.7

This program provides formula grants to help States make a free appropriate public education available to all children with disabilities ages 3 through 5. The Preschool Grants program supplements funds provided under the Grants to States program and helps to ensure that young children with disabilities are ready to learn when they enter school. The request would provide an estimated \$565 per child for approximately 685,900 children.

### Grants for Infants and Families

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$434.2	\$444.4	\$466.6

This program makes formula grants to help States implement statewide systems of early intervention services for all eligible children with disabilities from birth through age 2 and their families. The proposed \$22.2 million increase would assist States in meeting the rising costs of administering their systems and serving larger numbers of infants and toddlers with disabilities and in their efforts to develop systems for collecting data on child outcomes. This program helps State and local agencies identify and serve children with disabilities early in life when interventions can be most effective in improving educational outcomes. The budget request will provide support to 57 State agencies serving approximately 313,000 infants and toddlers with disabilities and their families.

## **Special Education National Activities**

Special Education National Activities programs support State efforts to improve early intervention and educational results for children with disabilities. The total request for National Activities is \$253.7 million.

### State Improvement

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$51.4	\$51.1	\$51.1

This program provides competitive grants to help State educational agencies reform and improve their systems for providing educational, early intervention, and transitional services to improve results for children with disabilities. This includes State systems for professional development, technical assistance, and dissemination.

At least 75 percent of the funds provided to each State are reserved for professional development. The remaining funds are used to carry out State strategies for improving educational results, including efforts to hold school districts and schools accountable for the educational progress of children with disabilities, providing high-quality technical assistance to

school districts and schools, and changing State policies and procedures to address systemic barriers to improving results for students with disabilities. The \$51.1 million request would support approximately 51 awards.

#### Technical Assistance and Dissemination

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$53.1	\$52.8	\$52.8

This program provides technical assistance and disseminates materials based on knowledge gained through research and practice. The request includes \$7.7 million to continue support for an initiative to provide grants to help States address their technical assistance needs. About \$10.8 million would be available for new projects and \$41.9 million for continuation awards.

#### Personnel Preparation

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$91.9	\$91.4	\$91.4

This program helps ensure that there are adequate numbers of personnel with the skills and knowledge necessary to help children with disabilities succeed educationally. Program activities focus on both meeting the demand for personnel to serve children with disabilities and improving the qualifications of these personnel, with particular emphasis on incorporating knowledge gained from research and practice into training programs. Funds are used to prepare personnel to serve children with low- and high-incidence disabilities, train leadership personnel, and support projects of national significance, such as developing models for teacher preparation. The request would provide \$22.1 million for new awards and \$68.3 million for continuation awards.

#### Parent Information Centers

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$26.3	\$26.2	\$26.2

Parent Information Centers provide parents with the training and information they need to work with professionals in meeting the early intervention and special education needs of their children with disabilities. The request would support new and continuation awards for about 101 centers as well as technical assistance to the centers.

### Technology and Media Services

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$38.0	\$39.1	\$32.3

This program supports research, development, and other activities to advance the application of new and emerging technologies in providing special education and early intervention services. Funds are also used for media-related activities such as captioning films and television for individuals with hearing impairments and video description and activities related to improving accessibility to textbooks for individuals with visual impairments.

## **Rehabilitation Services and Disability Research**

### Vocational Rehabilitation (VR) State Grants

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$2,533.5	\$2,584.2	\$2,697.6

Vocational Rehabilitation State Grants provide funds to State vocational rehabilitation agencies to help individuals with disabilities become gainfully employed. Funds are distributed on the basis of a formula that takes into account population and per capita income.

A wide range of services is provided each year to over 1 million individuals with disabilities, including vocational evaluation, counseling and guidance, work adjustment, diagnosis and treatment of physical and mental impairments, education and vocational training, job placement, and post-employment services. If States are unable to serve all eligible individuals with disabilities who apply, they must give priority to individuals with the most significant disabilities. Services are provided according to an individualized plan for employment. In 2002, the VR program helped over 222,000 individuals with disabilities achieve employment outcomes, with over 90 percent entering the competitive labor market or becoming self-employed. Approximately 89 percent of the individuals who achieved employment have significant disabilities.

The \$2.7 billion request, an increase of \$113.5 million or 4.4 percent, would help State VR agencies increase the participation of individuals with disabilities in the labor force. With the fiscal year 2003 budget, the Administration launched a wide-ranging reform of the Federal government's overlapping training and employment programs. The multi-year reform effort targets resources to programs with documented effectiveness and eliminates funding for ineffective, duplicative, and overlapping programs. Consistent with this crosscutting reform, the Administration is renewing its proposal to consolidate funding for three secondary vocational rehabilitation programs in this account (Supported Employment State Grants, Projects with Industry (PWI), and the Migrant and Seasonal Farmworkers program) within the Vocational Rehabilitation State Grants program. The total request also includes \$32 million for grants to Indian tribes.

### Client Assistance State Grants

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$12.1	\$12.0	\$12.0

This program makes formula grants to States for activities to inform and advise clients of benefits available to them under the Rehabilitation Act and to assist them in their relationships with service providers, including remedies to ensure the protection of their rights under the Act. The request will provide advocacy services to approximately 63,500 individuals with disabilities.

### Training

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$39.4	\$39.1	\$39.1

This program makes grants to State and public or other nonprofit agencies and organizations, including institutions of higher education, to help ensure that personnel with adequate skills are available to provide rehabilitation services to persons with disabilities. The request would provide \$25.7 million to continue grant activities that began in previous fiscal years and \$12.4 million for new grant awards.

### Demonstration and Training Programs

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$21.4	\$24.3	\$18.8

Demonstration and Training programs support projects that expand and improve the provision of rehabilitation and other services authorized under the Rehabilitation Act, including related research and evaluation activities. The request would provide \$11.9 million to continue grant activities that began in previous fiscal years and \$6.2 million for new grant awards.

### Protection and Advocacy of Individual Rights (PAIR)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$16.9	\$16.8	\$19.6

This program supports systems in each State to protect and advocate for the legal and human rights of individuals with disabilities. These systems pursue legal and administrative remedies to ensure the protection of the rights of individuals with disabilities under Federal law and provide information on and referrals to programs and services for individuals with disabilities. The \$2.8 million increase for 2005 would help offset the elimination of funding for the Protection and Advocacy for Assistive Technology program previously funded under the Assistive Technology program, since similar services may be provided under the PAIR program.

Independent Living  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Independent Living State Grants .....	\$22.2	\$22.0	\$22.0
Centers for Independent Living .....	69.5	73.6	73.6
Services for Older Blind Individuals .....	<u>27.8</u>	<u>31.8</u>	<u>31.8</u>
Total .....	119.5	127.4	127.4

These programs provide services to individuals with disabilities to maximize their independence and productivity and to help integrate them into the mainstream of American society. The State Grants program awards formula grants to States to expand and improve independent living services and to support the operation of centers for independent living. The Centers for Independent Living program makes competitive grants to support a network of consumer-controlled, nonresidential, community-based centers that provide a broad range of independent living services. Services for Older Blind Individuals assists individuals aged 55 or older whose severe visual impairment makes competitive employment difficult to obtain, but for whom independent living goals are feasible. At the requested level, program funds would directly support 320 Centers for Independent Living, 78 designated State units under the State Grants program, and 56 grantees under the Services for Older Blind Individuals program.

Program Improvement

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$0.9	\$0.9	\$0.9

These funds support activities that increase program effectiveness, improve accountability, and enhance the Department's ability to address critical areas of national significance in achieving the purposes of the Rehabilitation Act. The request would continue support for the National Vocational Rehabilitation Technical Assistance Center as well as on-going performance measurement and dissemination activities.

Evaluation

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$1.0	\$1.0	\$1.5

These funds are used to evaluate the impact and effectiveness of programs authorized by the Rehabilitation Act of 1973. The requested increase would enable the Department to initiate a new longitudinal study of the State Vocational Rehabilitation Services Program and continue support for studies launched with fiscal year 2004 funds.

Helen Keller National Center for Deaf-Blind Youths and Adults

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$ 8.7	\$8.7	\$8.7

This program serves individuals who are deaf-blind, their families, and service providers through a national headquarters Center with a residential training and rehabilitation facility and a network of 10 regional offices that provide referral, counseling, and technical assistance. At the request level, the Center would provide direct services for approximately 95 adult clients, 12 high school students, and 10 senior citizens at its residential training and rehabilitation program and serve 1,700 individuals, 450 families, and 1,050 agencies through its regional offices.

National Institute on Disability and Rehabilitation Research (NIDRR)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$109.3	\$106.7	\$106.7

NIDRR helps improve the lives of persons of all ages with disabilities through a comprehensive and coordinated program of research, demonstration projects, and related activities, including training of persons who provide rehabilitation services or who conduct rehabilitation research. NIDRR awards discretionary grants that support rehabilitation research and training centers, rehabilitation engineering research centers, and disability and rehabilitation research projects that address diverse issues in rehabilitation, including the causes and consequences of disability and ways to improve educational, employment, and independent living opportunities for persons with disabilities. Grants or contracts are also awarded for utilization and dissemination of research results and for training.

The request provides sufficient funds to allow NIDRR to continue to support programs integral to the President's *New Freedom Initiative*, including the Rehabilitation Engineering Research Centers (RERC) program, the Assistive Technology Development Fund, and the Interagency Committee on Disability Research. In recent years, the RERCs have sponsored innovative assistive technology research—including work in augmentative and alternative communication, tele-rehabilitation, and universal design—that has helped individuals with disabilities to achieve greater independence. Similarly, the Assistive Technology Development Fund helps stimulate technological innovation in the private sector and strengthen the role of small businesses in developing new assistive technologies and bringing them to market. Finally, continued funding for the Interagency Committee on Disability Research would promote greater cooperation across various government agencies in the development and execution of disability and rehabilitation research activities.

Assistive Technology  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Title I .....	\$26.2	\$25.9	—
Title III .....	—	—	<u>\$15.0</u>
Total .....	26.2	25.9	15.0

The Assistive Technology Act (AT Act) supports grants to States to increase access to and funding for assistive technology devices and services for individuals with disabilities of all ages. Title I of the AT Act authorizes the Assistive Technology State Grant program, protection and advocacy (P&A) services related to assistive technology, and technical assistance activities. Title III of the AT Act authorizes the Alternative Financing Program (AFP). The request does not include funds for the AT State grant program and its accompanying technical assistance program, and proposes to shift funding for the AT Act's protection and advocacy activities to the Protection and Advocacy for Individual Rights (PAIR) program, authorized under Title V of the Rehabilitation Act. The request for the PAIR program includes \$2.780 million to help offset the funding for the P&A services previously provided by the AT Act.

The 2005 request includes \$15 million for the Alternative Financing Program under Title III of the AT Act to increase access to assistive technology for individuals with disabilities. Currently, 31 States have received funding under the AFP. The 2005 request could support as many as 15 additional States, raising the total number to 45. Data on loan activity from the 16 States operating programs in fiscal year 2001 show that 942 applications for loans were received, 537 individuals received loans, the median loan amount was \$4,871, and the total amount loaned was over \$5.8 million.

Special Institutions for Persons with Disabilities  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
American Printing House for the Blind (APH) .....	\$15.4	\$16.4	\$16.4
National Technical Institute for the Deaf (NTID).....	53.7	53.5	53.8
Gallaudet University .....	<u>97.8</u>	<u>100.2</u>	<u>100.2</u>
Total .....	166.9	170.1	170.4

The American Printing House for the Blind provides special education materials for students who are visually impaired, offers advisory services for consumers, and conducts applied research. At the request level, APH would provide free educational materials to approximately 57,500 persons with visual impairments at an average per student allotment of \$212.23, continue funding for a number of initiatives to improve its technical assistance and outreach services, and conduct a wide variety of continuing and new research projects.

The National Technical Institute for the Deaf provides postsecondary technical education and training for students who are deaf, and graduate education and interpreter training for persons who are deaf or hearing. NTID also conducts research and provides training related to the education and employment of individuals who are deaf. The request would provide \$53.1 million for operations, including funds for the Endowment Grant program, and \$685,000 to support part of the cost of construction projects to renovate the NTID theater and construct a new student development center. In 2005, NTID would provide education and training to approximately 1,080 undergraduate and technical students, 90 graduate students, and 100 interpreters for persons who are deaf.

Gallaudet University offers undergraduate and continuing education programs for persons who are deaf, and graduate programs for persons who are deaf or hearing. The request provides \$100.2 million for operations, including funds for the Endowment Grant program. Gallaudet also maintains and operates the Kendall Demonstration Elementary School and Model Secondary School for the Deaf. In 2005, the University would serve approximately 1,320 undergraduate and professional studies students, 650 graduate students, and 365 elementary and secondary education students.

## C. VOCATIONAL AND ADULT EDUCATION

### Overview

Programs in the Vocational and Adult Education account, as they are currently configured, provide formula grants to States to further State and community efforts to improve vocational education programs and adult education and literacy systems. With the exception of two programs (Smaller Learning Communities and Community Technology Centers) authorized under the Elementary and Secondary Education Act of 1965, all programs in this account are subject to reauthorization in 2005.

The fiscal year 2005 budget request of \$1.6 billion for this account supports the Administration's reauthorization strategy to reshape the Federal investment in education for the workforce and intensify the focus on adult literacy skills. The total includes \$12 million, funded under the proposed Secondary and Technical Education State Grants program as part of the President's *Jobs for the 21<sup>st</sup> Century* initiative, to increase the number of States implementing State Scholars programs that encourage high school students to complete a rigorous four-year course of study.

The proposed new Secondary and Technical Education program would create a coordinated high school and technical education improvement program in place of the current Vocational Education State Grants. Funding in this account would provide States, local educational agencies, community colleges, and schools with the resources to strengthen academic and technical education at the secondary and postsecondary levels. Also, proposed amendments to the adult education programs would strengthen local accountability for improved instruction in reading, mathematics, and English literacy.

#### Vocational and Technical Education (BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Secondary and Technical Education .....	—	—	\$1,012.0
Vocational Education State Grants .....	\$1,192.2	\$1,195.0	—
Tech-Prep Education State Grants .....	107.3	106.7	—
Tech-Prep Demonstration .....	5.0	4.9	—
National Programs .....	11.9	11.9	—
Occupational and Employment Information ..	<u>9.4</u>	<u>9.4</u>	<u>—</u>
Total .....	1,325.8	1,327.8	1,012.0

Under the Administration's plan for reauthorization of the Carl D. Perkins Vocational and Technical Education Act of 1998 (Perkins III), a new Secondary and Technical Education State Grants program would replace the current Vocational Education State Grants program. The new program would shift from providing traditional vocational education to a stronger focus on supporting high levels of academic achievement at the high school level in the context of career and technical education programs offered in coordination with postsecondary education and training partners.

The new program would support and complement the achievement and accountability goals of *No Child Left Behind* (NCLB) by requiring States to focus more intensively on improving student academic achievement and outcomes in career and technical education programs so that students are taught the skills needed to make successful transitions from high school to further education and training and into the workforce.

States would use most of their allocations to make competitive grants to partnerships between school districts and technical schools, community technical colleges, and institutions of higher education. States would be able to use a portion of their formula allocations to carry out State-level activities, and a national activities reservation would fund research, development, demonstrations, and other activities to help improve the quality and effectiveness of career and technical education.

With an increased focus on academics in high school, some national activities already underway have the potential to demonstrate the benefit of high expectations for all students, including students engaged in career and technical education pathways. For example, as part of the President's *Jobs for the 21<sup>st</sup> Century* initiative, the Department is requesting \$12 million to expand the number of State Scholars programs, which currently are operating in only 14 States. These programs are designed to dramatically increase the percentage of high school students who have the solid academic foundation necessary to succeed in postsecondary education and in an increasingly dynamic labor market.

State Scholars programs operate through business and education partnerships to encourage high school students to complete a rigorous curriculum that includes at least 3 years of mathematics and science, as well as 4 years of English and social studies, and courses in foreign languages. State Scholars is unique in that business leaders communicate directly with students about the knowledge and skills needed to succeed in the workforce, helping students to understand better the importance of completing challenging academic courses in high school.

No funds are requested for the current vocational education programs, including National Programs, Occupational and Employment Information, Tech-Prep State Grants, and the Tech-Prep Demonstration. Although currently authorized under the Perkins Act, the Department is requesting funds for the Tribally Controlled Postsecondary Vocational and Technical Institutions program in the Higher Education account.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u> <u>Request</u>
Adult Basic and Literacy Education			
State Grants .....	\$571.3	\$574.4	\$574.4
National Institute for Literacy .....	6.5	6.7	6.7
National Leadership Activities .....	<u>9.4</u>	<u>9.2</u>	<u>9.2</u>
Total .....	587.2	590.2	590.2

The Department's comprehensive review of the Adult Education and Family Literacy Act, completed as part of reauthorization planning, identified the overall need to increase the focus on strengthening skills in basic reading, math, and English acquisition for adults who have weak literacy skills or want to earn their high school diploma or its recognized equivalent (the GED).

As a result, the Administration's "Blueprint" for key areas of change in the current legislation includes: (1) requiring States to establish more effective and accountable programs that set challenging expectations for students, use meaningful assessments, and align instruction to meet those expectations, (2) improving the performance accountability system, (3) enhancing the emphasis on research to build a stronger foundation of knowledge for improving adult education, and (4) strengthening partnerships with the One-Stop delivery system under Title I of Workforce Investment Act.

The request includes \$6.7 million for the National Institute for Literacy, with the expectation that new authorizing legislation would continue support for its communication, capacity-building, and policy analysis activities. In addition, the budget provides \$9.2 million to continue high-priority research, demonstration, and evaluation initiatives funded under National Leadership Activities. In addition to evaluation activities, these funds support technical assistance to States on program accountability and effectiveness, and development and dissemination of staff development and training models to improve teaching.

## D. STUDENT FINANCIAL ASSISTANCE

### Overview

The 2005 budget reflects President Bush's commitment to equal access to a quality postsecondary education for all Americans. The request would increase funding for the Pell Grant program, the foundation of Federal need-based student financial assistance, by over \$800 million; create a new \$33 million initiative within Pell Grants for students completing the State Scholars program in high school; and offer a broad package of student benefits and program improvements in the student loan programs.

Following are the highlights of the Administration's 2005 budget:

- Overall student financial aid available would expand to \$73.1 billion, excluding the consolidation of existing student loans, an increase of \$4.4 billion or 6 percent over the 2004 level. The number of recipients of grant, loan, and work-study assistance would grow by 426,000 to 10 million students and parents.
- An \$856 million increase for the Pell Grant program, for a total of \$12.9 billion, to fully fund the cost of maintaining a \$4,050 maximum award for over 5.3 million students in award year 2005-2006, and to support new Enhanced Pell Grants for State Scholars. Since 2000, the number of Pell recipients has grown by nearly 25 percent, thanks in part to the overall boom in college enrollment.
  - Although funding for Pell Grants has increased since fiscal year 2000 by \$4.4 billion, or nearly 60 percent, in recent years both insufficient Pell appropriations and a surge in the number of Pell Grant recipients is expected to result in a \$3.7 billion funding shortfall at the end of the 2004-2005 award year. The Administration is committed to working with Congress to address this problem and put the program on firm financial footing.
- Within the Pell Grant total, the request includes \$33 million for Enhanced Pell Grants for State Scholars. This proposal, which is part of the President's *Jobs for the 21<sup>st</sup> Century* initiative, would encourage States to offer and students to take demanding high school courses by increasing Pell Grants by up to \$1,000 for first-year, full-time students who complete a rigorous State Scholars program of study in high school.
- A proposed Student Aid Administration account would consolidate nearly \$935 million in administrative funding, currently split between two separate accounts, to improve accountability and ensure the efficient, cost-effective delivery of over \$100 billion in Federal student aid. Most of these funds support payments to private-sector contractors or guaranty agencies that help administer the student loan programs.

### Student Loan Reauthorization

In addition to budget proposals, the Administration's 2005 request for postsecondary education includes a package of loan program proposals for the upcoming reauthorization of the Higher Education Act of 1965. These proposals are intended to make college more affordable for students and their families and to strengthen the financial stability of the student loan programs. These reforms would:

- Increase loan forgiveness for mathematics, science, and special education teachers serving poor communities;
- Reduce interest rates for most borrowers, under the current interest rate environment, by retaining the variable interest rate structure after July 1, 2006;
- Increase loan limits for first-year students from \$2,625 to \$3,000. The current loan limits have remained essentially unchanged since the early 1970s;
- Broaden the availability of extended repayment options;
- Phase out higher special allowance payments for loans funded with the proceeds of certain tax-exempt securities;
- Allow low-default schools more flexibility in disbursing loan funds;
- Clarify that student aid applicants who have been convicted of a drug-related offense are only ineligible for Federal student aid if the offense was committed while they were attending school;
- Strengthen the financial stability of the FFEL system by requiring guaranty agencies to collect the currently optional 1 percent insurance premium on all loans guaranteed or disbursed after October 1, 2004; and
- Reserve \$3 billion for unspecified further student benefits. These additional proposals—which could include reduced fees, default prevention activities, or additional loan limit increases—will be developed in consultation with Congress as part of the HEA reauthorization process.

## Student Aid Summary Tables

<u>Budget Authority (\$ in millions)</u>	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Pell Grants <sup>1</sup> .....	\$11,364.6	\$12,006.7	\$12,863.0
Supplemental Grants .....	760.0	770.5	770.5
Work-Study .....	1,004.4	998.5	998.5
Perkins Loans .....	166.4	165.4	66.7
Leveraging Educational Assistance			
Partnerships <sup>2</sup> .....	66.6	66.2	—
Loan Forgiveness for Child Care Providers ..	1.0	—	—
Federal Family Education Loans <sup>3</sup> .....	3,431.6	2,879.9	7,049.9
Federal Direct Loans <sup>4</sup> .....	<u>4,224.5</u>	<u>2,381.3</u>	<u>-492.2</u>
 Total .....	 21,019.0	 19,268.5	 22,256.4

<sup>1</sup> Amount for 2005 includes \$33 million for proposed Enhanced Pell Grants for State Scholars.

<sup>2</sup> Includes \$36.6 million in 2003 and \$36.2 million in 2004 for Special LEAP.

<sup>3</sup> Budget authority requested for FFEL does not include the liquidating account.

<sup>4</sup> For Direct Loans, the value of estimated future repayments and collections on defaults will exceed estimated default costs and in-school interest subsidies. Therefore, no new BA is required. The 2003 and 2004 figures are positive because of upward re-estimates of \$4.6 billion and \$2.6 billion, respectively, largely attributable to revised interest rates and other assumptions for loans made in 1994-2003.

### Aid Available to Students (\$ in millions)<sup>1</sup>

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Pell Grants .....	\$12,680	\$13,042	\$12,803
Campus-based Programs:			
Supplemental Grants .....	962	975	975
Work-Study .....	1,203	1,196	1,196
Perkins Loans .....	<u>1,201</u>	<u>1,263</u>	<u>1,137</u>
Subtotal, Campus-based programs .....	<u>3,373</u>	<u>3,378</u>	<u>3,314</u>
Leveraging Educational Assistance			
Partnerships <sup>2</sup> .....	170	169	—
Loan Forgiveness for Child Care Providers...	1	—	—
Student Loans:			
Federal Family Education Loans.....	33,791	38,978	42,588
Federal Direct Loans.....	<u>11,969</u>	<u>13,219</u>	<u>14,329</u>
Subtotal, FFEL and Direct Loans.....	<u>45,760</u>	<u>52,197</u>	<u>56,917</u>
Consolidation Loans <sup>3</sup> .....	<u>41,592</u>	<u>31,881</u>	<u>28,368</u>
 Total .....	 103,577	 100,668	 101,403

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

<sup>2</sup> Reflects only the LEAP program's statutory State matching requirements. State maintenance-of-effort and discretionary contributions above the required match significantly increase the number of grant recipients, the amount of available aid, and the average award.

<sup>3</sup> New FFEL and Direct Loans issued to consolidate existing loans.

Number of Student Aid Awards  
(in thousands)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Pell Grants .....	5,141	5,344	5,336
Campus-based programs:			
Supplemental Grants .....	1,236	1,254	1,254
Work-Study .....	863	858	858
Perkins Loans .....	<u>640</u>	<u>673</u>	<u>606</u>
Subtotal, Campus-based programs .....	2,983	2,993	2,957
Leveraging Educational Assistance			
Partnerships <sup>1</sup> .....	170	169	—
Loan Forgiveness for Day Care Providers <sup>2</sup> ...	—	—	—
Federal Family Education Loans .....	8,429	9,564	10,241
Federal Direct Loans .....	2,937	3,129	3,328
Consolidation Loans .....	<u>1,550</u>	<u>1,186</u>	<u>1,041</u>
<u>Total awards.....</u>	<u>21,211</u>	<u>22,385</u>	<u>22,904</u>

<sup>1</sup> Reflects only the LEAP program's statutory State matching requirements. State maintenance-of-effort and discretionary contributions above the required match significantly increase the number of grant recipients, the amount of available aid, and the average award.

<sup>2</sup> Due to the limited funding level available for this demonstration program in 2003, recipients are projected to total fewer than 100. No funding was provided for 2004, or is requested for 2005.

Number of Postsecondary Students Aided by Department Programs

Unduplicated Count (in thousands) ...	8,766	9,561	9,987
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**Tax Benefits for Postsecondary Students and Their Families**

In addition to the Department of Education's grant, loan, and work-study programs, significant support for postsecondary students and their families is available through tax credits and deductions for higher education expenses, including tuition and fees. For example, in 2005 students and families will save an estimated \$3.5 billion under the HOPE tax credit, which allows a credit of up to \$1,500 for tuition and fees per eligible student during the first 2 years of postsecondary education; \$2.2 billion under the Lifetime Learning tax credit, which allows a credit of up to \$2,000 per federal tax return for undergraduate and graduate tuition and fees; \$2.6 billion under an above-the-line deduction of up to \$4,000 annually in higher education expenses; and \$780 million in above-the-line deductions for interest paid on postsecondary student loans. In addition, the Administration is proposing to revise and simplify rules for three higher education tax benefits—the Lifetime Learning credit, the HOPE credit, and the above-the-line deduction for higher education expenses.

## Pell Grants

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$11,364.6	\$12,006.7	\$12,863.0 <sup>1</sup>
Program costs (\$ in millions).....	12,706.0	13,069.0	12,863.0 <sup>1</sup>
Aid available (\$ in millions) .....	12,680.2	13,042.3	12,803.3
Recipients (in thousands) .....	5,141	5,344	5,336
Maximum grant .....	\$4,050	\$4,050	\$4,050
Average grant <sup>2</sup> .....	\$2,467	\$2,441	\$2,399

<sup>1</sup> Includes \$33 million for Enhanced Pell Grants for State Scholars.

<sup>2</sup> Does not include an average grant of \$916 for an estimated 36,000 recipients of awards in 2005 under the Enhanced Pell Grants for State Scholars proposal.

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

The Administration requests \$12.9 billion to support Pell Grants in 2005. In recent years, the number of Pell Grant applicants and recipients has grown much faster than historical trends would predict (as has college enrollment overall). Specifically, from 2000-01 to 2003-04, the number of Pell recipients is expected to increase an average of 413,000 recipients per award year, compared to an average of 32,000 recipients per award year from 1996 to 1999. After not growing by more than 2.6 percent for any award year from 1995-96 to 2000-01, the number of valid Pell Grant applicants grew by 17.5 percent between award years 2001-02 and 2002-03, and is projected to grow by 7 percent in 2003-04. These increases primarily result from an influx of independent students (generally, independent students are older and do not depend on parents or guardians to pay for college).

### **Federal Pell Grant Applicant Growth**

<u>Award Year</u>	<u>Valid Applicants</u>	<u>Difference</u>	<u>% Change</u>
1995-96	7,935,336	158,167	2.0%
1996-97	8,064,889	129,553	1.6%
1997-98	8,216,685	151,796	1.9%
1998-99	8,309,645	92,960	1.1%
1999-00	8,527,162	217,517	2.6%
2000-01	8,716,124	188,962	2.2%
2001-02	9,467,997	751,873	8.6%
2002-03	10,314,134	846,137	8.9%
2003-04	11,051,627	737,493	7.2%
2004-05	11,604,497	552,870	5.0%
2005-06	12,068,039	463,542	4.0%

Notes: Award Year 2003-04 is an estimate based on current trends as of 12/1/03 (with an estimated 87 percent of total applicants processed). Award years 2004-05 and 2005-06 are estimates; earlier years reflect actual data.

The Budget assumes the significant surge in the applicant growth rate that began with the 2001-02 award year will continue to gradually decline from the current observed rates in AY 2003-04 and return to levels of 5.0 percent and 4.0 percent in AY 2004-05 and AY 2005-06, respectively. It is important to note, however, that if applicant growth rates continue at their unusually high levels, projected Pell Grant program costs would significantly increase above the budget estimates.

Because of this unexpected growth, as well as a \$700 increase in the maximum grant from 2000 to 2002 and insufficient appropriations to cover program costs, the request assumes a total Pell Grant funding shortfall of \$3.7 billion by the end of award year 2004-05. This shortfall poses a serious threat to the long-term stability of the Pell Grant program. The Administration is committed to working with Congress to eliminate this problem and put the program on a firm financial footing.

The Budget assumes enactment of the Administration's proposal to allow the Internal Revenue Service to match income data on student aid applications with applicant tax data, to ensure students do not receive awards in excess of amounts for which they are eligible. This proposal would save \$50 million in Pell Grant costs in award year 2005-06 and substantially more in future years.

The Administration also requests \$33 million for Enhanced Pell Grants for State Scholars, as part of the President's *Jobs for the 21<sup>st</sup> Century* initiative, to encourage students and States to participate in the State Scholars program. This proposal would increase Pell Grants by up to \$1,000 for students who have completed the State Scholars curriculum in high school. Currently, 14 states participate in the State Scholars program, which entails completing a demanding curriculum in high school in preparation for technical school, community college, university, or work. Students who complete a rigorous curriculum (with at least three years of mathematics and science, as well as four years of English and social studies, and courses in foreign languages) are more successful in pursuing and completing further education. State Scholar funding would be capped at \$33 million in 2005. If recipients qualify for more than this amount, a process will be developed to allocate awards within the available funding level.

### **Campus-Based Programs**

The Supplemental Educational Opportunity Grant, Work-Study, and Perkins Loan programs are collectively referred to as the "campus-based" programs; grants in these programs are made directly to participating institutions, which have considerable flexibility to package awards to best meet the needs of their students. The current statutory formulas allocating campus-based funding have historically distributed a disproportionate share of funding to schools that have participated in the program the longest. Since these longstanding participants do not have a higher proportion of needy students than other institutions, these formulas have been identified as inequitable by the Administration's Program Assessment Rating Tool (PART). Accordingly, the request proposes to phase in revised allocation formulas beginning in 2005.

### Supplemental Educational Opportunity Grants

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$760.0	\$770.5	\$770.5
Aid available (\$ in millions) .....	962.0	975.0	975.0
Recipients (in thousands) .....	1,236	1,254	1,254
Average award.....	\$778	\$778	\$778

The Supplemental Educational Opportunity Grant (SEOG) program provides grant assistance of up to \$4,000 per academic year to undergraduate students with demonstrated financial need. The \$770 million request would leverage \$205 million in institutional matching funds to make available a total of approximately \$975 million in grants to an estimated 1.3 million recipients.

SEOG funds are allocated to institutions according to a statutory formula and require a 25 percent institutional match. Awards are determined at the discretion of institutional financial aid administrators, although schools are required to give priority to Pell Grant recipients and students with the lowest expected family contributions.

### Work-Study

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$1,004.4	\$998.5	\$998.5
Aid available (\$ in millions) .....	1,203.0	1,195.7	1,195.7
Recipients (in thousands) .....	863	858	858
Average award.....	\$1,394	\$1,394	\$1,394

The Work-Study program provides grants to participating institutions to pay up to 75 percent of the wages of needy undergraduate and graduate students working part-time to help pay their college costs. The school or other eligible employer provides the remaining 25 percent of the student's wages. Funds are allocated to institutions according to a statutory formula, and individual award amounts to students are determined at the discretion of institutional financial aid administrators. At the request level, nearly 1 million students would receive more than \$1 billion in award year 2005-06.

The program encourages institutions to use Work-Study funds to promote community service activities. Institutions must use at least 7 percent of their Work-Study allocations to support students working in community service jobs, and such activities must include at least one reading tutor or family literacy project. In addition, the Department waives the 25 percent employer-matching requirement for students who work as reading or math tutors.

The Administration is proposing to replace the 7 percent community service requirement with a separate set-aside for community service, equal to 20 percent of the Work-Study appropriation. The Program Assessment Rating Tool found that while institutions placed an average of 15 percent of their students in community service jobs, many institutions (including many "elite" colleges and universities) do not meet even the 7 percent requirement. Schools would apply for community service funds separately from their regular allocation.

Perkins Loans  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Federal Capital Contributions .....	\$99.4	\$98.8	—
Loan Cancellation Payments .....	67.1	66.7	66.7
Loan volume (\$ in millions) .....	1,201	1,263	1,137
Number of borrowers (in thousands) .....	640	673	606
Average loan.....	\$1,875	\$1,875	\$1,875

The Perkins Loan program provides long-term, low-interest loans to undergraduate and graduate students with demonstrated financial need at 2,000 institutions. Total assets of over \$7 billion represent nearly 40 years of Federal capital contributions, institutional matching funds, repayments on previous loans, and reimbursements for cancellations.

Perkins Loan borrowers pay no interest during in-school, grace, and deferment periods, and are charged 5 percent interest during the principal repayment period. Annual borrowing limits are \$4,000 for undergraduate students and \$6,000 for graduate and professional students.

The request includes no funding for new Perkins Loan Federal Capital Contributions. The PART found that these funds are no longer necessary, as repayments of existing Perkins Loans into Federal revolving funds held at institutions will continue to support more than \$1 billion in new Perkins Loans each year. The PART analysis further concluded that the Federal Family Education Loan and Ford Direct Student Loan programs provide sufficient low-interest-rate loans to assure the availability of affordable loan aid. The current rate for Stafford Loans, for example, is 3.42 percent—considerably lower than the 5 percent charged to borrowers under Perkins Loans.

Perkins Loan Cancellations reimburse institutional revolving funds for borrowers whose loan repayments are canceled in exchange for undertaking certain public service employment, such as teaching in Head Start programs, full-time law enforcement, or nursing. Cancellations have increased significantly in recent years due to expansions of eligibility by the Higher Education Amendments of 1992 and 1998.

Federal Family Education Loans and Direct Loans

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Federal Family Education Loans			
New Loan Subsidies (BA) .....	\$6,411.4	\$6,500.8	\$7,049.9
Re-estimate of Prior Loans <sup>1</sup> .....	<u>-2,979.9</u>	<u>-3,621.0</u>	<u>—</u>
Total, FFEL Program BA .....	3,431.6	2,879.9	7,049.9
Direct Loans			
New Loan Subsidy (BA) <sup>2</sup> .....	-366.4	-245.3	-492.2
Re-estimate of Prior Loans <sup>1</sup> .....	<u>4,590.9</u>	<u>2,626.6</u>	<u>—</u>
Total, New Budget Authority .....	4,224.5	2,381.3	-492.2
Total, Student Loans (BA) .....	7,656.1	5,261.2	6,557.7

<sup>1</sup> Under Credit Reform, the subsidy amounts needed for active loan cohorts are re-estimated annually in both Direct Loans and FFEL to account for changes in long-term projections. In 2003 and 2004, the Direct Loans re-estimates primarily reflect lower interest rate projections leading to lower repayment estimates, while the FFEL re-estimates are largely attributable to revised default collection estimates in prior cohorts reflecting actual trends in default recoveries that exceed earlier experience.

<sup>2</sup> No new budget authority is required for Direct Loans because the value of future repayments will exceed default costs and in-school interest subsidies.

New loan volume (in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Federal Family Education Loans			
New loans.....	\$33,791	\$38,978	\$42,588
Consolidation loans .....	<u>34,935</u>	<u>25,605</u>	<u>22,048</u>
Subtotal, FFEL .....	68,726	64,583	64,637
Direct Loans			
New loans .....	11,969	13,219	14,329
Consolidation loans.....	<u>6,657</u>	<u>6,276</u>	<u>6,320</u>
Subtotal, Direct Loans .....	18,626	19,496	20,649
Total .....	87,352	84,079	85,286

Number of loans (in thousands)

Federal Family Education Loans			
New loans.....	8,429	9,564	10,241
Consolidation loans .....	<u>1,252</u>	<u>916</u>	<u>780</u>
Subtotal, FFEL .....	9,681	10,480	11,021
Direct Loans			
New loans. ....	2,937	3,129	3,328
Consolidation Loans.....	<u>298</u>	<u>270</u>	<u>261</u>
Subtotal, Direct Loans .....	3,236	3,399	3,590
Total .....	12,917	13,880	14,611

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

The FFEL program makes loan capital available to students and their families through some 3,500 private lenders. There are 36 active State and private nonprofit guaranty agencies which administer the Federal guarantee protecting FFEL lenders against losses related to borrower default. These agencies also collect on defaulted loans and provide other services to lenders. The FFEL program accounts for about 75 percent of new student loan volume.

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

#### Basic Loan Program Components

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

- Stafford Loans are subsidized, low-interest loans based on financial need. The Federal Government pays the interest while the student is in school and during certain grace and deferment periods. The interest rate varies annually and is capped at 8.25 percent. For July 1, 2003 through June 30, 2004, the rate for borrowers in repayment has been set at 3.42 percent.
- Unsubsidized Stafford Loans are offered at the same low rates as subsidized Stafford Loans, but the Federal Government does not pay interest for the student during in-school, grace, and deferment periods.
- PLUS Loans are available to parents of dependent undergraduate students at slightly higher rates than Stafford or Unsubsidized Stafford Loans, and the Federal Government does not pay interest during in-school, grace, and deferment periods. The interest rate varies annually and is capped at 9 percent. The 2003-2004 rate is 4.22 percent.
- Consolidation Loans allow borrowers with multiple student loans who meet certain criteria to combine their obligations and extend their repayment schedules. The rate for both FFEL and Direct Consolidation Loans is based on the weighted average of loans consolidated rounded up to the nearest 1/8<sup>th</sup> of a percent.

In recent years, a combination of historically low interest rates and aggressive marketing have resulted in dramatic increases in Consolidation loan volume, which grew from \$12 billion in fiscal year 2000 to \$42 billion in fiscal year 2003.

### **The 2005 Request**

The budget includes a package of student loan proposals related to the upcoming reauthorization of the Higher Education Act (HEA). The proposals include:

- Increased loan forgiveness: Loan forgiveness for highly qualified math, science, and special education teachers serving low-income communities would be expanded from \$5,000 to a maximum of \$17,500. Schools in these communities often are forced to hire uncertified teachers or assign teachers who are teaching “out-of-field.” This proposal would help these schools recruit and retain highly qualified math, science, and special education teachers.
- Variable interest rates: The borrower rate on Stafford and Unsubsidized Stafford Loans is scheduled to be fixed at 6.8 percent for new loans beginning July 1, 2006. Under current interest rate projections, this would result in a substantial increase in interest rates for most borrowers. The budget proposes to eliminate the scheduled change and maintain the current variable interest rate formula, allowing students and their families to take advantage of the historically low interest rate environment.
- Increased loan limits: To help students meet increasing higher education costs, the budget proposes to increase the limit for first-year students from \$2,625 to \$3,000. This limit has not been raised since 1986 and, when taking origination fees into account, has essentially remained unchanged since the early 1970s.
- More flexible repayment options: To standardize loan terms and help borrowers manage their debt, the budget proposes to standardize extended repayment terms in the FFEL and Direct Loan programs. Currently, many FFEL borrowers can only obtain these flexible terms by consolidating their loans.
- Improved program efficiency: Loans funded with the proceeds of tax-exempt securities originally issued before October 1, 1993, receive substantially higher special allowance payments than are currently paid on other types of loans. Loan holders are currently able to retain these higher benefits indefinitely by refinancing the underlying securities.
- Enhanced program stability: To strengthen the financial stability of the FFEL program, the budget proposes to require guaranty agencies to collect the 1 percent insurance premium on all loans guaranteed or disbursed after October 1, 2004. Many agencies currently waive the fee, reducing Federal reserves against loan default.
- Streamlined program operations: Institutions with cohort default rates of less than 10 percent for the three most recent fiscal years would be exempted from requirements that loans to first-year students be delayed for 30 days prior to disbursement and that all loans be issued in at least two separate disbursements. In addition, student aid applicants who have been convicted of a drug-related offense would only be ineligible for Federal student aid if the student committed a drug-related offense while enrolled in higher education; incoming students, who are currently subject to the provision, would be exempted.

- Additional benefits: Beyond the proposals discussed above, the budget includes an additional \$3 billion over ten years for unspecified further student benefits. These additional proposals—which could include reduced fees, default prevention activities, or additional loan limit increases—will be developed in consultation with Congress as part of the HEA reauthorization process.

### **Student Aid Program Management**

The Administration proposes to centralize its request for \$934.6 million in 2005 to administer the Federal student aid programs within a unified new discretionary Student Aid Administration account. The current student aid administration budget structure—split between mandatory and discretionary accounts—hinders the increased accountability for reducing costs and improving financial controls that are at the foundation of the Secretary's Blueprint for Management Excellence.

The 2005 request represents a \$22.9 million, or 2.5 percent, increase over the amount supporting student aid administrative activities in 2004. The bulk of the increase supports information technology initiatives, such as the Common Services for Borrowers initiative, that will help the Department improve services to students, parents and schools; increase efficiency in the face of steadily expanding workload; and streamline and enhance the effectiveness of oversight and financial management efforts. Of this total, the budget includes \$7 million to support the implementation of a system to use Internal Revenue Service data to verify income information on student aid applications.

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

## **E. HIGHER EDUCATION PROGRAMS**

### **Overview**

The Administration's budget request includes \$2 billion for fiscal year 2005 for the Higher Education account to build on previous efforts to strengthen support for the President's priorities in postsecondary education.

Higher Education programs contribute to the Department's Strategic Plan by supporting institutional development, enhancing the quality of and access to postsecondary education, strengthening student services, improving the quality of teacher preparation programs, and providing opportunities for students to gain international expertise and training as language and area specialists. Continuing support for these programs is necessary to meet ballooning college enrollments and increasing demands on the American workforce.

The 2005 request provides \$418.8 million for the Aid for Institutional Development programs, an overall increase of \$18.8 million, or 4.7 percent, over the 2004 level for programs to strengthen institutions of higher education that serve high proportions of minority and disadvantaged students, including Historically Black Colleges and Universities (HBCUs), Historically Black Graduate Institutions (HBGIs), and Tribally Controlled Colleges and Universities (TCCUs). The total includes \$240.5 million, an increase of \$17.7 million or 8 percent, for the Strengthening HBCUs program and \$58.5 million, an increase of \$5.4 million or 10 percent, for the Strengthening HBGIs program. These funding levels will fulfill President Bush's commitment to increase funding by 30 percent between fiscal years 2001 and 2005 for these institutions that play a unique and vital role in providing higher education opportunity to African American students. The request also includes \$23.8 million, a 2 percent increase over the 2004 level, for the Strengthening TCCUs program to support institutions that serve Native Americans.

In addition, the budget would provide \$95.9 million, an increase of \$1.9 million or 2 percent over the 2004 level, for the Developing Hispanic-serving Institutions (HSIs) program. If enacted, the President's request would result in a 40-percent increase for the HSI program during his first four years in office, exceeding his promise of a 30-percent increase.

The request includes \$832.6 million for the Federal TRIO Programs and \$298.2 million for Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) to provide educational outreach and support services to help 1.8 million disadvantaged students enter and complete college. The budget also would provide \$81.3 million for merit- and need-based scholarships and fellowships to postsecondary students under the Byrd Honors Scholarships, Javits Fellowships, and Graduate Assistance in Areas of National Need (GAANN) programs.

The request also provides \$104 million for the International Education and Foreign Language Studies (IEFLS) programs to help meet the Nation's security and economic needs through the development of expertise in foreign languages and area and international studies. The increased complexity of the post-Cold War world, the events surrounding the September 11 terrorist attacks on the United States, and the war on terrorism underscore the importance of maintaining and expanding American understanding of other peoples and their languages.

Finally, a \$32 million request for the Fund for the Improvement of Postsecondary Education (FIPSE) would support a wide-range of projects to reform and improve postsecondary education, while \$88.9 million for Teacher Quality Enhancement would continue support for projects to reform and improve teacher preparation programs and certification requirements.

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

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Strengthening Institutions (Part A) .....	\$81.5	\$81.0	\$81.0
Strengthening Tribally Controlled Colleges and Universities (Part A) .....	22.9	23.3	23.8
Strengthening Alaska Native and Native Hawaiian-serving Institutions (Part A) .....	8.2	10.9	6.1
Strengthening Historically Black Colleges and Universities (Part B) .....	214.0	222.8	240.5
Strengthening Historically Black Graduate Institutions (Part B) .....	53.4	53.1	58.5
Minority Science and Engineering Improvement (Part E) .....	<u>8.9</u>	<u>8.9</u>	<u>8.9</u>
Total .....	388.9	400.0	418.8

The 2005 request for Title III demonstrates the Administration's strong commitment to ensuring access to high quality postsecondary education for the Nation's minority and disadvantaged students. Title III funding would help provide equal educational opportunity and strong academic programs for these students and help achieve greater financial stability for the institutions that serve them. President Bush committed to increasing funding by 30 percent by 2005 for HBCUs and HBGIs, institutions that play a unique and vital role in providing higher education opportunity to minority and disadvantaged students. The 2005 request meets that goal by proposing \$240.5 million for HBCUs and \$58.5 million for HBGIs.

Developing Hispanic-serving Institutions

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$92.4	\$94.0	\$95.9

The 2005 request would expand and enhance the academic quality, institutional management, fiscal stability, and self-sufficiency of colleges and universities that enroll large percentages of Hispanic students. Hispanic Americans are the largest ethnic group in the United States, yet continue to lag behind their non-Hispanic peers in overall educational achievement. This request demonstrates the Administration's commitment to ensuring that Hispanic students have access to high quality postsecondary education and to closing the gaps between Hispanic and majority students in academic achievement, high school graduation, postsecondary enrollment, and life-long learning. The 2005 request, representing 40 percent increase since fiscal year 2001, exceeds the President's commitment to raise funding for HSIs by 30 percent over this period.

International Education and Foreign Language Studies  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Domestic programs .....	\$93.3	\$89.2	\$89.2
Overseas programs .....	12.9	12.8	12.8
Institute for International Public Policy .....	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>
Total .....	107.8	103.7	103.7

The 14 International Education and Foreign Language Studies programs strengthen the American education system in the area of foreign languages and international studies. These programs support comprehensive language and area study centers within the United States, research and curriculum development, opportunities for American scholars to study abroad, and activities to increase the number of underrepresented minorities in international service. In addition to promoting general understanding of the peoples of other countries, the Department's international programs also serve important economic, diplomatic, defense, and other security interests of the United States. The request would fund approximately 474 grants to institutions of higher education and directly support over 1,450 individuals through fellowships and projects.

Fund for the Improvement of Postsecondary Education (FIPSE)  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Comprehensive Program .....	\$26.3	\$25.8	\$25.5
International Consortia .....	5.6	6.2	6.5
One-time Projects .....	<u>139.1</u>	<u>125.7</u>	—
Total .....	171.1	157.7	32.0

FIPSE supports exemplary, locally developed projects that are models for innovative reform and improvement in postsecondary education. The 2005 request would provide support for new and continuing projects under the Comprehensive Program, including projects that target areas of higher education deemed to be a top priority. The request also would provide support for FIPSE's international consortia programs. The 2004 total includes \$125.7 million for one-time projects, for which funding is not requested in 2005.

Tribally Controlled Postsecondary Vocational and Technical Institutions

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$7.0	\$7.2	\$7.2

This program supports competitive grants to institutions that provide postsecondary vocational and technical education to Native American students.

Federal TRIO Programs  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Student Support Services .....	\$263.7	\$263.7	\$266.5
Upward Bound .....	278.7	281.6	281.1
Upward Bound Math/Science .....	33.9	33.1	33.1
Talent Search.....	144.8	145.7	145.7
Educational Opportunity Centers .....	47.7	49.0	49.0
McNair Postbaccalaureate Achievement .....	41.9	41.9	41.6
Staff Training.....	7.5	6.5	6.5
Dissemination Partnership Projects .....	4.4	4.4	4.4
Evaluation .....	1.7	1.6	1.6
Administration/Peer Review.....	<u>2.8</u>	<u>5.1<sup>1</sup></u>	<u>3.1</u>
Total .....	827.1	832.6	832.6

<sup>1</sup> Includes \$2.2 million in funds to reinstate four fiscal year 2003 grants.

The Federal TRIO Programs fund educational outreach and student support services designed to encourage individuals from disadvantaged backgrounds to successfully pursue postsecondary degrees. The 2005 request would support a new competition in the Student Support Services program and maintain funding for the other programs. Over the last few years, significant investments have been made to respond to program evaluations by targeting higher-risk students and providing work-study opportunities in Upward Bound, and by providing more intense services and grant aid in Student Support Services. Funds also have been used to increase the number and size of grants in the other TRIO programs. The request would maintain these investments and allow TRIO to serve 881,000 disadvantaged students.

Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
State Grants.....	\$93.9	\$91.4	\$86.8
Partnership Grants.....	198.4	205.6	209.4
21st Century Scholar Certificates .....	0.1	0.2	0.2
Evaluation .....	0.7	1.0	1.0
Peer Review.....	<u>0.0</u>	<u>0.0</u>	<u>0.8</u>
Total .....	293.1	298.2	298.2

GEAR UP provides funds to States and partnerships for early college preparation and awareness activities to ensure low-income elementary and secondary school students are prepared for and pursue postsecondary education. The 2005 request would support existing projects and a competition for new State and partnership awards, serving a total of 918,000 students. Recent studies and preliminary findings from the program evaluation suggest that GEAR UP's approach shows promise of being effective.

Scholarships and Fellowships  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Byrd Honors Scholarships .....	\$40.7	\$40.8	\$40.8
Javits Fellowships .....	9.9	9.9	9.9
Graduate Assistance in Areas of National Need (GAANN) .....	30.8	30.6	30.6

Byrd Honors Scholarships provide merit-based support in the amount of \$1,500, through formula grants to States, to undergraduate students who demonstrate outstanding academic achievement. The 2005 request would provide awards for 27,172 scholars, including 7,310 new scholars.

Javits Fellowships provide up to 4 years of support to students of superior ability and high financial need who are pursuing doctoral degrees, or the highest terminal degree, in the arts, humanities, and social sciences. The 2005 request would support 233 fellowships in academic year 2006-2007, including 62 new fellows.

GAANN provides fellowships, through grants to postsecondary institutions, to graduate students with superior ability and financial need studying in areas of national need. Participating graduate schools must provide assurances that they will seek talented students from traditionally underrepresented backgrounds. The 2005 request would support 735 fellowships.

Child Care Access Means Parents in School

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$16.2	\$16.1	\$16.1

This program supports the participation of low-income parents in the postsecondary education system by providing campus-based childcare services. Grants made to institutions of higher education must be used to supplement childcare services or start a new program, not to supplant funds for current childcare services. The program gives priority to institutions that leverage local or institutional resources and employ a sliding fee scale. The 2005 request would support a new competition and maintain funding for 122 existing projects.

Teacher Quality Enhancement  
(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
State Grants .....	\$40.2	\$39.9	\$17.5
Partnership Grants .....	40.2	39.9	62.3
Recruitment Grants .....	8.9	8.9	8.9
Peer Review .....	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>
Total .....	89.4	88.9	88.9

The Teacher Quality Enhancement program helps improve the recruitment, preparation, licensing, and support of new teachers. State Grants may be used to reform teacher licensing and certification requirements, hold institutions of higher education accountable for high-quality teacher preparation, expand alternative pathways to teaching, and increase support for new teachers. Partnership Grants support a wide range of reforms and improvements in teacher preparation programs. Recruitment Grants help reduce shortages of qualified teachers in high-need school districts through scholarships, support services, and recruitment efforts. The 2005 request would allow the Department to maintain support for 35 existing State, Partnership, and Recruitment projects and would fund 40 new awards.

#### GPRA Data/HEA Program Evaluation

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$1.0	\$1.0	\$1.0

The 2005 request supports continuation of program evaluations and data collections to measure program performance. Funds also would continue support for collecting and reporting State data on teacher quality as required by Title II of the Higher Education Act.

#### Academic Facilities

(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Interest Subsidy Grants .....	\$3.0	\$2.0	\$1.5
CHAFL Federal Administration .....	0.8	0.8	0.6
HBCU Capital Financing Federal Administration .....	0.2	0.2	0.2

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

#### Howard University

(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Howard University Hospital.....	\$30.2	\$30.0	\$30.0
General Support.....	<u>208.3</u>	<u>208.8</u>	<u>208.8</u>
Total .....	238.4	238.8	238.8

The 2005 request would maintain support for Howard University's academic programs, research programs, endowment program, construction activities, and the Howard University Hospital. The request reflects continued support for maintaining and improving the quality and financial strength of an institution that has played a continuing role in providing access to postsecondary educational opportunities for African Americans.

## F. INSTITUTE OF EDUCATION SCIENCES

### Overview

The Education Sciences Reform Act of 2002 reauthorized the Department's educational research, statistics, and assessment activities and placed them in the newly created Institute of Education Sciences (IES). The Administration firmly believes that in order to improve student achievement, the government must invest in research that can identify effective instructional and program practices, as well as in data collection needed to track student achievement and measure educational reform. The new structural and management reforms underway at the Institute ensure that the Federal investment in education research is well-managed and relevant to the needs of educators and policymakers.

For 2005, the Administration is seeking \$449.6 million for the Institute of Education Sciences. This request would support new programs of research, development, and dissemination in areas where our knowledge of learning and instruction is inadequate. The request also would maintain the Administration's commitment to supporting high quality statistics and assessment programs.

#### Research, Development, and Dissemination

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$139.1	\$165.5	\$185.0

The budget would provide \$185 million for education research, development, and dissemination sponsored by the Institute, including funds for a new program of field-initiated evaluations of promising education products and approaches. The request also includes support for new awards under ongoing initiatives in reading comprehension, mathematics and science education, teacher quality, and cognition and learning in the classroom. Research in these areas is critical to the successful implementation of the No Child Left Behind Act. IES would continue to support a diverse portfolio of directed and field-initiated research, including eight national research and development centers.

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

#### Statistics

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$89.4	\$91.7	\$91.7

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

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

#### Assessment

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$94.8	\$94.8	\$94.8

The request would fund the on-going National Assessment of Educational Progress (NAEP) and the National Assessment Governing Board. NAEP is the only nationally representative and continuing assessment of what American students know and can do, and has become a key measure of our Nation's educational performance. NAEP measures and reports on the status of and trends in student learning over time, on a subject-by-subject basis, and makes objective information on student performance available to policymakers, educators, parents, and others.

#### Research and Innovation in Special Education

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
BA in millions .....	\$76.7	\$78.1	\$78.1

This program funds research and dissemination activities to improve special education and early intervention services and results for infants, toddlers, and children with disabilities. The request would support directed and field-initiated research, dissemination, and projects that develop the capacity of the research community to conduct high quality research on special education that is relevant to the needs of parents, educators, and policymakers.

### III. PROGRAMS PROPOSED FOR ELIMINATION

The 2005 request continues the practice of the Bush Administration—also consistent with previous administrations over the past two decades—of proposing to eliminate or consolidate funding for programs that have achieved their original purpose, that duplicate other programs, that may be carried out with flexible State formula grant funds, or that involve activities that are better or more appropriately supported through State, local, or private resources. In addition, the government-wide Program Assessment Rating Tool, or PART, helps target funding to Department of Education programs that generate positive results for students and that meet strong accountability standards. For 2005, PART findings were used to redirect funds from ineffective programs to more effective activities, as well as to identify reforms to help address program weaknesses.

The following table shows the programs proposed for elimination in the President's 2005 budget request. Termination of these 38 programs frees up more than \$1.4 billion—based on 2004 levels—for reallocation to more effective, higher priority activities. Following the table is a brief summary of each program and the rationale for its elimination.

#### Program Terminations

Program (2004 BA in millions)

Alcohol Abuse Reduction.....	\$29.8
Arts in Education.....	35.1
B.J. Stupak Olympic Scholarships.....	1.0
Close Up Fellowships .....	1.5
Community Technology Centers.....	9.9
Comprehensive School Reform .....	233.6
Demonstration Projects to Ensure Quality Higher Education for Students with Disabilities .....	6.9
Dropout Prevention Programs .....	5.0
Eisenhower National Clearinghouse for Math and Science Education.....	4.9
Eisenhower Regional Math and Science Education Consortia.....	14.8
Elementary and Secondary School Counseling.....	33.8
Even Start .....	246.9
Excellence in Economic Education .....	1.5
Exchanges with Historic Whaling and Trading Partners .....	8.5
Federal Perkins Loans: Capital Contributions.....	98.8
Foreign Language Assistance .....	16.5
Javits Gifted and Talented Education .....	11.1
Leveraging Educational Assistance Partnerships.....	66.2
Literacy Programs for Prisoners .....	5.0
Migrant and Seasonal Farmworkers .....	2.3
National Writing Project .....	17.9
Occupational and Employment Information .....	9.4
Parental Information and Resource Centers.....	42.0

**Program Terminations, continued** (2004 BA in millions):

Projects With Industry .....	21.8
Ready to Teach.....	14.3
Recreational Programs .....	2.6
Regional Educational Laboratories .....	66.7
Regional Technology in Education Consortia .....	9.9
School Leadership .....	12.3
Smaller Learning Communities .....	174.0
Star Schools.....	20.4
State Grants for Incarcerated Youth Offenders .....	19.9
Supported Employment State Grants .....	37.7
Tech-Prep Demonstration.....	4.9
Tech-Prep Education State Grants .....	106.7
Underground Railroad Program.....	2.2
Vocational Education National Programs .....	11.9
Women's Educational Equity .....	<u>3.0</u>
 Total .....	 \$1,410.7

**Program Descriptions**  
(figures reflect 2004 BA in millions)

Alcohol Abuse Reduction..... \$29.8

Supports innovative and effective programs to reduce alcohol abuse in secondary schools that may be funded through flexible Safe and Drug-Free Schools State Grants and State Grants for Innovative Programs.

Arts in Education..... \$35.1

Makes non-competitive awards to VSA arts and the John F. Kennedy Center for the Performing Arts as well as competitive awards for national demonstrations and Federal leadership activities to encourage the integration of the arts into the school curriculum. Consistent with Administration policy of terminating small categorical programs with limited impact in order to fund higher priorities.

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

Provides financial assistance to athletes who are training at the United States Olympic Education Center or one of the United States Olympic Training centers and who are pursuing a postsecondary education. Athletes can receive grant, work-study, and loan assistance through the Department's postsecondary student aid programs.

Close Up Fellowships..... \$1.5

Non-competitive award to Close Up Foundation supports fellowships to low-income students and teachers participating in Close Up visits to Washington, DC and other activities. Peer organizations provide scholarships to some of their participants without Federal assistance

Community Technology Centers..... \$9.9

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

**Program Eliminations, continued** (2004 BA in millions):

Comprehensive School Reform ..... \$233.6

This program largely duplicates activities that are readily carried out under the Title I Grants to LEAs program. For example, the NCLB Act lowered the poverty threshold for Title I schoolwide projects to 40 percent, thus permitting some 5,000 additional schools to use Title I funds to carry out the types of whole-school reforms supported by the CSR program. An estimated 28,000 Title I schools already operate schoolwide projects and thus enjoy the opportunity to conduct comprehensive reform efforts. In addition, comprehensive reform is encouraged as part of school improvement efforts undertaken by Title I schools that do not make adequate yearly progress toward State standards for at least 2 consecutive years.

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

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

Dropout Prevention Programs ..... \$5.0

Significantly higher funding for dropout prevention and re-entry programs available through Title I Grants to LEAs, Title I Migrant State Grants, and State Grants for Innovative Programs makes this program unnecessary.

Eisenhower National Clearinghouse for Math and Science Education ..... \$4.9

Clearinghouse of K-12 mathematics and science resources is no longer needed now that the new Comprehensive Centers program will provide such information for all grades and subject areas.

Eisenhower Regional Math and Science Education Consortia ..... \$14.8

The new Comprehensive Centers program will disseminate exemplary instructional materials and provide technical assistance in the use of improved teaching methods and assessment across grades and subject areas.

Elementary and Secondary School Counseling ..... \$32.5

Program of grants to support elementary school and secondary school counseling programs has limited impact and may be funded through other larger and more flexible Federal programs, such as ESEA Title V-A State Grants for Innovative Programs.

Even Start ..... \$246.9

This program aims to improve educational opportunities for children and their parents in low-income areas by integrating early childhood education, adult education, and parenting education into "family literacy" programs. However, three separate national evaluations of the program reached the same conclusion: children and adults participating in Even Start generally made gains in literacy skills, but these gains were not significantly greater than those of non-participants. For this reason, Even Start funds will be redirected to provide increases for higher-priority programs, including the research-based Reading First and Early Reading First programs, which are better suited to address the President's literacy goals.

Excellence in Economic Education ..... \$1.5

Supports a grant to a single national non-profit educational organization to promote economic and financial literacy for K-12 students. Duplicates specific ESEA Title V-A authority, and elimination is consistent with Administration policy of terminating small categorical programs with limited impact in order to fund higher priorities.

**Program Eliminations, continued** (2004 BA in millions):

Exchanges with Historic Whaling and Trading Partners ..... \$8.5

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

Federal Perkins Loans: Capital Contributions..... \$98.8

Institutional revolving funds totaling \$7 billion will continue to support more than \$1 billion in new Perkins Loans each year without additional capital contributions. In addition, affordable postsecondary student loan assistance is readily available through the Federal Family Education Loan and Ford Direct Student Loan programs.

Foreign Language Assistance ..... \$16.5

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

Javits Gifted and Talented Education ..... \$11.1

Activities to help schools to meet the special educational needs of gifted and talented students may be supported through other larger and more flexible Federal programs, such as Title V-A State Grants for Innovative Programs.

Leveraging Educational Assistance Partnerships..... \$66.2

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

Literacy Programs for Prisoners ..... \$5.0

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

Migrant and Seasonal Farmworkers ..... \$2.3

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

National Writing Project ..... \$17.9

Supports a nationwide nonprofit educational organization that promotes K-16 teacher training programs in the effective teaching of writing. States may support such activities through flexible programs like Improving Teacher Quality State Grants.

Occupational and Employment Information ..... \$9.4

Support for State career guidance and academic counseling programs for youth and adults will be addressed as part of the Administration's reauthorization strategy for career and technical education.

**Program Eliminations, continued** (2004 BA in millions):

Parental Information and Resource Centers..... \$42.0

Parent education and family involvement programs are required and funded under other ESEA programs, such as Title I Grants to Local Educational Agencies, and are a specifically authorized use of funds under ESEA Title V-A State Grants for Innovative Programs.

Projects With Industry ..... \$21.8

PWI projects help individuals with disabilities obtain employment and advance their careers in the competitive labor market. VR State Grants serves the same target populations and may be used to support PWI projects.

Ready to Teach..... \$14.3

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

Recreational Programs ..... \$2.6

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

Regional Educational Laboratories ..... \$66.7

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

Regional Technology in Education Consortia ..... \$9.9

The new Comprehensive Centers program will disseminate exemplary instructional materials and provide technical assistance in the use of improved teaching methods and assessment across grades and subject areas.

School Leadership ..... \$12.3

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

Smaller Learning Communities ..... \$174.0

The creation or expansion of smaller learning communities in large high schools may be supported by Title I Grants to LEAs and State Grants for Innovative Programs—the latter of which specifically authorizes the creation of smaller learning communities.

Star Schools..... \$20.4

Programs like Educational Technology State grants and Improving Teacher Quality State grants provide ample resources for the distance education projects supported by Star Schools.

**Program Eliminations, continued** (2004 BA in millions):

State Grants for Incarcerated Youth Offenders ..... \$19.9

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

Supported Employment State Grants ..... \$37.7

Program has accomplished its goal of developing collaborative programs with appropriate public and private nonprofit organizations to provide supported employment services for individuals with the most significant disabilities. Similar activities may be supported with VR State Grants.

Tech-Prep Demonstration ..... \$4.9

A demonstration program to support consortia that establish secondary technical education program on community college campuses would no longer be necessary under the Administration's reauthorization strategy for career and technical education.

Tech-Prep Education State Grants ..... \$106.7

A separate State grant program to support State efforts to develop structural links between secondary and postsecondary institutions that integrate academic and vocational education would no longer be necessary under the Administration's reauthorization strategy for career and technical education.

Underground Railroad Program ..... \$2.2

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

Vocational Education National Programs ..... \$11.9

These activities, including assessment, evaluation, dissemination, and technical assistances, will be addressed as part of the Administration's reauthorization strategy for career and technical education.

Women's Educational Equity ..... \$3.0

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

## IV. DEPARTMENTAL MANAGEMENT

(BA in millions)

	<u>2003</u>	<u>2004</u>	<u>2005 Request</u>
Program Administration .....	\$409.9 <sup>1</sup>	\$420.4	\$429.8
Office for Civil Rights.....	84.7 <sup>2</sup>	88.3	92.8
Office of the Inspector General .....	40.7	46.6	50.6
Student Aid Administration .....	704.7 <sup>3,4,5</sup>	716.7 <sup>4,5</sup>	739.6 <sup>5</sup>
Other <sup>6</sup> .....	<u>11.3</u>	<u>13.9</u>	<u>13.6</u>
Total.....	1,251.3	1,285.9	1,326.4

### Full-time equivalent employment (FTE) <sup>7</sup>

Program Administration.....	2,356 <sup>8</sup>	2,356	2,349
Office for Civil Rights.....	672	663	663
Office of the Inspector General .....	281	285	302
Student Aid Administration .....	1,135 <sup>9</sup>	1,140 <sup>10</sup>	1,140
Other <sup>6</sup> .....	<u>35</u>	<u>43</u>	<u>41</u>
Total .....	4,479	4,487	4,495

<sup>1</sup> Adjusted for comparability. Excludes \$13.749 million in 2003 transferred from the Student Aid Administration account to cover obligations made under the continuing resolutions in effect prior to enactment of the fiscal year 2003 appropriation on February 20, 2003.

<sup>2</sup> Excludes \$1.038 million in unobligated funds that would otherwise lapse on September 30, 2003, which were transferred to the Education for the Disadvantaged account pursuant to Section 3614 of the Emergency Supplemental Appropriations Act, 2003.

<sup>3</sup> Adjusted for comparability. Includes \$13.749 million transferred from the Student Aid Administration account to the Program Administration account and \$11.825 million transferred from the Student Aid Administration account to the Federal Family Education Loans account to cover obligations made under the continuing resolutions in effect prior to enactment of the fiscal year 2003 appropriation on February 20, 2003.

<sup>4</sup> Adjusted for comparability. Includes \$795 million in mandatory funds in 2003 and 2004 for the Federal Direct Student Loans Program account.

<sup>5</sup> Excludes \$195 million in mandatory funds in 2003, 2004, and 2005 for payments to guaranty agencies, provided in the Federal Direct Student Loans Program account.

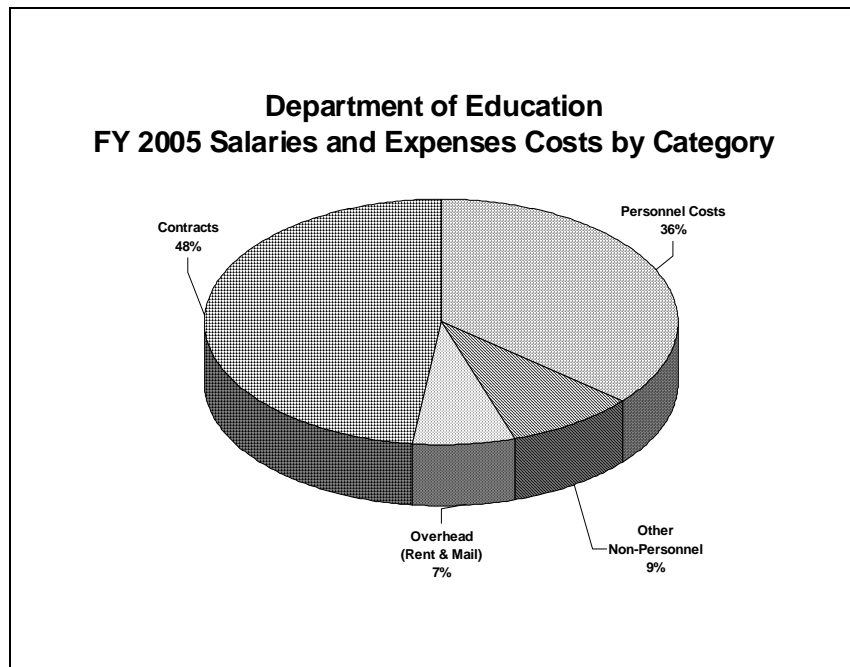
<sup>6</sup> Includes small Federal Credit accounts and S&E activities in program accounts. The budget authority excludes Occupational and Employment Information grants. Excludes \$1.05 million in 2003 for National Institute for Literacy grants.

<sup>7</sup> Actual FTE usage in 2003; maximum target for 2004 and 2005.

<sup>8</sup> Adjusted for comparability. Excludes 104 FTE funded by a transfer of Student Aid Administration account budget authority to cover obligations made under the continuing resolutions in effect prior to enactment of the fiscal year 2003 appropriations on February 20, 2003.

<sup>9</sup> Adjusted for comparability. Includes 104 FTE funded by a transfer of budget authority to the Program Administration account and 129 FTE funded by a transfer of budget authority to the Federal Family Education Loans account to cover obligations made under the continuing resolutions in effect prior to enactment of the fiscal year 2003 appropriations on February 20, 2003. Also includes 589 FTE funded by the Federal Direct Student Loans account.

<sup>10</sup> Adjusted for comparability. Includes 607 FTE funded by the Federal Direct Student Loans Program account.



### Overview

The 2005 budget request for Salaries and Expenses (S&E) will pay the costs of the staff, overhead, contracts, and other activities needed to administer and monitor the Department's educational assistance programs and provide over \$84 billion in grants and loans each year to nearly 10 million postsecondary students.

The Department is requesting \$1.33 billion for its discretionary S&E budget in 2005, an increase of \$40 million over the 2004 level. Included in the request is \$473 million for payroll costs, which reflects the 1.5 percent proposed government-wide pay raise in 2005, and historically based increases for employee benefits.

The non-personnel costs for the administrative accounts cover such items as travel, rent, mail, telephones, utilities, printing, information technology (IT), contractual services, equipment, supplies, and other Departmental services. The total request for non-personnel activities in 2005 is \$853 million.

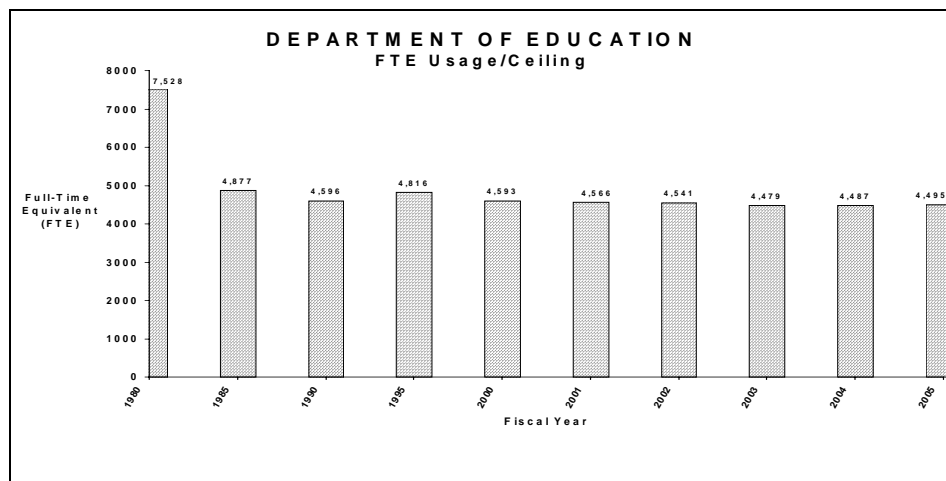
Department administrative costs continue to constitute a small fraction of the total education budget. For example, even with the increase requested for 2005, the discretionary administrative budget would be approximately 2 percent of the Department's total discretionary budget.

The 2005 budget request for salaries and expenses supports Department initiatives designed to improve government performance through the goals outlined in the President's Management Agenda and successfully implement the No Child Left Behind Act signed into law in January 2002.

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

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

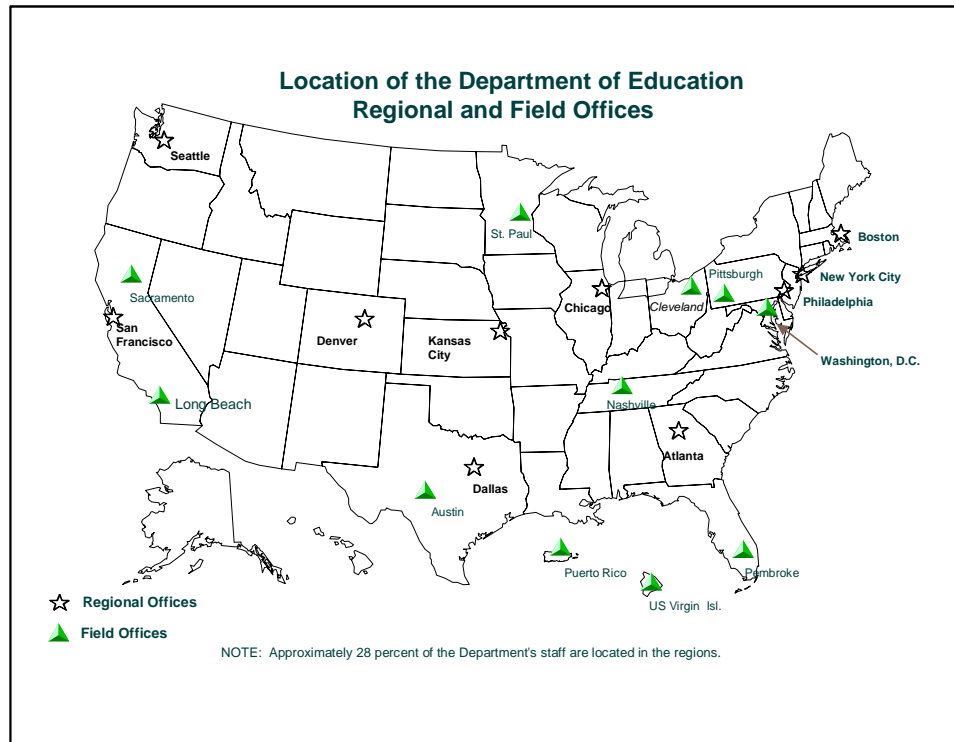
### Department Employment



The 2005 staffing request of 4,495 FTE, a modest increase of 8 FTE from the planned 2004 level, remains 40 percent below the level of 7,528 FTE when the Department was created in 1980. The increase reflects additional staff in the Office of the Inspector General and the Institute of Education Sciences, partially offset by decreases in the Office of Postsecondary Education, Office of Management, Office of the Chief Information Officer, and Office of the Chief Financial Officer. The decrease in the Office of Postsecondary Education is due to a decrease in the workload for the CHAFL program. The decreases in the latter three offices are the result of efficiencies realized through the Department's One-ED process.

The Department has maintained operations in spite of reduced staffing levels in part by relying heavily on automation and private contractors to handle such functions as awarding grants, processing student aid applications, and providing grants and loans to almost 10 million college students. Already the smallest of the Cabinet agencies, the Department minimizes administrative tasks and privatizes functions that can be handled more efficiently by outside contractors. A prime illustration is the use of contracts to operate the Direct Student Loan program.

As shown in the following chart, staff is divided among the Washington, D.C. headquarters, 10 regional offices, and 11 field offices. Approximately 72 percent of the employees are assigned to headquarters, and 28 percent are assigned to the regional and field offices. Most regional and field office employees are in the Federal Student Aid office, the Office of the Inspector General, and the Office for Civil Rights. Regional and field office activities include review of lenders, institutions, and guaranty agencies participating in the student financial aid programs, as well as collections on defaulted student loans; audits and investigations of Department programs and operations; and civil rights complaint investigations and compliance reviews.



## Program Administration

The 2005 request includes \$429.8 million, an increase of \$9.4 million from the 2004 level, for the Program Administration account, which funds administrative support for most programs and offices in the Department. The request includes \$253.3 million for the 2,349 FTE requested, and \$176.5 million for non-pay costs. The non-pay request includes \$10 million to continue implementation of the Performance Based Data Management Initiative, which will collect timely data on student achievement and educational outcomes. Other non-pay costs include rent, travel, data collection, evaluations, computer hardware and software support for the staff, and other administrative activities.

## Student Aid Administration

In fiscal year 2005 the Department of Education will provide nearly \$84 billion in Federal student aid grants and loans to 10 million students and parents. In awarding this aid, the Department and its contractors will interact on a daily basis with over 6,000 schools; 3,500 lenders; 36 guaranty agencies; and dozens of accrediting agencies, participants in the secondary market for student loans, and other organizations. Ensuring the smooth operation of the complex array of financial transactions involving these numerous participants in the student financial aid

programs—and safeguarding the interests of both students and Federal taxpayers—is perennially the Department's greatest management challenge and its highest administrative priority. Primary responsibility for administering the Federal student financial assistance programs rests with the Office of Federal Student Aid and the Office of Postsecondary Education.

Funding for student aid management has been provided in previous years through 2 separate accounts: the discretionary Student Aid Administration account and the mandatory Federal Direct Student Loan Program (HEA Section 458). For 2005, the Administration is renewing its proposal to consolidate these separate funding streams into a discretionary Student Aid Administration account that would represent more than 55 percent of the Department's total administrative budget. The request would provide \$739.6 million to administer student aid programs in 2005, an increase of \$22.9 million over the 2004 level.

### **Management Improvement and Government Reform**

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

<b><i>Priority: Financial Integrity/Management and Internal Controls</i></b>	
<b>Goal</b>	<b>Accomplishments</b>
<p>Financial integrity requires accurate and relevant financial reporting systems and processes in order to provide policy makers and managers with timely and accurate financial information. In addition, revenues and expenditures must be properly accounted for and reported on so that that reports and data produced by financial management systems will provide reliable information to managers making program and asset-related decisions.</p> <p>Management and internal controls will be adopted and enhanced to reduce the risk of errors and permit effective monitoring of programs and processes. Management controls will ensure that programs achieve their intended results and are protected from waste, fraud, and mismanagement. Internal controls will help ensure effective and efficient Department operations as well as reliable financial reporting.</p>	<ul style="list-style-type: none"> <li>● Achieved clean opinions on the audit of the Department's 2002 and 2003 financial statements.</li> <li>● Created a monthly "Executive Fast Fact Sheet" that assists offices in managing programs based on available financial data.</li> <li>● Met accelerated audit schedule one year ahead of schedule.</li> <li>● Began implementing an action plan to correct material weaknesses and reportable conditions.</li> </ul>
<b><i>Priority: High-Risk Status of Student Aid Programs</i></b>	
<b>Goal</b>	<b>Accomplishments</b>
<p>The Department will improve its financial and management information systems to support the effective management of the student aid programs, following specific criteria provided by the General Accounting Office for reducing student aid risk and removing the programs from the high-risk list. These improvements will ensure that relevant, timely information is available to manage day-to-day operations and provide accountability.</p>	<ul style="list-style-type: none"> <li>● Drafted an updated 5-year plan with improved system integration and default management strategies.</li> <li>● Received clean audit opinions on the financial statements for fiscal years 2002 and 2003.</li> <li>● Completed a high level design for common identifiers for schools and borrowers to be used by FSA and partners.</li> <li>● Awarded a Direct Loan servicing contract that reduces cost by approximately \$1 billion over 10 years, compared to the legacy contracts.</li> </ul>

	<ul style="list-style-type: none"> <li>● Identified schools for program reviews through data-mining of verification information.</li> <li>● Played 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.</li> </ul>
<b>Priority: Using Human Capital</b>	
<b>Goal</b>	<b>Accomplishments</b>
The Department's human capital strategy will transform the agency by streamlining operations in order to bring work closer to its customers: States, school districts, schools, institutions of higher education, and citizens. This will be accomplished by increasing competitive sourcing and improving decision-making.	<ul style="list-style-type: none"> <li>● Progressed with Department-wide recruitment plan, by providing detailed workforce analyses throughout the agency and consulting with senior managers on workforce needs.</li> <li>● Introduced intranet-based training on employee development plans.</li> <li>● Accelerated hiring by expanding the capacity of EDHIRES for applicants outside the Department.</li> <li>● Developed a policy on redeployment of employees who could be displaced as a result of competitive sourcing activities.</li> <li>● Initiated grants reengineering effort.</li> <li>● Used fewer FTE's in 2003 than in any year over the last decade, while achieving significant management improvements (e.g. a clean audit opinion and the <i>Blueprint for Management Excellence</i>) and implementing the new authorities of the No Child Left Behind Act.</li> </ul>
<b>Priority: Competitive Sourcing</b>	
<b>Goal</b>	<b>Accomplishments</b>
In line with the goals of the <i>President's Management Agenda</i> , the Department will identify new opportunities for competitive sourcing in order to augment its capabilities. To do so, the Department developed its "One ED" plan, which is the Department's blueprint for finding the best ways to perform work.	<ul style="list-style-type: none"> <li>● Made competitive sourcing decisions on "One ED" Phase I business process; initiated competitive sourcing for Human Resources and Payment Processing functions; and developed in-house solutions for re-engineering OCFO Internal Audit/Post Audit Review, OIG Audit, OPE Policy, OGC Legal Advice and Regulatory Review, and OCR Case Resolution functions.</li> <li>● Met with employees affected by competitions, and began to train employees responsible for developing employee proposals.</li> </ul>

<b><i>Priority: E-Government</i></b>	
<b>Goal</b>	<b>Accomplishments</b>
In order to meet the President's Management Agenda goals of an expanded electronic government, the Department will improve the management of its IT investments, protect the integrity and confidentiality of data, improve data management, and increase the use of technology in serving customers.	<ul style="list-style-type: none"> <li>● Established procedures for all IT investments to be reviewed internally.</li> <li>● Worked with other agencies to implement the E-Grant initiative, designed to streamline and simplify grants business processes.</li> <li>● Completed project manager training to ensure that staff can effectively manage IT cost and schedule issues.</li> <li>● Completed certification and accreditation of all high and medium risk systems.</li> <li>● Eliminated IT security issues as material weaknesses in the 2003 financial audit statement.</li> <li>● Developed a "to be" vision for its enterprise architecture that is consistent with Federal enterprise architecture principles.</li> </ul>
<b><i>Priority: Integration of Program Performance and Budgeting</i></b>	
<b>Goal</b>	<b>Accomplishments</b>
The Department will seek funding for programs that work, and will seek to reform or eliminate programs that do not. The administrative allocations will be linked to the Department's Strategic Plan to ensure that high priority activities are funded. The Department will have standard, integrated budgeting, performance, and accounting information systems at the program level that will provide timely feedback for management.	<ul style="list-style-type: none"> <li>● Included in budget justifications the salaries and expenses costs associated with each program, and aligned budget authority to strategic goals and objectives.</li> <li>● Assisted States in completing No Child Left Behind Act accountability plans.</li> <li>● Began collecting data for the Performance-Based Data Management Initiative.</li> <li>● Used revised performance measures, Program Assessment Rating Tool (PART) analyses, and other available performance information in the 2005 budget formulation process.</li> <li>● Worked with Congress to ensure that upcoming Special Education and Adult Education reauthorizations will improve accountability.</li> </ul>
<b><i>Priority: Faith-Based and Community Initiative</i></b>	
<b>Goal</b>	<b>Accomplishments</b>
The Department will leverage the contributions of community- and faith-based organizations to increase the effectiveness of its programs.	<ul style="list-style-type: none"> <li>● Coordinated conferences and workshops around the country in support of the Initiative.</li> <li>● Implemented the novice grantee project in all programs for which community- and faith-based organizations are eligible.</li> <li>● Equipped regional representatives of the Department with outreach tools for community- and faith-based organizations.</li> </ul>

### **Office for Civil Rights**

The Department's Office for Civil Rights (OCR) investigates discrimination complaints, conducts compliance reviews, monitors corrective action plans, and provides technical assistance on civil rights issues. The 2005 request for OCR is \$92.8 million, an increase of \$4.5 million over the 2004 level. About \$64.5 million of the OCR budget is for staff pay and benefits for its 663 FTE; the remaining \$28.3 million covers overhead costs as well as computer equipment, data analysis and reporting activities, travel, staff training, and other contractual services. The non-personnel request is an increase of \$3.5 million from 2004, primarily for increases for rent (\$1.4 million), security upgrades (\$700,000), and OCR's share of the Department's centralized IT network (\$500,000).

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

### **Office of the Inspector General**

The Office of the Inspector General (OIG) conducts audits and investigations of the Department's programs and activities to help ensure accountability for taxpayer-provided funds and to identify management improvements. The 2005 request for the OIG is \$50.6 million, an increase of \$4 million over the 2004 level. Approximately 66 percent of this amount, or \$33.2 million, is for personnel compensation and benefits to support a staffing level of 302 FTE, an increase of 17 FTE above the 2004 level. The additional FTE are for the cyber security team, which concentrates on computer intrusions and identity theft; and for the establishment of a team to combat fraud and abuse within targeted areas of student financial assistance programs.

The request includes \$2.2 million for the mandated annual audit of the Department's financial statements. The scope of the audit will include the examination and analysis of account balances, review of applicable financial systems, and evaluation of internal controls and compliance with significant laws and regulations. In addition, the budget would provide \$1.7 million for a study to assess the quality of independent audits of grantees produced under the Single Audit Act. The study would statistically measure audit quality to determine whether Federal agencies can rely on single audits to support Federal program expenditures and identify erroneous payments.

## **APPENDICES**

### **Tables:**

- Summary of Discretionary Funds, Fiscal Years 2000-2005
- Detailed Budget Table by Program

DEPARTMENT OF EDUCATION  
Summary of Discretionary Funds, Fiscal Years 2000-2005

(dollars in thousands)								
Program	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Change from 2001 to 2005 Amount	Percent
<b>Elementary/Secondary Education (K-12)</b>								
<u>No Child Left Behind (NCLB)</u>								
Title I Grants to Local Educational Agencies	7,941,397	8,762,721	10,350,000	11,688,664	12,342,309	13,342,309	4,579,588	52.3%
Reading First	0	286,000	975,000	1,068,012	1,118,362	1,257,000	971,000	339.5%
Impact Aid	906,452	993,302	1,143,500	1,188,226	1,229,527	1,229,527	236,225	23.8%
Improving Teacher Quality State Grants	0	0	2,850,000	2,930,825	2,930,126	2,930,126	2,930,126	---
21st Century Community Learning Centers	453,377	845,614	1,000,000	993,500	999,070	999,070	153,456	18.1%
State Assessments	0	0	387,000	384,484	390,000	410,000	410,000	---
Safe and Drug-Free Schools and Communities	600,000	644,250	696,750	666,353	674,203	715,977	71,727	11.1%
English Language Acquisition	398,000	446,000	664,269	683,747	681,215	681,215	235,215	52.7%
Other	4,512,026	5,404,577	3,937,157	4,021,421	3,944,464	3,207,025	-2,197,552	-40.7%
Subtotal, NCLB	14,811,252	17,382,464	22,003,676	23,625,232	24,309,276	24,772,249	7,389,785	42.5%
<u>Special Education (IDEA)</u>								
Grants to States	4,989,685	6,339,685	7,528,533	8,874,398	10,068,106	11,068,106	4,728,421	74.6%
Other	982,078	1,022,910	1,065,891	1,082,309	1,092,601	1,107,995	85,085	8.3%
Subtotal, IDEA	5,971,763	7,362,595	8,594,424	9,956,707	11,160,707	12,176,101	4,813,506	65.4%
Subtotal, NCLB and IDEA	20,783,015	24,745,059	30,598,100	33,581,939	35,469,983	36,948,350	12,203,291	49.3%
<u>Other K-12</u>	2,303,284	3,152,334	2,094,394	2,079,785	2,086,834	1,731,321	-1,421,013	-45.1%
Subtotal, Elementary/Secondary Education	23,086,299	27,897,393	32,692,494	35,661,724	37,556,817	38,679,671	10,782,278	38.6%
<b>Postsecondary Education</b>								
Federal Pell Grants	7,639,717	8,756,000	11,314,000	11,364,646	12,006,738	12,863,000	4,107,000	46.9%
Other Student Financial Assistance	1,735,000	1,918,000	1,971,500	1,998,426	2,000,558	1,835,622	-82,378	-4.3%
Other Postsecondary Education	1,899,054	2,297,560	2,438,336	2,560,885	2,501,498	2,386,202	88,642	3.9%
Subtotal, Postsecondary Education	11,273,771	12,971,560	15,723,836	15,923,957	16,508,794	17,084,824	4,113,264	31.7%
<b>Other Programs and Activities</b>	1,245,997	1,361,868	1,519,269	1,528,028	1,596,856	1,574,557	212,689	15.6%
TOTAL, ED Discretionary Funds	35,606,067	42,230,821	49,935,599	53,113,709	55,662,467	57,339,052	15,108,231	35.8%

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2003 Appropriation	2004 Conference	2005 President's Request	Change from Conference	
					Amount	Percent
<b>OFFICE OF ELEMENTARY AND SECONDARY EDUCATION (OESE)</b>						
<b>Education for the Disadvantaged</b>						
1. Grants to local educational agencies (ESEA I-A):						
(a) LEA grants formulas:						
(1) Basic grants (section 1124)						
Annual appropriation	D	5,100,363 <sup>1</sup>	5,154,008	6,154,008	1,000,000	19.4%
Advance for succeeding fiscal year	D	2,011,272 <sup>2</sup>	1,883,584	883,584	(1,000,000)	-53.1%
Subtotal		7,111,635	7,037,592	7,037,592	0	0.0%
(2) Concentration grants (section 1124A)						
Annual appropriation	D	0	0	0	0	---
Advance for succeeding fiscal year	D	1,365,031	1,365,031	1,365,031	0	0.0%
Subtotal		1,365,031	1,365,031	1,365,031	0	0.0%
(3) Targeted grants (section 1125)						
Annual appropriation	D	0	0	0	0	---
Advance for succeeding fiscal year	D	1,670,239	1,969,843	4,146,187	2,176,344	110.5%
Subtotal		1,670,239	1,969,843	4,146,187	2,176,344	110.5%
(b) Education finance incentive grants formula (1125A)						
Annual appropriation	D	0	0	0	0	---
Advance for succeeding fiscal year	D	1,541,759	1,969,843	793,499	(1,176,344)	-59.7%
Subtotal		1,541,759	1,969,843	793,499	(1,176,344)	-59.7%
Subtotal, Grants to LEAs		11,688,664	12,342,309	13,342,309	1,000,000	8.1%
Annual appropriation	D	5,100,363	5,154,008	6,154,008	1,000,000	19.4%
Advance for succeeding fiscal year	D	6,588,301 <sup>2</sup>	7,188,301	7,188,301	0	0.0%
2. Reading first:						
(a) Reading first State grants (ESEA I-B-1)						
Annual appropriation	D	798,500	828,923	930,000	101,077	12.2%
Advance for succeeding fiscal year	D	195,000	195,000	195,000	0	0.0%
Subtotal		993,500	1,023,923	1,125,000	101,077	9.9%
(b) Early reading first (ESEA I-B-2)						
	D	74,512	94,439	132,000	37,561	39.8%
Subtotal, Reading first		1,068,012	1,118,362	1,257,000	138,638	12.4%
3. Striving readers (ESEA I-E section 1502)	D	0	0	100,000	100,000	---
4. Even start (ESEA I-B-3)	D	248,375	246,910	0	(246,910)	-100.0%
5. Literacy through school libraries (ESEA I-B-4)	D	12,419	19,842	19,842	0	0.0%

<sup>1</sup> Pursuant to Section 3614 of the Emergency Supplemental Appropriations Act, 2003 (P.L. 108-83), includes \$4,353 thousand in funds that would otherwise lapse on September 30, 2003, and were transferred into this account: \$1,768 thousand from the English Language Acquisition account, \$597 thousand from the Rehabilitation Services and Disability Research account, \$950 thousand from the Student Financial Assistance account, and \$1,038 thousand from the Office for Civil Rights account.

<sup>2</sup> Section 106 of H.J. Res. 69, Making continuing appropriations for the fiscal year 2004 (P.L. 108-84), reduced the fiscal year 2004 advance appropriations that were provided for this account in the fiscal year 2003 Department of Education Appropriations Act by \$2,244,000 thousand.

DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)		Category Code	2003 Appropriation	2004 Conference	2005 President's Request	Change from Conference	
Office, Account, Program and Activity						Amount	Percent
NOTE: Category Codes are as follows: D = discretionary program; M = mandatory program.							

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)	Category	2003	2004	2005	Change from Conference	
Office, Account, Program and Activity	Code	Appropriation	Conference	President's Request	Amount	Percent
<b>Education for the Disadvantaged (continued)</b>						
6. State agency programs:						
(a) Migrant (ESEA I-C)	D	395,413	393,577	393,577	0	0.0%
(b) Neglected and delinquent (ESEA I-D)	D	48,682	48,395	48,395	0	0.0%
Subtotal		444,095	441,972	441,972	0	0.0%
7. Comprehensive school reform (ESEA I-F)	D	233,473	233,613	0	(233,613)	-100.0%
8. Evaluation (ESEA sections 1501 and 1503)	D	8,842	8,790	9,500	710	8.1%
9. Migrant education (HEA IV-A-5):						
(a) High school equivalency program	D	23,347	18,888	18,888	0	0.0%
(b) College assistance migrant program	D	15,399	15,657	15,657	0	0.0%
Subtotal		38,746	34,545	34,545	0	0.0%
Total, Appropriation	D	13,742,626 <sup>1</sup>	14,446,343	15,205,168	758,825	5.3%
Total, Budget authority	D	14,342,626	13,846,343	15,205,168	1,358,825	9.8%
Current		6,959,325 <sup>2</sup>	7,063,042 <sup>3</sup>	7,821,867 <sup>3</sup>	758,825	10.7%
Prior year's advance		7,383,301	6,783,301 <sup>4</sup>	7,383,301	600,000	8.8%
Outlays, Total	D	11,253,024	14,150,895	14,344,715	193,820	1.4%

<sup>1</sup> Adjusted for comparability. Excludes \$35,766 thousand in 2003 for programs appropriated in fiscal year 2004 under the Innovation and Improvement account.

<sup>2</sup> Excludes an advance appropriation of \$6,783,301 thousand that becomes available on October 1 of fiscal year 2004.

<sup>3</sup> Excludes an advance appropriation of \$7,383,301 thousand that becomes available on October 1 of the following fiscal year.

<sup>4</sup> Reflects an enacted \$2,244,000 thousand reduction in the fiscal year 2004 advance appropriations that were provided for this account in the fiscal year 2003 Department of Education Appropriations Act.

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)	Category	2003	2004	2005	Change from Conference	
Office, Account, Program and Activity	Code	Appropriation	Conference	President's Request	Amount	Percent
Impact Aid (ESEA VIII)						
1. Payments for federally connected children (section 8003):						
(a) Basic support payments (section 8003(b))	D	1,025,292	1,063,687	1,063,687	0	0.0%
(b) Payments for children with disabilities (section 8003(d))	D	50,668	50,369	50,369	0	0.0%
Subtotal		1,075,960	1,114,056	1,114,056	0	0.0%
2. Facilities maintenance (section 8008)	D	7,948	7,901	7,901	0	0.0%
3. Construction (section 8007)	D	44,708	45,936	45,936	0	0.0%
4. Payments for Federal property (section 8002)	D	59,610	61,634	61,634	0	0.0%
Total	D	1,188,226	1,229,527	1,229,527	0	0.0%
Outlays	D	1,097,047	1,347,203	1,235,476	(111,727)	-8.3%

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)	Category	2003	2004	2005	Change from Conference	
Office, Account, Program and Activity	Code	Appropriation	Conference	President's Request	Amount	Percent
School Improvement Programs						
1. Improving teacher quality (ESEA II):						
(a) Improving teacher quality State grants (Part A)						
Annual appropriation	D	1,780,825	1,495,126	1,495,126	0	0.0%
Advance for succeeding fiscal year	D	1,150,000	1,435,000	1,435,000	0	0.0%
Subtotal		2,930,825	2,930,126	2,930,126	0	0.0%
(b) Early childhood educator professional development (Part A-5, section 2151(e))	D	14,902	14,814	14,814	0	0.0%
(c) Mathematics and science partnerships (Part B)	D	100,344	149,115	269,115 <sup>1</sup>	120,000	80.5%
2. Educational technology State grants (ESEA II-D-1 and 2)						
3. Preparing tomorrow's teachers to use technology (HEA II-B)	D	62,094	0	0	0	---
4. 21st Century community learning centers (ESEA IV-B)	D	993,500	999,070	999,070	0	0.0%
5. State grants for innovative programs (ESEA V Part A)						
Annual appropriation	D	97,498	296,549	296,549	0	0.0%
Advance for succeeding fiscal year	D	285,000	0	0	0	---
Subtotal		382,498	296,549	296,549	0	0.0%
6. Javits gifted and talented education (ESEA V-D, subpart 6)	D	11,177	11,111	0	(11,111)	-100.0%
7. Foreign language assistance (ESEA V-D, subpart 9)	D	16,144	16,546	0	(16,546)	-100.0%
8. Foundations for learning grants (ESEA subpart 14, section 5542)	D	994	0	0	0	---
9. State assessments (ESEA VI-A-1)	D	384,484	390,000 <sup>2</sup>	410,000	20,000	5.1%
10. Education for homeless children and youth (MVHAA Title VII-B)	D	54,642	59,646	59,646	0	0.0%
11. Education for Native Hawaiians (ESEA VII-B)	D	30,798	33,302	33,302	0	0.0%
12. Alaska Native education equity (ESEA VII-C)	D	30,798	33,302	33,302	0	0.0%
13. Training and advisory services (CRA IV)	D	7,286	7,243	7,243	0	0.0%
14. Rural education (ESEA VI-B)	D	167,653	167,831	167,831	0	0.0%
15. State grants for community service for expelled or suspended students (ESEA IV-A-2, section 4126)	D	49,675	0	0	0	---

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

<sup>2</sup> Assumes a transfer of \$710 thousand from the FIE Programs of National Significance under the Innovation and Improvement account, pursuant to the authority provided in Section 304 of the Department of Education Appropriations Act, 2004, as contained in H.R. 2673.

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)	Category	2003	2004	2005	Change from Conference	
Office, Account, Program and Activity	Code	Appropriation	Conference	President's Request	Amount	Percent
<b>School Improvement Programs (continued)</b>						
16. Comprehensive centers:						
(a) Comprehensive centers (ETAA II, section 203)	D	0	0	27,654	27,654	---
(b) Comprehensive regional assistance centers (ERDDI Part K--expired)	D	27,818 <sup>1</sup>	27,654 <sup>1</sup>	0	(27,654)	-100.0%
(c) Regional technology in education consortia (ESEA section 3141--expired)	D	9,935 <sup>1</sup>	9,876 <sup>1</sup>	0	(9,876)	-100.0%
(d) Eisenhower regional mathematics and science education consortia (ERDDI Part M--expired)	D	14,902 <sup>1</sup>	14,814 <sup>1</sup>	0	(14,814)	-100.0%
(e) Eisenhower National Clearinghouse for Mathematics and Science Education (ESEA section 2102(a)(2)--expired)	D	4,968 <sup>1</sup>	4,939 <sup>1</sup>	0	(4,939)	-100.0%
Subtotal		57,623	57,283	27,654	(29,629)	-51.7%
Total, Appropriation	D	5,991,384 <sup>2, 3</sup>	5,857,779 <sup>3</sup>	5,940,493	82,714	1.4%
Total, Budget authority	D	5,991,384	5,857,779	5,940,493	82,714	1.4%
Current		4,556,384 <sup>4</sup>	4,422,779 <sup>4</sup>	4,505,493 <sup>4</sup>	82,714	1.9%
Prior year's advance		1,435,000 <sup>5</sup>	1,435,000 <sup>5</sup>	1,435,000	0	0.0%
Outlays, Total	D	6,531,980	8,957,375	6,612,154	(2,345,221)	-26.2%

<sup>1</sup> Adjusted for comparability. Funds were provided under the Institute of Education Sciences account.

<sup>2</sup> Adjusted for comparability. Excludes a total of \$2,067,398 thousand in fiscal year 2003 for programs appropriated in fiscal year 2004 under other account, \$1,062,285 thousand for programs appropriated under the Innovation and Improvement account, \$811,902 thousand for programs appropriated under Safe Schools and Citizenship Education account, and \$193,211 thousand for programs appropriated under the Vocational and Adult Education account.

<sup>3</sup> Adjusted for comparability. Includes \$57,623 thousand in fiscal year 2003 and \$57,283 thousand in fiscal year 2004 for programs appropriated under the Institute of Education Sciences account.

<sup>4</sup> Excludes an advance appropriation of \$1,435,000 thousand that becomes available on October 1 of the succeeding fiscal year.

<sup>5</sup> Adjusted for comparability. Excludes an advance appropriation of \$330,000 thousand for Safe and Drug-Free Schools State Grants, which is shown in the Safe Schools and Citizenship Education account.

Total Expenditures for Education in U.S. <sup>1</sup>  
(dollars in billions)

Source of Funds by Level	<u>2002-2003</u>		<u>2003-2004</u> <sup>2</sup>	
	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>
Elementary and Secondary				
Federal <sup>3</sup> .....	\$39.2	8.1%	\$41.1	8.2%
State.....	221.7	46.0	230.5	46.0
Local.....	178.3	37.0	185.6	37.0
All Other.....	<u>42.8</u>	<u>8.9</u>	<u>44.1</u>	<u>8.8</u>
Subtotal, Elementary and Secondary.....	482.0	100.0	501.3	100.0
Postsecondary				
Federal <sup>3</sup> .....	41.0	12.4	43.6	12.4
State.....	76.6	23.1	80.6	23.0
Local.....	9.4	2.8	9.7	2.8
All Other <sup>4</sup> .....	<u>204.8</u>	<u>61.7</u>	<u>216.9</u>	<u>61.8</u>
Subtotal, Postsecondary.....	331.9	100.0	350.8	100.0
All Levels				
Federal <sup>3</sup> .....	80.2	9.9	84.7	9.9
State.....	298.3	36.6	311.1	36.5
Local.....	187.7	23.1	195.3	22.9
All Other <sup>4</sup> .....	<u>247.7</u>	<u>30.4</u>	<u>261.0</u>	<u>30.6</u>
Total, All Levels.....	813.9	100.0	852.1	100.0

Source: U.S. Department of Education, National Center for Education Statistics, "Common Core of Data" and "Financial Statistics of Institutions of Higher Education," surveys and unpublished data. (This table was prepared January 2004.)

<sup>1</sup> Data revised from previously published figures.

<sup>2</sup> Projected.

<sup>3</sup> Includes expenditures of all Federal agencies.

<sup>4</sup> Federally supported student aid that goes to higher education institutions through students' tuition payments is shown under "All Other" rather than "Federal." Such payments would add substantial amounts and several percentage points to the Federal share.

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

Because of rounding, detail does not add to totals.

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)	Category Code	2003 Appropriation	2004 Conference	2005 President's Request	Change from Conference	
Office, Account, Program and Activity					Amount	Percent
Indian Education (ESEA VII)						
1. Grants to local educational agencies (Part A-1)	D	96,502	95,933	95,933	0	0.0%
2. Special programs for Indian children (Part A-2)	D	19,870	19,753	19,753	0	0.0%
3. National activities (Part A-3)	D	5,201	5,170	5,170	0	0.0%
Total	D	121,573	120,856	120,856	0	0.0%
Outlays	D	115,864	126,249	120,958	(5,291)	-4.2%
Education Reform Outlays	D	531,936	225,893	0	(225,893)	-100.0%
Reading Excellence Outlays	D	220,323	161,157	65,065	(96,092)	-59.6%
Chicago Litigation Settlement Outlays	D	587	672	671	(1)	-0.1%
TOTAL APPROPRIATION, OESE		21,043,809	21,654,505	22,496,044	841,539	3.9%
TOTAL BUDGET AUTHORITY, OESE		21,643,809 <sup>1</sup>	21,054,505 <sup>2</sup>	22,496,044 <sup>2</sup>	1,441,539	6.8%

<sup>1</sup> Excludes advance appropriations totalling \$8,218,301 thousand that become available on October 1 of fiscal year 2004.

<sup>2</sup> Excludes advance appropriations totalling \$8,818,301 thousand that become available on October 1 of the following fiscal year.

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)		Category Code	2003 Appropriation	2004 Conference	2005 President's Request	Change from Conference	
Office, Account, Program and Activity	Amount					Percent	
OFFICE OF INNOVATION AND IMPROVEMENT (OII)							
Innovation and Improvement							
1. Recruiting and training high quality teachers and principals (ESEA II):							
(a) Troops-to-teachers (Part C-1-A)	D	28,812 <sup>1</sup>	14,912	14,912	0	0.0%	
(b) Transition to teaching (Part C-1-B)	D	41,727 <sup>1</sup>	45,295	45,295	0	0.0%	
(c) National writing project (Part C-2)	D	16,890 <sup>1</sup>	17,894	0	(17,894)	-100.0%	
(d) Teaching of traditional American history (Part C-4)	D	99,350 <sup>1</sup>	119,292	119,292	0	0.0%	
(e) School leadership (Part A-5, section 2151(b))	D	12,419 <sup>1</sup>	12,346	0	(12,346)	-100.0%	
(f) Advanced credentialing (Part A-5, section 2151(c))	D	9,935 <sup>1</sup>	18,391	7,000	(11,391)	-61.9%	
2. School choice and flexibility (ESEA Title V):							
(a) Charter schools grants (Part B-1)	D	198,700 <sup>1</sup>	218,702	218,702	0	0.0%	
(b) Credit enhancement for charter school facilities (Part B-2)	D	24,838 <sup>1</sup>	37,279	100,000	62,721	168.2%	
(c) Voluntary public school choice (Part B-3)	D	25,831 <sup>1</sup>	26,757	26,757	0	0.0%	
(d) Magnet schools assistance (Part C)	D	109,285 <sup>1</sup>	108,640	108,640	0	0.0%	
(e) Choice incentive fund (Part D-1)	D	0	0	50,000	50,000	---	
3. Advanced placement (ESEA I-G)	D	23,347 <sup>2</sup>	23,534	51,534 <sup>3</sup>	28,000	119.0%	
4. Dropout prevention program (ESEA I-H)	D	10,929 <sup>2</sup>	4,971	0	(4,971)	-100.0%	
5. Close Up fellowships (ESEA section 1504)	D	1,490 <sup>2</sup>	1,481	0	(1,481)	-100.0%	
6. Ready-to-learn television (ESEA II-D-3)	D	22,850 <sup>1</sup>	22,864	22,864	0	0.0%	
7. FIE programs of national significance (ESEA V-D, subpart 1)	D	318,630 <sup>1</sup>	280,453 <sup>4</sup>	45,000	(235,453)	-84.0%	
8. Adjunct teacher corps initiative (ESEA V-D, subpart I)	D	0	0	40,000	40,000	---	
9. Military families initiative (ESEA V-D, subpart 1)	D	0	0	10,000	10,000	---	
10. Reading is fundamental/Inexpensive book distribution (ESEA V-D, subpart 5)	D	25,334 <sup>1</sup>	25,185	25,185	0	0.0%	
11. Star schools (ESEA V-D, subpart 7)	D	27,341 <sup>1</sup>	20,362	0	(20,362)	-100.0%	
12. Ready to teach (ESEA V-D, subpart 8)	D	14,406 <sup>1</sup>	14,321	0	(14,321)	-100.0%	
13. Exchanges with historic whaling and trading partners (ESEA V-D, subpart 12)	D	6,954 <sup>1</sup>	8,450	0	(8,450)	-100.0%	
14. Excellence in economic education (ESEA V-D, subpart 13)	D	0	1,491	0	(1,491)	-100.0%	
15. Arts in education (ESEA V-D, subpart 15)	D	33,779 <sup>1</sup>	35,071	0	(35,071)	-100.0%	
16. Parental information and resource centers (ESEA V-D, subpart 16)	D	42,224 <sup>1</sup>	41,975	0	(41,975)	-100.0%	
17. Women's educational equity (ESEA V-D, subpart 21)	D	2,980 <sup>1</sup>	2,962	0	(2,962)	-100.0%	
Total	D	1,098,051 <sup>5</sup>	1,102,628	885,181	(217,447)	-19.7%	
Outlays	D	0	55,131	760,967	705,836	1280.3%	
TOTAL, OII		1,098,051	1,102,628	885,181	(217,447)	-19.7%	

<sup>1</sup> Adjusted for comparability. Funds were provided under the School Improvement Programs account.<sup>2</sup> Adjusted for comparability. Funds were provided under the Education for the Disadvantaged account.<sup>3</sup> Includes \$28,000 thousand for a new initiative to expand the pool of instructors qualified to teach Advanced Placement and International Baccalaureate classes at schools that serve large populations of low-income students.<sup>4</sup> Assumes a transfer of \$710 thousand to State Assessments under the School Improvement Programs account, pursuant to the authority provided in Section 304 of the Department of Education Appropriations Act, 2004, as contained in H.R. 2673.<sup>5</sup> Adjusted for comparability. Funds were provided in other accounts: \$35,766 thousand for programs under the Education for the Disadvantaged account and \$1,062,285 thousand for programs under the School Improvement Programs account.

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)		Category Code	2003	2004	2005	Change from Conference	
Office, Account, Program and Activity	Appropriation		Conference	President's Request	Amount	Percent	
OFFICE OF SAFE AND DRUG-FREE SCHOOLS (OSDFS)							
Safe Schools and Citizenship Education							
1. Safe and drug-free schools and communities (ESEA IV-A):							
(a) State grants (Subpart 1)							
Annual appropriation	D	138,949	440,908	440,908	0	0.0%	
Advance for succeeding fiscal year	D	330,000	0	0	0	---	
Subtotal, State grants		468,949	440,908	440,908	0	0.0%	
(b) National programs (Subpart 2)							
(1) Alcohol abuse reduction (section 4129)	D	24,838	29,823	0	(29,823)	-100.0%	
(2) Mentoring program (section 4130)	D	17,386	49,705	100,000	50,295	101.2%	
(3) Other national programs (sections 4121, 4122, and 4125))	D	155,180	153,767	175,069	21,302	13.9%	
Subtotal, National programs		197,404	233,295	275,069	41,774	17.9%	
Subtotal		666,353	674,203	715,977	41,774	17.9%	
2. Character education (ESEA V-D, subpart 3)	D	24,838	24,691	24,691	0	0.0%	
3. Elementary and secondary school counseling (ESEA V-D, subpart 2)	D	32,289	33,799	0	(33,799)	-100.0%	
4. Physical education program (ESEA V-D, subpart 10)	D	59,610	69,587	69,587	0	0.0%	
5. Civic education (ESEA II, Part C-3):							
(1) We the People (section 2344)	D	16,890	16,790	16,790	0	0.0%	
(2) Cooperative education exchange (section 2345)	D	11,922	11,852	11,852	0	0.0%	
Subtotal		28,812	28,642	28,642	0	0.0%	
6. State grants for incarcerated youth offenders (HE Amendments of 1998, VIII-D)	D	18,380	19,882	0	(19,882)	-100.0%	
7. Literacy programs for prisoners (NLA, section 601)	D	4,968	4,971	0	(4,971)	-100.0%	
Total, Appropriation	D	835,250	855,775	838,897	(16,878)	-2.0%	
Total, Budget authority	D	835,250	1,185,775	838,897	(346,878)	-29.3%	
Current		505,250	855,775	838,897	(16,878)	-2.0%	
Prior year's advance		330,000	330,000	0	(330,000)	-100.0%	
Outlays, Total	D	0	42,785	597,945	555,160	1297.4%	
TOTAL, APPROPRIATION, OSDFS		835,250	855,775	838,897	(16,878)	-2.0%	
TOTAL, BUDGET AUTHORITY, OSDFS		835,250	1,185,775	838,897	(346,878)	-29.3%	

<sup>1</sup> Adjusted for comparability. Funds were provided under the School Improvement Programs account<sup>2</sup> Adjusted for comparability. Funds were provided under the Vocational and Adult Education account<sup>3</sup> Adjusted for comparability. Funds were provided in other accounts: \$811,902 thousand from the School Improvement Programs account and \$23,348 thousand from Vocational and Adult Education account.<sup>4</sup> Excludes an advance appropriation of \$330,000 thousand that becomes available on October 1 of fiscal year 2001<sup>5</sup> Adjusted for comparability. The prior year's advance appropriation was provided in the School Improvement Programs account

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)	Category Code	2003 Appropriation	2004 Conference	2005 President's Request	Change from Conference	
Office, Account, Program and Activity					Amount	Percent
OFFICE OF ENGLISH LANGUAGE ACQUISITION						
English Language Acquisition (ESEA III)						
1. Language acquisition State grants (Part A)	D	683,747 <sup>1</sup>	681,215	681,215	0	0.0%
Outlays	D	565,126	818,738	626,863	(191,875)	-23.4%
TOTAL, OELA		683,747	681,215	681,215	0	0.0%

<sup>1</sup> Excludes \$1,768 thousand in unobligated funds that would otherwise lapse on September 30, 2003, which were transferred to the Education for the Disadvantaged account pursuant to Section 3614 of the Emergency Supplemental Appropriations Act, 2003 (P.L. 108-83).

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)		Category Code	2003 Appropriation	2004 Conference	2005 President's Request	Change from Conference	
Office, Account, Program and Activity	Amount					Percent	
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES (OSERS)							
Special Education (IDEA)							
1. State grants:							
(a) Grants to States (Part B-611 and Part D-674):							
Annual appropriation	D	3,202,398	4,655,106	5,655,106	1,000,000	21.5%	
Advance for succeeding fiscal year	D	5,672,000	5,413,000	5,413,000	0	0.0%	
Subtotal		8,874,398	10,068,106	11,068,106	1,000,000	9.9%	
(b) Preschool grants (Part B-619)	D	387,465	387,699	387,699	0	0.0%	
(c) Grants for infants and families (Part C)	D	434,159	444,363	466,581	22,218	5.0%	
Subtotal, State grants		9,696,022	10,900,168	11,922,386	1,022,218	9.4%	
2. National activities (Part D):							
(a) State improvement (Subpart 1)	D	51,364	51,061	51,061	0	0.0%	
(b) Technical assistance and dissemination (section 685)	D	53,133	52,819	52,819	0	0.0%	
(c) Personnel preparation (section 673)	D	91,899	91,357	91,357	0	0.0%	
(d) Parent information centers (sections 682-684)	D	26,328	26,173	26,173	0	0.0%	
(e) Technology and media services (section 687)	D	37,961	39,129	32,305	(6,824)	-17.4%	
Subtotal		260,685	260,539	253,715	(6,824)	-2.6%	
Total, Appropriation	D	9,956,707 <sup>1</sup>	11,160,707 <sup>1</sup>	12,176,101	1,015,394	9.1%	
Total, Budget authority	D	9,356,707	11,419,707	12,176,101	756,394	6.6%	
Current		4,284,707 <sup>2</sup>	5,747,707 <sup>3</sup>	6,763,101 <sup>3</sup>	1,015,394	17.7%	
Prior year's advance		5,072,000	5,672,000	5,413,000	(259,000)	-4.6%	
Outlays, Total	D	8,490,699	9,107,357	10,750,341	1,642,984	18.0%	

<sup>1</sup> Adjusted for comparability. Excludes funds for Research and Innovation, which is requested in fiscal year 2005 under the Institute of Education Sciences account where the activity will be administered: \$76,713 thousand in fiscal year 2003 and \$78,125 thousand for the fiscal year 2004 Conference.

<sup>2</sup> Excludes an advance appropriation of \$5,672,000 thousand that becomes available on October 1 of fiscal year 2004.

<sup>3</sup> Excludes an advance appropriation of \$5,413,000 thousand that becomes available on October 1 of the following fiscal year.

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)		Category Code	2003 Appropriation	2004 Conference	2005 President's Request	Change from Conference	
Office, Account, Program and Activity						Amount	Percent
Rehabilitation Services and Disability Research							
1. Vocational rehabilitation State grants: Grants to States (RA I-A and sections 110 and 111)							
	M	2,533,492	2,584,162	2,697,645	113,483	4.4%	
	D	0	0	61,800	61,800	---	
	M	2,533,492	2,584,162	2,635,845	51,683	2.0%	
2. Client assistance State grants (RA section 112)							
	D	12,068	11,997	11,997	0	0.0%	
3. Training (RA section 302)							
	D	39,371	39,139	39,139	0	0.0%	
4. Demonstration and training programs (RA section 303)							
	D	21,392 <sup>1</sup>	24,286	18,784	(5,502)	-22.7%	
5. Migrant and seasonal farmworkers (RA section 304)							
	D	2,335	2,321	0	(2,321)	-100.0%	
6. Recreational programs (RA section 305)							
	D	2,579	2,564	0	(2,564)	-100.0%	
7. Protection and advocacy of individual rights (RA section 509)							
	D	16,890	16,790	19,570	2,780	16.6%	
8. Projects with industry (RA VI-A)							
	D	21,928	21,799	0	(21,799)	-100.0%	
9. Supported employment State grants (RA VI-B)							
	D	37,904	37,680	0	(37,680)	-100.0%	
10. Independent living (RA VII):							
	D	22,151	22,020	22,020	0	0.0%	
	D	69,545	73,563	73,563	0	0.0%	
	D	27,818	31,811	31,811	0	0.0%	
11. Program improvement (RA section 12(a))							
	D	894	889	850	(39)	-4.4%	
12. Evaluation (RA section 14)							
	D	994	988	1,500	512	51.8%	
13. Helen Keller National Center for Deaf-Blind Youths and Adults (HKNCA)							
	D	8,660	8,666	8,666	0	0.0%	
14. National Institute on Disability and Rehabilitation Research (RA II)							
	D	109,285	106,652	106,652	0	0.0%	
15. Assistive technology (ATA)							
	D	26,227 <sup>2</sup>	25,943	15,000	(10,943)	-42.2%	
Subtotal		420,041	427,108	349,552	(77,556)	-18.2%	
Total		2,953,533	3,011,270	3,047,197	35,927	1.2%	
	D	420,041	427,108	411,352	(15,756)	-3.7%	
	M	2,533,492	2,584,162	2,635,845	51,683	2.0%	
Outlays, Total		2,871,797	3,206,816	3,039,165	(167,651)	-5.2%	
	D	406,232	779,820	437,123	(342,697)	-43.9%	
	M	2,465,565	2,426,996	2,602,042	175,046	7.2%	

<sup>1</sup> Pursuant to Section 3611 of the Emergency Supplemental Appropriations Act, 2003 (P.L. 108-83), reflects a technical correction to the fiscal year 2003 Department of Education Appropriations Act. Includes \$497 thousand, that was subtracted from Research and Innovation in Special Education, which is currently shown under the Institute of Education Sciences account.

<sup>2</sup> Excludes \$597 thousand in unobligated funds that would otherwise lapse on September 30, 2003, which were transferred to the Education for the Disadvantaged account pursuant to Section 3614 of the Emergency Supplemental Appropriations Act, 2003 (P.L. 108-83).

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)		Category Code	2003 Appropriation	2004 Conference	2005 President's Request	Change from Conference	
Office, Account, Program and Activity						Amount	Percent
<b>American Printing House for the Blind (20 U.S.C. 101 et seq.)</b>	D		15,399	16,403	16,403	0	0.0%
Outlays	D		14,875	22,394	16,403	(5,991)	-26.8%
<b>National Technical Institute for the Deaf (EDA I-B and section 207)</b>							
1. Operations	D		52,109	53,118	53,118	0	0.0%
2. Construction	D		1,590	365	685	320	87.7%
<b>Total</b>	D		53,699	53,483	53,803	320	0.6%
Outlays	D		52,656	50,429	54,124	3,695	7.3%
<b>Gallaudet University (EDA I-A and section 207)</b>	D		97,798	100,205	100,205	0	0.0%
Outlays	D		97,798	94,193	100,205	6,012	6.4%
Total, Special Institutions for Persons with Disabilities			166,896	170,091	170,411	320	0.2%
TOTAL APPROPRIATION, OSERS			13,077,136	14,342,068	15,393,709	1,051,641	7.3%
Discretionary	D		10,543,644	11,757,906	12,757,864	999,958	8.5%
Mandatory	M		2,533,492	2,584,162	2,635,845	51,683	2.0%
TOTAL BUDGET AUTHORITY, OSERS			12,477,136	14,601,068	15,393,709	792,641	5.4%
Discretionary	D		9,943,644 <sup>1</sup>	12,016,906 <sup>2</sup>	12,757,864 <sup>2</sup>	740,958	6.2%
Mandatory	M		2,533,492	2,584,162	2,635,845	51,683	2.0%

<sup>1</sup> Excludes an advance appropriation of \$5,672,000 thousand that becomes available on October 1 of fiscal year 2004.

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

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)		Category Code	2003	2004	2005	Change from Conference	
Office, Account, Program and Activity	Appropriation		Conference	President's Request	Amount	Percent	
OFFICE OF VOCATIONAL AND ADULT EDUCATION (OVAE)							
Vocational and Adult Education							
1. Vocational and technical education:							
(a) Secondary and technical education State grants (proposed legislation):							
Annual appropriation	D	0	0	221,000 <sup>1</sup>	221,000	---	
Advance for succeeding fiscal year	D	0	0	791,000	791,000	---	
Subtotal		0	0	1,012,000	1,012,000	---	
(b) Vocational education (Carl D. Perkins VTEA):							
(1) State grants (VTEA Title I and WIA section 503):							
Annual appropriation	D	401,200	404,008	0	(404,008)	-100.0%	
Advance for succeeding fiscal year	D	791,000	791,000	0	(791,000)	-100.0%	
Subtotal		1,192,200	1,195,008	0	(1,195,008)	-100.0%	
(2) National programs (section 114)	D	11,922	11,852	0	(11,852)	-100.0%	
(3) Occupational and employment information (section 118)	D	9,438	9,382	0	(9,382)	-100.0%	
(4) Tech-prep education State grants (Title II)	D	107,298	106,665	0	(106,665)	-100.0%	
(5) Tech-prep demonstration (section 207)	D	4,968	4,939	0	(4,939)	-100.0%	
Subtotal, Vocational and technical education		1,325,826	1,327,846	1,012,000	(315,846)	-23.8%	
2. Adult education (Adult Education and Family Literacy Act):							
(a) Adult basic and literacy education State grants (AEFLA and WIA section 503)	D	571,262	574,372	574,372	0	0.0%	
(b) National leadership activities (AEFLA section 243)	D	9,438	9,169	9,169	0	0.0%	
(c) National Institute for Literacy (AEFLA section 242)	D	6,517	6,692	6,692	0	0.0%	
Subtotal, Adult education		587,217	590,233	590,233	0	0.0%	
3. Smaller learning communities (ESEA V-D, subpart 4)	D	160,947 <sup>2</sup>	173,967	0	(173,967)	-100.0%	
4. Community technology centers (ESEA V-D, subpart 11)	D	32,264 <sup>2</sup>	9,941	0	(9,941)	-100.0%	
Total, Appropriation	D	2,106,254 <sup>3, 4, 5</sup>	2,101,987 <sup>3</sup>	1,602,233	(499,754)	-23.8%	
Total, Budget authority	D	2,106,254	2,101,987	1,602,233	(499,754)	-23.8%	
Current		1,315,254 <sup>6</sup>	1,310,987 <sup>6</sup>	811,233 <sup>6</sup>	(499,754)	-38.1%	
Prior year's advance		791,000	791,000	791,000	0	0.0%	
Outlays	D	1,942,716	1,931,775	2,016,516	84,737	4.4%	
TOTAL APPROPRIATION, OVAE		2,106,254	2,101,987	1,602,233	(499,754)	-23.8%	
TOTAL BUDGET AUTHORITY, OVAE		2,106,254 <sup>6</sup>	2,101,987 <sup>6</sup>	1,602,233 <sup>6</sup>	(499,754)	-23.8%	

<sup>1</sup> Includes \$12,000 thousand for an initiative to expand the State Scholars program to include all States.

<sup>2</sup> Adjusted for comparability. Funds were provided under the School Improvement Programs account.

<sup>3</sup> Adjusted for comparability. Excludes \$6,955 thousand in fiscal year 2003 and \$7,185 thousand in fiscal year 2004 for Tribally Controlled Postsecondary Vocational and Technical Institutions, which is requested in fiscal year 2005 under the Higher Education account.

<sup>4</sup> Adjusted for comparability. Excludes \$23,348 thousand in fiscal year 2003 for programs appropriated in fiscal year 2004 under the Safe Schools and Citizenship Education account: \$18,380 thousand for State Grants for Incarcerated Youth Offenders and \$4,968 thousand for Literacy Programs for Prisoners.

<sup>5</sup> Adjusted for comparability. Includes \$193,211 thousand for programs appropriated in fiscal year 2003 under the School Improvement Programs account.

<sup>6</sup> Excludes an advance appropriation of \$791,000 thousand that becomes available on October 1 of the succeeding fiscal year.

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)		Category Code	2003 Appropriation	2004 Conference	2005 President's Request	Change from Conference	
Office, Account, Program and Activity	Amount					Percent	
FEDERAL STUDENT AID (FSA)							
Student Financial Assistance							
1. Federal Pell grants (HEA IV-A-1):							
(a) Regular Pell grants	D	11,364,646	12,006,738	12,830,000	823,262	6.9%	
Prior-year funding shortfall (non-add)	D	(1,277,652)	(2,619,006)	(3,681,268)	(1,062,262)	40.6%	
Current-year funding shortfall (non-add)	D	2,619,006	3,681,268	3,681,268	0	0.0%	
(b) Enhanced Pell grants for State scholars	D	0	0	33,000	33,000	---	
Subtotal, Program costs (non-add)		12,706,000	13,069,000	12,863,000	(206,000)	-1.6%	
Subtotal, Appropriation		11,364,646	12,006,738	12,863,000	856,262	7.1%	
Maximum award (in whole dollars)		\$4,050	\$4,050	\$4,050	0	0.0%	
Recipients (in thousands)		5,141	5,344	5,336	(8)	-0.1%	
2. Campus-based programs:							
(a) Federal supplemental educational opportunity grants (HEA IV-A-3)	D	760,028	770,455	770,455	0	0.0%	
(b) Federal work-study (HEA IV-C)	D	1,004,428	998,502	998,502	0	0.0%	
(c) Federal Perkins loans (HEA IV-E):							
(1) Capital contributions	D	99,350	98,764	0	(98,764)	-100.0%	
(2) Loan cancellations	D	67,061	66,665	66,665	0	0.0%	
Subtotal		166,411	165,429	66,665	(98,764)	-59.7%	
Subtotal, Campus-based programs		1,930,867	1,934,386	1,835,622	(98,764)	-5.1%	
3. Leveraging educational assistance partnership (HEA IV-A-4)							
4. Loan forgiveness for child care providers (HEA 428K)	D	66,565 <sup>1</sup>	66,172 <sup>1</sup>	0	(66,172)	-100.0%	
	D	994	0	0	0	---	
Total	D	13,363,072	14,007,296	14,698,622	691,326	4.9%	
Outlays	D	14,048,232	14,370,475	14,988,034	617,555	4.3%	

<sup>1</sup> Includes \$36,565 thousand in fiscal year 2003 and \$36,172 thousand in fiscal year 2004 for Special LEAP, pursuant to HEA Section 415A(b)(2) which states that when the appropriation for LEAP exceeds \$30,000 thousand, the excess shall be reserved to carry out Special LEAP, authorized under HEA Section 415E.

NOTE: Pell Grant costs for fiscal years 2003 and 2004 Conference levels reflect estimates prepared for the Fiscal Year 2005 President's Budget (December 2003).

NOTE: The estimated program cost for fiscal year 2005 (Award Year 2005-06) assumes \$50 million in savings from the proposed Internal Revenue Service Match Verification. In addition, the estimated cost reflects the use of the revised State and Other Tax Allowance Tables published in the Federal Register in May 2003.

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)	Category	2003	2004	2005	Change from Conference	
Office, Account, Program and Activity	Code	Appropriation	Conference	President's Request	Amount	Percent
Student Aid Administration						
1. Student aid administration (DEOA and HEA IV-D section 458):						
(a) Administrative costs	D	79,129 <sup>1</sup>	116,727	739,639	622,912	533.6%
(b) Payments for services to guaranty agencies	D	0	0	195,000	195,000	---
Subtotal		79,129	116,727	934,639	817,912	700.7%
2. Prior mandatory Federal administration (HEA IV-D section 458):						
(a) Federal administration	M	795,000	795,000	0	(795,000)	-100.0%
(b) Payments for services to guaranty agencies (non-add)	M	195,000	195,000	0	(195,000)	-100.0%
Subtotal		795,000 <sup>2</sup>	795,000 <sup>2</sup>	0	(795,000)	-100.0%
3. Prior discretionary student aid administration:						
(a) FFEL Federal administration (FCRA section 505(e))	D	11,825 <sup>3</sup>	0	0	0	---
(b) Program administration costs (DEOA)	D	13,749 <sup>4</sup>	0	0	0	---
Subtotal		25,574	0	0	0	---
Total		899,703	911,727	934,639	22,912	2.5%
Discretionary	D	104,703	116,727	934,639	817,912	700.7%
Mandatory	M	795,000	795,000	0	(795,000)	-100.0%
Outlays	D	44,152	108,369	636,705	528,336	487.5%

<sup>1</sup> Excludes \$25,574 thousand transferred to other accounts to cover obligations made under the continuing resolutions in effect prior to the enactment of the fiscal year 2003 appropriation on February 20, 2003: \$11,825 thousand to the Federal Family Education Loan Program Account and \$13,749 thousand to the Program Administration account.

<sup>2</sup> Adjusted for comparability. Funds were provided in the Federal Direct Student Loans Program Account.

<sup>3</sup> Adjusted for comparability. Funds were transferred to the Federal Family Education Loan Program Account to cover obligations made under the continuing resolutions in effect prior to the enactment of the fiscal year 2003 appropriation on February 20, 2003.

<sup>4</sup> Adjusted for comparability. Funds were transferred to the Program Administration account to cover obligations made under the continuing resolutions in effect prior to the enactment of the fiscal year 2003 appropriation on February 20, 2003.

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2003 Appropriation	2004 Conference	2005 President's Request	Change from Conference	
					Amount	Percent
<b>Federal Student Loan Reserve Fund (HEA IV-B section 422A)</b>						
Outlays	M	61,626	189,276	(203,549)	(392,825)	-207.5%
<b>Federal Direct Student Loan Program Account</b>						
1. Loan subsidies (HEA IV-B)	M	(366,395)	(245,270)	(492,193)	(246,923)	-100.7%
2. Reestimate of existing loans	M	4,590,922	2,626,596	0	(2,626,596)	-100.0%
Subtotal, loan subsidies		4,224,527	2,381,326	(492,193)	(2,873,519)	120.7%
3. Federal administration (HEA IV-D section 458):						
(a) Mandatory	M	0	0	795,000	795,000	---
(b) Discretionary, modification of mandatory account	D	0	0	(795,000)	(795,000)	---
Subtotal, Federal administration		0 <sup>1</sup>	0 <sup>1</sup>	0	0	---
<b>Total</b>		<b>4,224,527</b>	<b>2,381,326</b>	<b>(492,193)</b>	<b>(2,873,519)</b>	<b>120.7%</b>
Discretionary	D	0	0	(795,000)	(795,000)	---
Mandatory	M	4,224,527	2,381,326	302,807	(2,078,519)	-87.3%
Outlays, Total	M	5,054,323	3,108,552	(284,611)	(3,393,163)	109.2%
Federal administration--mandatory	M	829,796	727,226	722,121	(5,105)	-0.7%
Loan subsidies--mandatory	M	4,224,527	2,381,326	(492,193)	(2,873,519)	120.7%
Funds returned to Treasury (non-add)	M	(366,395)	(347,902)	(496,926)	(149,024)	-42.8%
Discretionary, modification of mandatory account	D	0	0	(514,539)	(514,539)	0.0%
<b>Federal Family Education Loan Program Account (HEA IV-B)</b>						
1. Loan subsidies	M	6,411,438	6,500,844	7,049,850	549,006	8.4%
2. Reestimate of existing loans	M	(2,979,866)	(3,620,994)	0	3,620,994	-100.0%
<b>Total, FFEL Program Account</b>		<b>3,431,572 <sup>2</sup></b>	<b>2,879,850</b>	<b>7,049,850</b>	<b>4,170,000</b>	<b>144.8%</b>
Outlays, Total		2,916,836	2,188,030	6,384,011	4,195,981	191.8%
Discretionary	D	23,688	3,025	0	(3,025)	-100.0%
Mandatory	M	2,893,148	2,185,005	6,384,011	4,199,006	192.2%
<b>Federal Family Education Loans Liquidating Account (HEA IV-B)</b>						
1. Pre-1992 student loans	M	(755,570)	(953,905)	(816,743)	137,162	14.4%
Outlays	M	(1,700,833)	(897,374)	(816,743)	80,631	9.0%
Funds returned to Treasury (non-add)	M	(1,787,952)	(1,348,073)	(816,743)	531,330	39.4%
TOTAL, FSA		21,163,304	19,226,294	21,374,175	2,147,881	11.2%
Total, Discretionary	D	13,467,775	14,124,023	14,838,261	714,238	5.1%
Total, Mandatory	M	7,695,529	5,102,271	6,535,914	1,433,643	28.1%

<sup>1</sup> Adjusted for comparability. Excludes mandatory funds of \$795,000 thousand in fiscal years 2003 and 2004 for Federal administration costs, which are requested in fiscal year 2005 as discretionary funds in the Student Aid Administration account.

<sup>2</sup> Adjusted for comparability. Excludes \$11,825 thousand in funds transferred from the Student Aid Administration account to cover obligations made under the continuing resolutions in effect prior to the enactment of the fiscal year 2003 appropriation on February 20, 2003.

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)		Category Code	2003 Appropriation	2004 Conference	2005 President's Request	Change from Conference	
Office, Account, Program and Activity						Amount	Percent
OFFICE OF POSTSECONDARY EDUCATION (OPE)							
Higher Education							
1. Aid for institutional development (HEA III):							
(a) Strengthening institutions (Part A, section 311)		D	81,467	80,986	80,986	0	0.0%
(b) Strengthening tribally controlled colleges and universities (Part A, section 316)		D	22,850	23,287	23,753	466	2.0%
(c) Strengthening Alaska Native and Native Hawaiian-serving institutions (Part A, section 317)		D	8,180	10,935	6,137	(4,798)	-43.9%
(d) Strengthening HBCUs (Part B, section 323)		D	214,015	222,764	240,500	17,736	8.0%
(e) Strengthening historically black graduate institutions (Part B, section 326)		D	53,415	53,100	58,500	5,400	10.2%
(f) Minority science and engineering improvement (Part E-1)		D	8,942	8,889	8,889	0	0.0%
Subtotal			388,869	399,961	418,765	18,804	4.7%
2. Other aid for institutions:							
(a) Developing Hispanic-serving institutions (HEA V)		D	92,396	93,993	95,873	1,880	2.0%
(b) International education and foreign language studies:							
(1) Domestic programs (HEA VI-A and B)		D	93,240	89,211	89,211	0	0.0%
(2) Overseas programs (MECEA section 102(b)(6))		D	12,916	12,840	12,840	0	0.0%
(3) Institute for International Public Policy (HEA VI-C)		D	1,639	1,629	1,629	0	0.0%
Subtotal			107,795	103,680	103,680	0	0.0%
(c) Fund for the Improvement of Postsecondary Education (HEA VII-B)		D	171,068	157,700	32,011	(125,689)	-79.7%
(d) Demonstration projects to ensure quality higher education for students with disabilities (HEA VII-D)		D	6,954	6,913	0	(6,913)	-100.0%
(e) Interest subsidy grants (HEA section 121)		D	2,980	1,988	1,500	(488)	-24.5%
(f) Tribally controlled postsecondary vocational and technical institutions (VTEA section 117)		D	6,955 <sup>1</sup>	7,185 <sup>1</sup>	7,185	0	0.0%
3. Assistance for students:							
(a) Federal TRIO programs (HEA IV-A-2, Chapter 1)		D	827,089	832,559	832,559	0	0.0%
(b) Gaining early awareness and readiness for undergraduate programs (GEAR UP) (HEA IV-A-2, Chapter 2)		D	293,082	298,230	298,230	0	0.0%
(c) Scholarships and fellowships:							
(1) Byrd honors scholarships (HEA IV-A-6)		D	40,734	40,758	40,758	0	0.0%
(2) Javits fellowships (HEA VII-A-1)		D	9,935	9,876	9,876	0	0.0%
(3) Graduate assistance in areas of national need (HEA VII-A-2)		D	30,798	30,616	30,616	0	0.0%
(4) Thurgood Marshall legal educational opportunity program (HEA VII-A-3)		D	4,968	0	0	0	---
(5) B.J. Stupak Olympic scholarships (HE Amendments of 1992, section 1543)		D	994	988	0	(988)	-100.0%
(d) Child care access means parents in school (HEA IV-A-7)		D	16,194	16,099	16,099	0	0.0%
4. Teacher quality enhancement (HEA II-A)		D	89,415	88,888	88,888	0	0.0%
5. GPRA data/HEA program evaluation (Department of Education Appropriations Act, 2003)		D	994	988	988	0	0.0%
6. Underground railroad program (HE Amendments of 1998, VIII-H)		D	2,235	2,222	0	(2,222)	-100.0%
Total		D	2,093,455	2,092,644	1,977,028	(115,616)	-5.5%
Outlays		D	1,930,342	2,173,456	2,104,616	(68,838)	-3.2%

<sup>1</sup> Adjusted for comparability. Funds were provided under the Vocational and Adult Education account

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2003 Appropriation	2004 Conference	2005 President's Request	Change from Conference	
					Amount	Percent
<b>Howard University</b>						
1. Howard University Hospital (20 U.S.C. 128)	D	30,177	29,999	29,999	0	0.0%
2. General support (20 U.S.C. 121 et seq.)	D	208,263	208,764	208,764	0	0.0%
<b>Total</b>	<b>D</b>	<b>238,440</b>	<b>238,763</b>	<b>238,763</b>	<b>0</b>	<b>0.0%</b>
<i>Outlays</i>	<i>D</i>	<i>238,463</i>	<i>231,183</i>	<i>239,194</i>	<i>8,011</i>	<i>3.5%</i>
<b>College Housing and Academic Facilities Loans Program Account (HEA section 121)</b>						
1. Federal administration (FCRA section 505(e))	D	757	769	578	(191)	-24.8%
<i>Outlays</i>	<i>D</i>	<i>879</i>	<i>841</i>	<i>760</i>	<i>(81)</i>	<i>-9.6%</i>
<b>College Housing and Academic Facilities Loans Liquidating Account (HEA section 121)</b>						
1. College housing and academic facilities loans	M	(8,959)	(23)	(283)	(260)	1130.4%
<i>Outlays</i>	<i>M</i>	<i>(4,844)</i>	<i>(23)</i>	<i>(283)</i>	<i>(260)</i>	<i>1130.4%</i>
<b>Historically Black College and University Capital Financing Program Account (HEA III-D)</b>						
1. Federal administration (FCRA section 505(e))	D	207	209	212	3	1.4%
<i>Outlays</i>	<i>D</i>	<i>133</i>	<i>271</i>	<i>221</i>	<i>(50)</i>	<i>-18.5%</i>
<b>Higher Education Facilities Loans Liquidating Account (HEA section 121)</b>						
1. Higher education facilities loans	M	(1,775)	(1,385)	(1,404)	(19)	1.4%
<i>Outlays</i>	<i>M</i>	<i>(1,737)</i>	<i>(1,385)</i>	<i>(1,404)</i>	<i>(19)</i>	<i>1.4%</i>
<b>College Housing Loans Liquidating Account (HEA section 121)</b>						
1. College housing loans	M	(31,313)	(26,796)	(25,700)	1,096	-4.1%
<i>Outlays</i>	<i>M</i>	<i>(31,590)</i>	<i>(26,796)</i>	<i>(25,700)</i>	<i>1,096</i>	<i>-4.1%</i>
TOTAL, OPE		2,290,812	2,304,181	2,189,194	(114,987)	-5.0%
Total, Discretionary	D	2,332,859	2,332,385	2,216,581	(115,804)	-5.0%
Total, Mandatory	M	(42,047)	(28,204)	(27,387)	817	-2.9%

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)		Category	2003	2004	2005	Change from Conference	
Office, Account, Program and Activity		Code	Appropriation	Conference	President's Request	Amount	Percent
INSTITUTE OF EDUCATION SCIENCES (IES)							
Institute of Education Sciences							
1. Research and statistics:							
(a) Research, development, and dissemination (ESRA I-A, B and D)	D		139,090	165,518	185,000	19,482	11.8%
(b) Statistics (ESRA I-C)	D		89,415	91,664	91,664	0	0.0%
2. Regional educational laboratories (ESRA section 174)	D		67,061	66,665	0	(66,665)	-100.0%
3. Assessment (NAEPAA):							
(a) National assessment (section 303)	D		90,235	89,703	89,703	0	0.0%
(b) National Assessment Governing Board (section 302)	D		4,532	5,060	5,129	69	1.4%
Subtotal			94,767	94,763	94,832	69	0.1%
4. Research and innovation in special education (IDEA Part D, section 672)	D		76,713 <sup>1, 2</sup>	78,125 <sup>1</sup>	78,125	0	0.0%
Total	D		467,046 <sup>3</sup>	496,735 <sup>3</sup>	449,621	(47,114)	-9.5%
Outlays	D		551,932	598,176	471,644	(126,532)	-21.2%
TOTAL, IES			467,046	496,735	449,621	(47,114)	-9.5%

<sup>1</sup> Adjusted for comparability. Funds were provided under the Special Education account.<sup>2</sup> Excludes \$497 thousand pursuant to a technical correction to the fiscal year 2003 Department of Education Appropriations Act that was included in Section 3610 of the Emergency Supplemental Appropriations Act, 2003 (P.L. 108-83).<sup>3</sup> Adjusted for comparability. Excludes a total of \$57,623 thousand in fiscal year 2003 and \$57,283 thousand in fiscal year 2004 for programs requested in fiscal year 2005 under the School Improvement Programs account.

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)	Category	2003	2004	2005	Change from Conference	
Office, Account, Program and Activity	Code	Appropriation	Conference	President's Request	Amount	Percent
DEPARTMENTAL MANAGEMENT						
Program Administration (DEOA)						
1. Salaries and expenses	D	397,151	406,883	429,778	22,895	5.6%
2. Building modernization	D	12,712	13,496	0	(13,496)	-100.0%
Total	D	409,863 <sup>1</sup>	420,379	429,778	9,399	2.2%
Outlays	D	423,611	392,905	423,821	30,916	7.9%
Office for Civil Rights (DEOA, section 203)						
1. Salaries and expenses	D	84,677 <sup>2</sup>	88,305	92,801	4,496	5.1%
Outlays	D	82,877	85,302	89,326	4,024	4.7%
Office of the Inspector General (DEOA, section 212)						
1. Salaries and expenses	D	40,734	46,624	50,576	3,952	8.5%
Outlays	D	41,830	44,267	47,532	3,265	7.4%
TOTAL, DEPARTMENTAL MANAGEMENT		535,274	555,308	573,155	17,847	3.2%

<sup>1</sup> Adjusted for comparability. Excludes \$13,749 thousand transferred from the Student Aid Administration account to cover obligations made under the continuing resolutions in effect prior to the enactment of the fiscal year 2003 appropriation on February 20, 2003.

<sup>2</sup> Excludes \$1,038 thousand in unobligated funds that would otherwise lapse on September 30, 2003, which were transferred to the Education for the Disadvantaged account pursuant to Section 3614 of the Emergency Supplemental Appropriations Act, 2003 (P.L. 108-83).

## DEPARTMENT OF EDUCATION FISCAL YEAR 2005 PRESIDENT'S BUDGET

February 2, 2004

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2003 Appropriation	2004 Conference	2005 President's Request	Change from Conference	
					Amount	Percent
<b>Contributions (DEOA, section 421)</b>	M	155	0	0	0	---
Outlays	M	192	0	0	0	---
<b>General Fund Receipts:</b>						
1. Perkins loan repayments	M	(44,000)	(50,000)	(50,000)	0	0.0%
2. CHAFL downward reestimate of loan subsidies	M	(27)	(39)	0	39	-100.0%
<b>Total</b>		<b>(44,027)</b>	<b>(50,039)</b>	<b>(50,000)</b>	<b>39</b>	<b>-0.1%</b>
Outlays, Total		(44,027)	(50,039)	(50,000)	39	-0.1%
<b>APPROPRIATION TOTAL, EDUCATION DEPARTMENT</b>		<b>63,256,811</b>	<b>63,270,657</b>	<b>66,433,424</b>	<b>3,162,767</b>	<b>5.0%</b>
Discretionary funds	D	53,113,709	55,662,467	57,339,052	1,676,585	3.0%
Mandatory funds	M	10,143,102	7,608,190	9,094,372	1,486,182	19.5%
<b>BUDGET AUTHORITY TOTAL, EDUCATION DEPARTMENT</b>		<b>63,256,811</b>	<b>63,259,657</b>	<b>66,433,424</b>	<b>3,173,767</b>	<b>5.0%</b>
Discretionary funds	D	53,113,709 <sup>1</sup>	55,651,467 <sup>2</sup>	57,339,052 <sup>2</sup>	1,687,585	3.0%
Mandatory funds	M	10,143,102	7,608,190	9,094,372	1,486,182	19.5%
<b>OUTLAYS TOTAL, EDUCATION DEPARTMENT</b>		<b>57,398,827</b>	<b>62,814,556</b>	<b>64,345,151</b>	<b>1,530,595</b>	<b>2.4%</b>
Discretionary funds	D	48,707,004	55,880,344	56,226,846	346,505	0.6%
Mandatory funds	M	8,691,823	6,934,212	8,118,305	1,184,090	17.1%

<sup>1</sup> Excludes a total of \$15,011,301 thousand in advance appropriations that becomes available on October 1 of the following fiscal year.

<sup>2</sup> Excludes a total of \$15,022,301 thousand in advance appropriations that becomes available on October 1 of the following fiscal year.

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