



# ISSUE BRIEF

## FEDERAL FUNDING FOR EDUCATION

### BACKGROUND

Two federal programs are the largest sources of federal funding to states that operate as mandates on school districts:

- Title I grants: the main source of federal funding for the *Elementary and Secondary Education Act* (ESEA)<sup>1</sup>
- IDEA grants: special education funding under the *Individuals With Disabilities Education Act* (IDEA)

The Fiscal Year 2010 funding bill for education programs, which Congress finalized in December 2009, maintains FY2009 funding levels for Title I and IDEA grants through the 2010-2011 school year. However, historic increases for Title I (\$13 billion), IDEA (\$11.7 billion) and other education programs were enacted in February 2009 with the passage of the economic stimulus bill, the *American Recovery and Reinvestment Act* (ARRA). ARRA also provided \$48 billion to states to help address cuts in state aid for education programs. These additional funds are available for schools to spend over a two-year period. (Please see the chart on page 14 that provides updated funding levels for select programs.)

Historically, federal funding levels for Title I and IDEA have been consistently underfunded, compared to the actual amounts needed by school districts and states (including increasing student enrollment, raising academic achievement and intervention plans, etc.). In addition, federal funding levels were well below the amounts authorized and promised for both programs. Given that these programs are underfunded in the regular appropriations process, and given the financial challenges facing local school districts, what happens when the temporary, two-year increases for Title I and IDEA provided by the ARRA run out? What is the priority and expectation for these key programs after FY2010? What is the federal commitment/investment in our students and schools, in order to fulfill federal mandates and requirements for special education and ESEA accountability?

### Title I Grants for Disadvantaged Students

Under the Elementary and Secondary Education Act (ESEA, currently reauthorized as *No Child Left Behind Act* or NCLB), which is pending reauthorization, Title I grants are the major source of federal funding to school districts that are used to fulfill requirements for student achievement (e.g. adequate yearly progress, testing and assessments, tutoring and remedial services, and school reform). The overall purpose of Title I grants is to ensure that children in low income school attendance areas have a fair, equal, and significant opportunity to obtain a high-quality education and achieve, at a minimum, proficiency on state academic achievement standards and state academic assessments. The major challenge, however, is that Title I grants and related programs have been underfunded by tens of billions of dollars since NCLB was enacted in 2002.

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<sup>1</sup> Title I includes the accountability requirements and sanctions of the *No Child Left Behind Act* (NCLB).

Under the ARRA stimulus bill, Congress provided a \$13 billion increase for Title I grants for disadvantaged students and for school improvement grants over the amount in the regular FY2009 appropriations bill, which increased Title I by \$654 million or about 5 percent (and was continued at that level in the FY2010 regular appropriations), to be spent primarily in FY2009 and FY2010. On average all of these additional funds will raise the federal commitment to Title I from roughly 50 percent of the authorized level to 75 percent over the two year period. These additional funds will help school districts serve more students and address priorities for school improvement. NSBA urges Congress to continue to increase funding for Title I and to not revert back to the 50 percent level provided by the regular appropriations.

### **IDEA Grants for Special Education**

Under the *Individuals With Disabilities Education Act* (IDEA), which provides the major source of federal funding to help school districts fund educational services to students with disabilities, the federal share of funding that Congress promised is 40 percent of the average per pupil cost for every student served under the IDEA. However, the federal share of funding actually provided was approximately 17.2 percent before the \$11.3 billion two-year increase in the ARRA. Prior to the economic stimulus, the lack of federal IDEA funding has created a perpetual shortfall for school districts and communities. School districts frequently cut other education programs and increase property taxes, so that they could fulfill this federal mandate. With the ARRA increase, the federal share of IDEA funding will average approximately 26.3 percent for each of the two years—a clear improvement. However, this temporary measure does not help school districts in the long run if it is not continued and built upon to reach the 40 percent per pupil level for the promised federal share.

A solid glide path to full funding is needed through such legislation as S. 1652, the *IDEA Full Funding Act*, introduced by Senators Tom Harkin (D-IA) and Pat Roberts (R-KS), and H.R. 3578, the *Everyone Deserves Unconditional Access to Education* (EDUCATE) Act, introduced by Reps. Chris Van Hollen (D-MD-8), Todd Platts (R-PA-19) and Tim Walz (D-MN-1). This bipartisan legislation would provide full funding for the federal share (40%) of the national average per pupil cost under the *Individuals With Disabilities Education Act* (IDEA) by the year 2015. Please urge your members of Congress to co-sponsor these bills if they have not done so.

As districts across the country create their budgets for the 2010-2011 school year, more are being forced to cut other student services to fund IDEA. According to the U.S. Department of Education, “Historically, local educational agencies have struggled with meeting the minimal education needs of a growing population of children with disabilities.” As pressure increases on special education budgets, more and more districts are forced to reallocate funds from their general fund balance to cover the shortfall. This often forces local school districts to raise taxes on their communities to now cover the general education shortfall. During these tough economic times, school districts will not be able to raise taxes, leaving them with few solutions, if any, unless a stronger federal commitment for IDEA funding is maintained after the two-year ARRA program expires.

School districts are committed to fulfilling the federal IDEA mandate. However, fully funding the federal share of costs for special education must become a top domestic priority for the Congressional appropriations process. Ensuring that school districts have the funding needed to develop Individual Education Programs (IEPs) for students, provide assistive technology, ensure healthcare services, and comply with NCLB reporting requirements to ensure adequate yearly progress for students with disabilities are all key functions that school districts fulfill under IDEA.

## **ARRA COMPETITIVE GRANTS**

The economic stimulus gave the Secretary of Education authority to distribute \$4.3 billion in competitive grants to the states that meet certain Department of Education criteria for school reform under the new Race to the Top Program, as well as \$650 million in competitive grants to local school districts to help fund local programs with successful models for student achievement through the Investing in Innovation (i3) Fund. Taken together, all of these funds may help a number of school districts save jobs and programs that would otherwise be cut as a result of shortfalls in state and local revenue caused by the current economic recession. However, the activities that are funded by these programs are substantially aimed at important school improvement strategies not supporting ongoing programs.

## **BUDGET GAPS AND FUTURE LEGISLATIVE ACTIONS**

According to recent projections from the National Association of State Budget Officers and the National Governors Association, the weakening of state fiscal conditions is reflected in the \$250 billion in budget gaps faced by states between FY2009 and FY2011. Of the \$250 billion, states closed \$72.7 billion in budget gaps during FY2009 and \$113.1 billion before the enactment of their FY2010 budgets to bring them into balance with drastically declining revenues. Although some of the shortfall was covered by stimulus funding, cuts in expenditures for public services have impacted state aid for education in a number of states and continue to reverberate as school districts grapple with layoffs, defer capital improvement projects, and try to do more with fewer resources. As we look to next year's shortfall, many states—especially those hardest hit by the recession—will not have any or as much stimulus money left to help cover the difference. Furthermore, the Center on Budget and Policy Priorities reports that the economy's pressure on states may not begin to ease until 2012.

In mid-December, Congress began consideration of the *Jobs for Main Street Act*, which would provide \$23 billion for an Education Jobs Fund to help school districts, institutions of higher education and states save jobs that are in jeopardy because of budget crises. The funding could also be used for job creation and for school modernization. The House passed this legislation; and, the Senate is expected to consider the bill in January 2010.

In addition to job retention and employment for school districts, which are major employers and key to American competitiveness, the big questions for the coming fiscal year (i.e. FY2011) are:

- Will there be an increase to help school districts and states avoid the post-ARRA funding cliff and continue education reforms and achievement?
- How much of an increase can be secured in the regular appropriations process, given the timing of when those funds are made available to school districts, when stimulus funds have ended?

## **FY2011 APPROPRIATIONS**

Congress is slated to begin its work on the FY2011 budget resolution this January; and, the President's budget request to Congress is expected to be released during the FRN Conference on Monday, February 1, 2010. Based on the U.S. Department of Education priorities enacted, primarily through ARRA and through subsequent legislation, the following areas are expected to be among the top funding requests: school improvement, teacher quality, early childhood education, and high school dropout prevention.

ARRA programs such as the State Fiscal Stabilization Fund, Race to the Top grants and the Investing in Innovation (i3) Fund are central to the Administration's focus on four core goals of reform: developing college and career-ready standards and assessments; achieving equity in teacher distribution and quality; establishing effective data systems to track student progress and support improved instruction; and, increasing assistance/intervention for schools needing improvement.

Funding for school infrastructure repairs and modernization continues to be a national concern that federal legislators champion and may continue to urge inclusion in an FY2011 appropriations bill. While ARRA authorized \$24.8 billion in bond authority for Qualified School Construction Bonds and Qualified Zone Academy Bonds to states and school districts, a number of bills considered in Congress would have provided grants to states and school districts. Therefore, grants to states for school facilities may be a consideration for FY2011.

However, ensuring that priorities for Title I grants and for IDEA are supported by the needed funding increases and are not compromised by reductions or program repurposing remains the foremost objective. Historically, local and state funding has comprised roughly 93 percent of a school district's budget. As states and local governments grapple with alternatives to stabilize their respective economies and buffer any additional cuts in revenue, Congress must continue to address federal shortfalls for key programs that have been perpetually underfunded, principally Title I grants and special education under the *Individuals With Disabilities Education Act* (IDEA).

## **NSBA POSITION**

IDEA must be fully funded, as well as the local mandates resulting from the *No Child Left Behind Act* and any new requirements should ESEA be reauthorized prior to the 2011-2012 school year. Additionally, local school districts will need capacity-building support for professional development, curriculum development, course materials and instructional changes needed to meet federally sponsored standards and assessments. All other federal programs should be adequately funded. NSBA also opposes general budget reductions by formula, like across the board cuts, that circumvent Congress' responsibility to set funding priorities among government functions.

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