



UNITED STATES DEPARTMENT OF EDUCATION

THE SECRETARY

Honorable Franklin D. Raines
Director
Office of Management and Budget
Washington, DC 20503

DEC 5 1997

Dear Frank:

I am writing to share my concerns about your initial decisions on my 1999 budget request for the Department of Education.

We all know the importance of education to President Clinton's vision for America in the 21st century. At last month's signing ceremony for the 1998 Department of Education appropriations bill, the President expressed pride in the progress made toward that vision over the past five years. Then he added: "I think all of us believe that the best way to sustain and build on that progress is to make sure all of our people have a world-class education."

I also know the difficulty you face in developing an overall Federal budget that accommodates the competing demands of many agencies within the context of the Balanced Budget Agreement. Nevertheless, I believe it is equally important to consider the context we face in making good on the President's commitment to a world-class education for all Americans.

The first part of this education context is the explosive growth in elementary and secondary school enrollment. The number of students enrolling this fall is up more than 1 million from last year's level, and all indications are that the problem of overcrowded schools will only intensify in the coming years, with the potential to develop into a national crisis.

Second is the challenge implicit in the President's call for voluntary national tests in reading and mathematics. Many students and schools—particularly those in high-poverty areas—initially will not perform well on these tests. And while making the changes needed to improve performance on the national tests will be primarily a State and local responsibility, we must be prepared at the Federal level to provide as much help as possible, especially to those schools and communities with few resources of their own.

In view of these factors, OMB's passback on my 1999 request can only be described as inadequate to the task at hand. Straightlining the Department of Education budget in 1999 simply will not get the job done. I believe that OMB recognized the disconnect between the needs of the Department and the resources provided in passback, as evidenced by the many recommended additions to existing programs from the "Priority Reserve" nominally set aside for new initiatives. The unfortunate result, however, is to pit new proposals against key existing programs in a way that can only undermine both during the Congressional appropriations process.

In my judgment, it makes no sense at all to divide the American education community that has stood solidly behind the President at a time when the Congressional leadership and the

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Republican governors have already indicated that they intend to do to "education what they did for welfare reform" in the coming Congressional session. Next year is already shaping up to be one of the most contentious in my five years as Secretary of Education, with battles expected to range from block grants to vouchers. Strategically, it is imperative that the President work with a united education community rather than one that does not fully support his educational agenda.

For these reasons, I am appealing for a total of \$32.8 billion in 1999 discretionary spending for Department of Education programs. This amount would be \$3.4 billion or 11.5 percent over the 1998 level. The details of my appeal are explained in the attached table and narrative summary. The appeal level would support a series of priority initiatives aimed at addressing specific problems while at the same time providing increased funding for longstanding programs of proven value.

IMPROVING ELEMENTARY AND SECONDARY EDUCATION

For elementary and secondary education, the new proposals supported by my appeal include the \$320 million Education Opportunity Zones initiative announced this week by the President. This level would fund an estimated 10-20 urban grants at an average funding level of \$15 million and a similar number of rural grants at an average of \$3 million. My staff will continue to work with staff from OMB, DPC, and NEC to work out the details of this initiative.

In addition, the Department will be working closely with the District of Columbia to strengthen its school system. As you know, President Clinton recently met with D.C. officials and pledged his support for this effort, and the Department has followed up with General Becton to request his advice on how we can best help. For this reason, I am appealing for \$20 million in new 1999 funds to support the reform of D.C. schools.

Urban and rural areas also would benefit from a proposed \$300 million School-College Partnerships program that would encourage colleges to work with local high poverty schools to provide academic enrichment, intensive mentoring, and other services. Colleges have the tools and stability to provide such leadership and know what academic preparation they require from schools. Inspired by Congressman Fattah, Eugene Lang, and others, this proposal is designed to combine mentoring, parental involvement, and information about higher education options, required courses, and financial aid with a goal of increasing high school graduation and college enrollment of low income children.

In addition to these new reform initiatives, the Department is proposing to expand the ED-FLEX program, which gives State-level officials the authority to waive Federal regulatory requirements that stand in the way of innovative reform efforts. We also are considering other options for expanding regulatory flexibility, with the aim of eliminating all Federal regulations at the school-building level.

I support OMB's recommendation to allocate \$50 million to a collaborative research effort with the National Science Foundation focused on reading, mathematics, technology, and the

instructional applications of brain research for teachers and parents. We are already working with NSF to determine the details of this collaboration. The Department also will explore the possibility of including the National Institute on Child Health and Human Development in this effort, especially as it relates to research on reading.

My appeal reaffirms our proposal to restructure the Safe and Drug-Free Schools and Communities Act by reserving \$100 million in State grant funds for competitive grants to the most needy school districts to support aggressive, comprehensive approaches that can truly change student behavior and ensure a safe, drug-free school environment. The Department objects to OMB's proposal to transfer \$148 million to the Department of Health and Human Services, in part because there is no evidence that the HHS programs are more effective than the activities carried out under the Safe and Drug-Free Schools and Communities Act. In addition, the HHS programs are focused exclusively on drug prevention, at a time when school safety is a paramount issue in the minds of principals, teachers, parents, and students.

We also would discourage unsafe or violent behaviors through the President's After-School Initiative, which under my appeal would be funded at \$200 million in 1999, an increase of \$160 million. This proposal, which would build on an existing authority, would require matching funds to provide up to 500,000 school children a year with a safe and drug-free after-school environment offering academic enrichment and recreational activities. Both the Vice President and the Attorney General have indicated their support for this initiative, in part because it includes a priority on middle-school youth that would help keep children in this key age group off the streets and out of trouble.

I also believe that a truly effective effort on school construction requires a minimum of \$5 billion in mandatory funds, the same as proposed by the President last year. An increase to \$8 billion would send an even more powerful signal. With estimates of school repair and renovation needs exceeding \$100 billion even before considering the impact of the enrollment surge, the amount proposed for construction in the OMB passback is simply inadequate.

In addition to these new proposals, I am appealing for significant new funding for existing programs that provide the foundation of Federal support for elementary and secondary education. This includes a \$433 million increase--and \$301 million for Concentration Grants--over passback for Title I Grants to Local Educational Agencies, which are critical for local efforts to help all children meet challenging educational standards, and an additional \$232 million for Special Education State Grants, which help States and communities meet the extra costs of educating children with disabilities.

I also want to emphasize my strong opposition to OMB's proposal to terminate the Comprehensive School Reform program and consolidate it with the Education Opportunity Zones initiative. The President stated his support for this bipartisan effort in his October 18 radio address. The Department agrees that this new Title I demonstration program will help to expand the number of schools using effective, research-based reform models, and to seed these models throughout the much larger Title I Grants to LEAs program. Instead of crippling this promising

new program before it's out of the gate, my appeal would increase the level of Title I support for the initiative by \$30 million, for a total of \$150 million in 1999.

WORKFORCE PREPARATION

My appeal also supports new initiatives aimed at preparing Americans of all ages for the workforce. The Department is working with the Department of Labor on a proposal to energize our School to Work efforts and will provide a more detailed description next week.

A \$94 million increase for Vocational Education Basic Grants would help States enhance their school-to-work systems during the phase-out of funding under the School-to-Work Opportunities Act. Under the pending reauthorization legislation, these funds will ensure that all high school students are prepared for postsecondary education and that they have the academic and technical skills demanded by today's high-tech industry.

In the area of Vocational Rehabilitation, I am proposing a \$200 million increase that responds in part to an anticipated Executive Order directing Federal agencies to take action to close the gap between the employment rate for adults with disabilities and the rate for the general adult population. In addition to the funds, which would enable VR agencies to help approximately 25,000 additional individuals achieve a successful employment outcome, the Department would propose amendments to the Rehabilitation Act to provide greater accountability for results and incentives for improved performance in the VR State Grants program.

POSTSECONDARY EDUCATION

For postsecondary education, my appeal includes several proposals that build on the President's success over the past five years in launching a successful Direct Loan program, significantly increasing the Pell Grant maximum award, and creating the HOPE Scholarships program. A \$20 million Early Information Initiative would widely advertise the availability of Federal student aid, particularly to low-income families who tend to underestimate the amount of Federal aid available to help pay for college. We also are appealing for \$200 million for an Institutional Retention Grant initiative, which would incorporate OMB's recommendation for field studies in the student financial aid area by reserving \$50 million for innovative and experimental activities aimed at improving retention and persistence toward a college degree for low-income students. The Institutional Retention Grant initiative would support institutions that are successful in retaining low-income Pell Grant recipients with zero Expected Family Contributions (EFC)—currently only 11 percent of zero EFC Pell recipients obtain bachelor's degrees.

I am also seeking additional funds for several student aid programs. A \$361 million increase over the passback level for the Pell Grant programs would expand eligibility by further increasing the income protection allowances used in need analysis. A \$100 million increase for Supplemental Educational Opportunity Grants would support additional grant assistance to 171,000 more low-income students than under the passback level. My appeal also would restore \$85 million for Federal Capital Contributions under the Perkins Loans program, which was

terminated by the passback. The appeal level, combined with an estimated \$50 million that will be available for the first time from Federal collections on previous Perkins Loans, would maintain the 1998 level of new Perkins Loans. Earlier this year, in the context of discussions about our higher education proposals for the coming year, I made a personal assurance to David Warren, President of the National Association of Independent Colleges and Universities, that we would not eliminate the Perkins Loans program. You may recall that Mr. Warren was the driving force behind the Coalition to Save Student Aid, which helped defeat Congressional efforts to cut Federal student aid during the battle over the fiscal year 1996 appropriations bill.

DEPARTMENTAL MANAGEMENT

Finally, my appeal includes additional funds in the area of Departmental Management. The OMB passback for Program Administration covers only salary and benefits increases and the Year 2000 project. The Department needs another \$12.9 million to pay for essential activities such as postage, travel, and printing costs associated with Administration initiatives, computer network operations and maintenance, and the renovation and relocation of regional offices. I also am appealing for \$20 million to support our Student Financial Aid Modernization efforts through the development and implementation of a wide range of urgently needed management and system improvements. By 1999, the student financial aid programs should be well on their way toward functioning under a PBO type of organization; we are moving swiftly toward a truly modernized structure, and these additional funds will be critical to our success.

The passback threatens to undermine the essential enforcement activities of the Department's Office for Civil Rights, which plays a critical role in the President's efforts to improve race relations. My appeal includes an additional \$4.7 million for OCR to support travel, the hiring of experts, and surveys needed to ensure effective civil rights enforcement. Similarly, the Office of the Inspector General will be unable to carry out its responsibilities related to improving the accountability of Department programs—including the mandated audits of Department financial statements and oversight of Student Financial Aid delivery systems—without an additional \$3.9 million over the passback level.

CONCLUSION

I believe this appeal accurately reflects the critically important role of education—both for the President and for the Nation—as we prepare for the challenges of a new century. It also demonstrates the appropriate *Federal* role in education: stimulating State and local efforts to address national problems, supporting research that can be translated into classroom practice, meeting the special educational needs of poor and disabled students, and helping students of all ages go to college and get the training they need for productive careers.

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My appeal would provide the additional resources required to effectively pursue the President's agenda for educational reform and improvement and to continue progress toward a world-class education for all of our people. I hope you will give it your fullest consideration.

Yours sincerely,

Mr. L. L. L. L.
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Richard W. Riley

Enclosures

**DEPARTMENT OF EDUCATION
APPEAL OF OMB PASSBACK ON 1999 BUDGET REQUEST
NARRATIVE SUMMARY**

Excepted as noted, all comparisons are to the OMB passback level.

Department Totals: The Department is appealing for a total of \$32.8 billion in discretionary budget authority for fiscal year 1999. This amount is \$3.4 billion or 11.5 percent more than the 1998 level, and \$3.2 billion over the OMB "basic" passback level.

EDUCATION REFORM

Goals 2000: The Department appeals for a total of \$525 million for State and local education systemic reform grants, an amount \$49 million higher than the OMB initial passback but \$35 million below the "add candidates" level. The requested level will help all States to maintain the momentum they have generated in implementing challenging content and performance standards and to build on the student performance gains achieved by States with the most advanced reforms. Although States have made solid progress in establishing content standards, much work remains to be done in development and implementation of performance standards and assessments, and in providing professional development linked to the new standards and assessments. Our appeal level will enable that work to go forward.

Educational Technology: The appeal would boost funding for Technology Literacy Challenge Grants to \$475 million, \$25 million less than the passback but \$50 million higher than the 1998 appropriation. This increase would allow continued progress toward attainment of the President's objectives for school technology; we believe that additional sums, rather than going into this State formula program, should be reserved for another round of Innovative Challenge Grants with, in particular, a focus on professional development.

Technology Innovation Challenge Grants: +\$19 million to support two new Challenge Grant competitions in 1999—one general grant competition and a second grant competition focused on professional development, similar to the competition to be conducted in 1998. A general competition is needed to continue the development of new learning tools, and to demonstrate the effective use of these emerging technologies. A second competition focused on professional development will promote the development of comprehensive strategies to ensure that teachers are effectively trained in the use of technology to help children master challenging content.

Technology Leadership: +\$2 million to support federal leadership activities in technology, focusing on coordinating and evaluating the Department's technology programs, and collaborating with other agencies and the private sector. These funds will support necessary leadership regarding the E-rate in its first full year of implementation, as well as new efforts relating to state and local technology activities, standards for professional development, and emerging technologies such as Internet-based television and wireless telecommunications.

Star Schools: +\$6 million to support the new grant competition focused on online distance education projects. Distance learning has demonstrated enormous potential to improve

educational opportunity for disadvantaged learners. Projects providing distance learning via the Internet can further enhance opportunities for learning by providing courses to students in rural and urban schools without cable and satellite equipment and allowing for creative, interactive learning strategies. New grant competitions are crucial in order to develop innovative strategies using the most current wireless and network technologies.

Regional Technology in Education Consortia: +\$2 million to provide targeted assistance to State and local educational agencies in applying and utilizing the discounts provided by the Universal Service Fund (the E-rate). This assistance will be acutely needed as the E-rate will be in its first full year of implementation. The RTECs can provide accurate, up-to-date information and resources in all areas of the nation. Increased support will ensure that schools with the greatest need will be able to make the most of the opportunities presented by the E-rate. The six regional consortia support the implementation of effective technology plans through technical assistance, professional development, and dissemination.

Telecommunications Demonstration for Mathematics: +\$35,000 to provide funding for PBS Mathline at the 1998 level. PBS Mathline provides effective professional development in elementary, middle, and secondary school mathematics through a series of videos and teacher telecommunications networks. Level funding will support expansion of the number of learning communities" in which teachers participate and the quality of online resources provided.

EDUCATION FOR THE DISADVANTAGED

Title I Grants to LEAs: The Department appeals for \$7.9 billion, a level \$433 million above the passback level but slightly less than OMB would have provided through the priority reserve. The Department shares with OMB the conviction that Title I is an essential program for assisting all children to meet challenging educational standards and for meeting the Administration's educational goals. The Department has proposed an allocation of funds, across the three funding formulas, that would provide both for an increase in Concentration Grants and for the initiation of Targeted Grants. At the proposed funding level, the program would serve more than 10.5 million students.

Capital Expenses for Private School Children: Although the Department did not propose funding for this authority in our initial request, we recommend including \$10 million, to provide one year of phase-out funding to districts that entered into long-term contracts and other arrangements for services to private school children before the Supreme Court reversed the Aguilar v. Felton decision. This funding will help ensure that private school students receive the Title I services to which they are entitled.

Demonstrations of Comprehensive School Reform: The Department appeals strongly against the OMB proposal to terminate the Comprehensive School Reform initiative after only one year and merge it into the new Urban-Rural initiative. Going to Congress with a proposal to make sweeping changes in the Comprehensive Reform program, which would require statutory changes to override the 1998 report language, would seriously delay the implementation of this

program and threaten its success. The Department proposes, instead, to increase Title I funding for Comprehensive School Reform to \$150 million in 1999, in order to permit States to make a second round of grants and allow up to 600 additional schools to receive funding for the implementation of the most effective, research-based reform models.

Other Education for the Disadvantaged Programs: The Department endorses the OMB "priority reserve" recommendations for the Even Start, the Title I Migrant and Neglected and Delinquent programs, State School Improvement Grants, Title I Evaluations, and the HEP and CAMP programs. In particular, Migrant Education and HEP/CAMP address a seriously disadvantaged population and directly address the President's goal of reducing the Hispanic dropout rate and encouraging better educational outcomes for all Hispanic Americans. The Evaluation funds allow the Department to develop the performance data needed to meet GPRA requirements for Title I, the largest Federal elementary and secondary education program.

IMPACT AID

Basic Support Payments: The Department appeals for an additional \$20 million above the initial passback level. While Impact Aid funds provide general assistance to school districts, the Department has found that assistance enables the districts to purchase new curriculum materials, provide professional development, and undertake other activities that result in educational reforms and student achievement gains. The additional funds would, in particular, provide needed funds to poor districts that enroll Native Americans, thereby addressing the President's commitment to improving educational opportunities for that population.

SCHOOL CONSTRUCTION

School Construction Initiative: Although we understand that OMB has not yet made decisions on mandatory expenditures, we strongly appeal for a one-time, mandatory appropriation of at least \$5 billion for school construction, rather than the \$1.9 billion included in the initial passback. The \$1.9 billion figure is the amount that Congressional Democrats were able to come up with (through a tax loophole-closing proposal) as a last-ditch effort to provide a down payment for school construction late in the last session; it is not the amount the President committed to. With less than \$5 billion, the Administration would not be able to leverage significant improvements in school infrastructure.

SCHOOL IMPROVEMENT PROGRAMS

Safe and Drug-Free Schools: The Department accepts the passback level of \$556 million for Safe and Drug-Free Schools but vehemently objects to the OMB proposal to transfer \$148 million of that amount to the Department of Health and Human Services and to administer the remainder as discretionary grants. We instead appeal for our original proposal to use only \$100 million of the State Grants appropriation for competitive grants. Our reasons for this appeal are as follows:

- There is no evidence that the HHS programs are more effective than the activities carried out with Safe and Drug-Free Schools funds. The Substance Abuse Block Grant is a broad funding authority that has little overall direction, and the State Incentive Grants activity is a new program that has no track record at all.
- Channeling funds to States through HHS substance abuse programs would mean that the funds could not be used for activities that ensure that all students have a safe learning environment. It was President Clinton who recognized this concern and put forward the Safe Schools Acts as one of his first initiatives in 1993. Transferring so much of the money to HHS would be seen by the public as backing away from a commitment.
- The Department is taking significant steps to improve the quality of Safe and Drug-Free Schools programs. These steps include, among others: (1) promulgating "principles of effectiveness" with which all SDFS programs must comply; (2) constituting a panel of experts to identify promising and exemplary programs; (3) evaluating, with the National Institute on Drug Abuse, promising drug prevention strategies; and (4) funding discretionary grants for the replication of research-based drug and violence prevention models. These actions will require time to take effect, but we believe they will be effective and that they will identify strategies and changes to propose in the coming reauthorization.
- Finally, the Congress is unlikely to make sweeping changes in the authorizing statute, particularly if those changes have no clear rationale. The Department's more moderate proposal is much more likely to be accepted. In addition, reserving only a limited amount of State grant funding for discretionary grants will allow us to test the concept and determine if it should be expanded in the coming reauthorization.

Advanced Placement Test Fees: The Department requests restoration of funding for the AP Test Fees program, which the Administration strongly encouraged Congress to initiate in 1998. Aside from the fact that it would be an embarrassment to the Department and the Administration to make this program a funding priority in one year and then seek to eliminate it the next, for a savings of only \$3 million, we are confident that the program will help more high school students achieve to high standards. According to the College Board, the availability of funding for AP exams has a significant impact on the propensity of low-income and minority students to take AP courses and tests. In fact, in 1995 some 14,000 low-income students signed up to take the tests but did not take them because they were unable to pay even the reduced fees offered by the Board. Those students were thus denied the benefits of a head start on college and lower postsecondary expenses.

Education Opportunity Zones Initiative: The Department appeals for \$320 million for the initiative, which the White House announced this week. This would support some 10-20 urban grants at an average funding level of \$15 million and a similar number of rural grants at an average of \$3 million. Department staff will continue to work with OMB, DPC, and NEC staff on filling in the details on this program.

Other School Improvement Programs: The Department strongly concurs with the OMB recommendations to add funding, through the priority reserve, for Eisenhower Professional Development State Grants, Magnet Schools Assistance, Education for Homeless Children and Youth, Training and Advisory Services, Alaska Native Education Equity, and the Comprehensive Regional Assistance Centers. In particular, the Eisenhower program is the Department's principal vehicle for helping to ensure that teachers are prepared to implement curriculum reforms and teach all children to high standards; it will play an especially important role in training teachers to use new mathematics curricula and preparing students for the new 8th-grade mathematics test. The Comprehensive Centers provide technical assistance to States and school districts on the entire range of Elementary and Secondary Education Act programs; they simply cannot meet the demand for their services at their current funding level. The other four programs address the needs of extremely disadvantaged populations or support school desegregation, consistent with the spirit of the President's race initiative.

In addition, the Department requests a \$1 million increase for Arts in Education. It is important that the Administration maintain its commitment to the arts as an important component of every student's education. The Department would use the additional funding for discretionary grant activities.

INDIAN EDUCATION

Grants to Local Educational Agencies: The Department appeals for \$62 million, slightly less than the amount recommended by OMB in the priority reserve. The formula grants are an essential piece of the Federal Government's effort to ensure that Indian children have access to a quality education, and they should be increased. We have requested a smaller increase than that suggested by OMB because of our strong desire to provide funding for the Indian Education discretionary programs.

Discretionary Programs: Our appeal for \$6 million for the two "Special Programs" authorities, while less than the Department's original request, would allow the Department to reestablish the programs in 1999 and to address the major need in the Indian community for adult literacy services, development of Indian educators and other professionals, and new approaches to meeting the needs of Indian schools and students. The loss of funding for these programs has been of great concern to the Indian community, and we do not believe that the Administration's commitment to Indian education will be credible without at least a small request for them in the 1999 budget. In addition, our appeal includes the Department's original request, for only \$735,000, for the Indian Education National Activities, so that we can assemble (through the NCES Schools and Staffing Survey) the kind of data needed to measure the educational needs and progress of Native Americans.

BILINGUAL AND IMMIGRANT EDUCATION

Bilingual Education: The Department appeals for an additional \$41.4 million over the basic passback (and 1998 appropriations level) for Bilingual Education programs. These are the

Federal programs that most directly address the Administration's commitment to reducing the Hispanic dropout rate and improving educational opportunities for Hispanic children. Most of the increased funding we are requesting would double the current appropriation for Bilingual Professional Development, in order to help meet the urgent national need for teachers who are prepared to educate limited English proficient students. We estimate that, with \$50 million, we could train some 10,000 teachers. In addition, an increase of \$16 million for Instructional Services would help more communities serve the growing number of limited English proficient children entering the schools—it would enable us to reach 100,000 more students than in 1998—and a small increase of \$400,000 support services would allow the Department to collect the performance data needed for GPRA purposes.

SPECIAL EDUCATION

OMB recommended that \$241.7 be added to this account from the Priority Reserve. This appeal requests an additional \$20.1 million above that amount.

Grants to States: +\$176.4 million to maintain the Federal contribution for special education at 9.2 percent of the excess cost of serving over 6 million children with disabilities. Because we expect the number of children served to increase by 119,000 in 1999, level funding would reduce the share per child from \$637 to \$625 at a time when we need to support strategies that will improve educational results for children. For example, we know that most of the 6 million children served under this program are struggling in academic areas, including millions of children with learning disabilities who are having significant difficulty with reading. Helping these children—and in particular making good on the President's commitment to help every child learn to read—requires new investments in professional development for teachers who work with children with disabilities, in technology that will both promote access to the curriculum and improve learning, and in providing better instruction earlier to children with learning disabilities.

Preschool Grants: +\$19.3 million to compensate for growth in the number of children served by the program and increase the Federal share per child from the fiscal year 1998 level of \$650 to \$666 to help offset the effect of inflation. While the number of children served under the Preschool Grants program has increased each year from 522,000 in 1995 to an estimated 575,000 in 1998, a 10 percent increase, the appropriation only increased by only 3.8 percent over the same period. Funds received under this program supplement funds received under the Grants to States program; however, this is the only program where funds are targeted toward and required to be used to serve children with disabilities aged 3 through 5.

Grants for Infants and Families: +\$30 million to boost State efforts to reach more and younger infants and toddlers with disabilities, consistent with the GPRA objective of serving all eligible children, and to help jump start efforts of States to implement changes in the IDEA and cover the rising costs of implementing quality Statewide systems.

Currently, the States are not serving all children who could benefit from early intervention services. Many States are using unduly restrictive definitions of developmental delay and identifying only a very small number of children before their first birthday. To address this issue, the Department will provide targeted technical assistance and information on effective child find practices and will reach out to national health care providers about the benefits of early referral. Additional funding will bolster these efforts to encourage States to serve a wider range of children.

States also need additional funding to comply with the requirement in the 1997 amendments to provide early intervention services in natural environments. In many States, significant system reform efforts will be required, including additional infrastructure, training, site preparation, and personnel costs.

Finally, there is more pressure on this program to cover the costs of services previously financed by public or private insurance. As more States are moving to Medicaid managed care arrangements, fewer children with disabilities are getting services and the services available are more limited. Similarly, many of the private indemnity insurance companies are changing their coverage to exclude payment for early intervention services that were previously covered.

Studies and Evaluations: +\$5.9 million to provide funding for the National Assessment of IDEA required by the 1997 amendments to the Act. These funds would be used to support activities that will provide information needed to monitor program performance under GPRA such as over sampling students with disabilities in a National Center for Education Statistics (NCES) study of postsecondary education and a study of parent participation in the education of their children.

State Improvement: +\$25.3 million to make it possible for most, if not all, States to receive a State Improvement grant in fiscal year 1999. These grants, which are intended to assist State educational agencies in undertaking activities aimed at improving educational results for children with disabilities, will help achieve effective implementation of important changes to the IDEA made by the 1997 amendments and focus State efforts on meeting State-identified goals and the goals established for this program under GPRA.

Research and Innovation: +\$2.5 million to support additional research in areas such as student assessments, vocational education, interventions that provide access to the general education curriculum, and transitional services, which have been targeted as areas where additional knowledge is needed to reach the Department's GPRA goals for children with disabilities.

Technical Assistance and Dissemination: +\$1 million to continue an orderly expansion of dissemination and technical assistance activities, such as the technical assistance center on elementary education, which address populations whose needs were not adequately addressed before the 1997 amendments to the IDEA. While funding for this activity was increased by \$10 million in 1998, these additional funds were targeted specifically on providing information on the implementation on the new requirements under the 1997 amendments.

Parent information centers: +\$2.8 million to provide parents of children with disabilities with the knowledge they need to work with educators, related services personnel, and early intervention personnel in improving results for their children.

Technology and Media Services: -\$1.5 million to eliminate funding for a project to demonstrate the use of publicly funded television to provide information on effective teaching practices for children with disabilities. Funds for this purpose were included in the 1998 appropriation; however, because these funds were made available until expended, no funds for this effort are required in the fiscal year 1999 appropriation.

REHABILITATION SERVICES AND DISABILITY RESEARCH

Vocational Rehabilitation State Grants: +\$200 million to assist State VR agencies to meet the significant demand for VR services in the context of working toward State-identified goals for improving employment outcomes for and reducing unemployment among individuals with disabilities. The Department would propose amendments to the Rehabilitation Act to provide for greater accountability for results and incentives for improved performance in the VR State Grants program. The amendments would require State VR agencies, in conjunction with their State Rehabilitation Council, to develop challenging State-specific goals based on a comprehensive assessment of the vocational rehabilitation needs of individuals with disabilities in their State. Each State would be required to describe the strategies it would use to address the needs/identified in the comprehensive assessment and achieve its goals and report on progress related to such goals on an annual basis. The proposed amendments would also include authority for the Commissioner to reserve funds in future years for State performance awards for any fiscal year in which the appropriation exceeds the amount required under section 100(b)(1) of the Act. These awards would be made to one or more States that have made exemplary progress in serving individuals with disabilities based on challenging goals set by the State.

The President will soon issue an Executive Order that will direct Federal agencies to take actions to close the gap between the employment rate for adults with disabilities and the rate for the general adult population. The Department is already working collaboratively with other agencies to reduce barriers to employment and to make more effective use of the resources available to assist individuals seeking employment. The Department believes that the proposed amendments to the Rehabilitation Act will help improve State VR agency performance and help ensure better results for individuals with disabilities. However, the Department believes that these efforts must be accompanied by a significant expansion in funding for rehabilitation services in order to both demonstrate and begin to make good on the President's commitment to reducing the unemployment rate of individuals with disabilities. The additional funds requested would enable VR agencies to help approximately 20,000 additional individuals achieve a successful employment outcome.

SPECIAL INSTITUTIONS

American Printing House for the Blind: +\$83,000, the amount OMB recommended be added from the Priority Reserve, for educational and technical research, including \$70,000 for an initiative to develop guidelines for computer-administered testing of students who are visually impaired. Research would be conducted on peripheral devices and variables needed to adapt instructional materials and software packages so that they are readily useable by individuals who are blind or otherwise visually impaired. The adaptation and creation of such materials is needed to give visually impaired persons equal opportunities in the classroom.

National Technical Institute for the Deaf: +\$969,000, the amount OMB recommended be added from the Priority Reserve, including funds to help offset the effect of inflation and implement NTID's Strategic Plan, to hire additional interpreters, to develop plans for renovation of NTID's dormitories, and for the Endowment Matching Grant program. The amount of the increase is partially offset by \$1.1 million in one-time cost reductions from the 1998 level related to completion of the project to increase access to the Institute's campus computer network, including the Internet and other computer equipment upgrades.

Gallaudet University: +\$2.7 million, the amount OMB recommended be added from the Priority Reserve, including \$2.5 million to complete a computer and information system upgrade begun in 1998 and \$2.059 million to help offset the effect of inflation. These increases are offset by a reduction in the amount of the 1998 increase of \$1.818 million, which was previously allocated to the computer and information system upgrade.

VOCATIONAL AND ADULT EDUCATION

Vocational Education: The Department appeals for a total of \$1.25 billion, rather than the \$1.09 billion included in the passback. Within this total, we would provide approximately \$1.07 billion for Basic Grants, in order to give States adequate resources to build on and enhance their school-to-work systems at a time when funding under the School-to-Work Opportunities Act is phasing out. Under the pending reauthorization legislation, States and localities will use these funds to ensure that all high school students are prepared for postsecondary education and that they have the academic and technical skills needed to prosper in a technologically advanced labor market. We are appealing for \$115 million for Tech-Prep Education, because of the program's demonstrated potential for integrating high-level academic and vocational instruction and linking high school to postsecondary education. Also, the appeal includes \$16.5 million for National Programs, to enable the Department to conduct critical research and technical assistance activities, including working with the States on the development of data systems needed for GPRA.

Finally, our appeal includes \$50 million for a new initiative, the "Industry-School Partnership for Youth," under which the Department would award challenge grants to 150-200 partnerships (including high schools, community colleges, and industry) that would train students for careers in high-tech occupations, in such areas as computer sciences, health, and automotive repair.

Many businesses in these fields have jobs that are currently going unfilled. We would give priority to communities that have both high youth unemployment and high-tech industries in need of qualified personnel, and estimate that the partnerships would serve up to 25,000 students per year.

Adult Education: The Department's appeal is for \$417 million, compared to the basic passback of \$372 million and the priority reserve level of \$394 million. Adult Education activities address major national needs in areas like welfare-to-work and the attainment of English literacy by new immigrants, and local adult education providers are facing an increasing demand for services. At the appeal level, funding for continuing programs would be slightly above the level provided for under the priority reserve. In addition, the Department has included \$20 million under Evaluation and Technical Assistance for demonstrations of model English as a Second Language programs. This funding would be used to identify, test, and disseminate information on the most promising methods (including methods that employ new technologies) for educating limited English proficient adults.

State Grants for Incarcerated Youth: The Department appeals to restore funding, at the FY 1998 level, for the new "Grants to States for Workplace and Community Transition Training for Incarcerated Youth Offenders" program, which will serve a population characterized by a high rate of illiteracy and a low level of marketable skills. Studies have shown that quality education and transition programs can reduce recidivism and enable youth offenders, upon their release, to enter and retain employment. Yet the elimination of Pell Grant eligibility for prisoners has markedly reduced educational opportunities for incarcerated individuals. Retention of the modest level of current funding for this program would help meet a clear national need.

STUDENT FINANCIAL ASSISTANCE

Student Financial Assistance: The Department believes that it is crucial for the Administration to show continued strong support for the nation's neediest students through the SFA programs. These traditional programs should not be reduced at the same time that new tax programs are put into effect supporting middle-income students. During the debate over the HOPE and Lifetime Learning tax credits, the Administration emphasized that these programs were intended to complement and not compete with the SFA programs. In general, the OMB passback shows weak follow-through on Administration assurances that the SFA programs would not be harmed. In addition, the FY 1999 President's Budget will fund the Administration's HEA reauthorization proposals. However, a number of the passback policies actually undercut the Administration's legislative proposals already submitted to the Congress.

Need analysis: Eliminate the Simplified Needs Test and Automatic Zero EFC provisions. The elimination of these provisions is necessary to simplify the application process and to reduce burden for applicants and institutions; it is not intended as a cost saving measure. In practice, the simplified need analysis processes have not provided the intended benefits to applicants, and have increased confusion for applicants and data collection burden on institutions. During the redesign process for the Free Application for Federal Student Aid (FAFSA), focus group testing

showed that any form element that directs an applicant to skip portions of the form creates confusion. It is easier for all applicants to complete all the questions on the form. In addition, institutions often must do more work to collect additional information for institutional or other financial aid purposes, thereby ultimately increasing burden on the same applicants the simplified needs provisions were intended to serve.

Pell Grant: +\$361 million, as recommended by OMB, to further increase income protection allowances. The Department is re-estimating Pell Grant program costs and would set income protection allowances at whatever level can be afforded within an overall funding level of \$8.14 billion. Also, the Pell Grant model is being updated to incorporate a new sample file and the latest economic assumptions. New cost estimates will be available shortly.

Supplemental Educational Opportunity Grants: +\$100 million to raise the funding level to \$684 million. The SEOG program provides important grant aid to low-income students and currently is the Department's only grant supplement to the Pell program. With institutional matching funds, this level of funding would provide approximately \$886 million in available aid to an estimated 1.2 million students, an increase of \$128 million in available aid and 171,000 students over the passback level of \$583 million.

The passback level for FY 1999 represents a decrease in funding from FY 1998. The Department is committed to improving the allocation formula for campus-based program/funds by increasing the allocation of funds on a fair share basis. Any movement toward an increased use of fair share causes considerable dislocation in the distribution of funds compared to the prior year. Increased funding is necessary in order to lessen the impact of those changes on institutions.

Perkins Federal Capital Contributions: +\$85 million for continued support of this important need-based loan program. This funding level, combined with an estimated \$50 million that will be available from the newly established Revolving Fund, would maintain the FY 1998 funding level of \$135 million. The higher education community harshly criticized the Department's earlier proposal to eliminate this need-based program at a time when the Administration was implementing new middle-income tax credits. The Perkins Loan program provides needy students access to low cost loans, and as a campus-based program, allows institutions flexibility to provide loan funds to the students who need them the most.

Financial Aid Field Studies: Costly field studies would be difficult for the Administration to support given passback items that limit (or eliminate) support for financial assistance. The field studies proposed in passback do not accomplish the purposes of the SuperPell or Retention Grant programs which are built upon the researched needs of students and which complement the purposes of the Pell Grant program. Further, an experimental "front-loaded" program would send the signal to the higher education community that the Department advocates such an approach.

HIGHER EDUCATION

Aid for Institutional Development (Title III): +\$6.0 million to increase funding for the Strengthening Historically Black Colleges and Universities (HBCU) program. Under our appeal, the average award to HBCUs would increase \$61,000 in order to expand support for these institutions that do so much to enhance college access and retention for African Americans and other minorities. This increase is supportive of the President's race relations initiative.

Institutional Retention Grant: +\$200.0 million for this new initiative to encourage institutions that are successful in retaining low-income and Pell Grant recipients with zero Expected Family Contributions (EFCs) and that propose new ideas to accomplish this goal. Only 11 percent of zero EFC Pell recipients obtain bachelor's degrees. This extremely low rate suggests more needs to be done to increase the retention, transfer and graduation rates of very needy Pell recipients. \$150.0 million would be disbursed under a formula grant structure that takes into consideration the number and percent increase of zero EFC Pell recipients who graduate (as set forth in our current HEA reauthorization proposals. The remaining \$50.0 million would fund a discretionary grant program to support field-initiated projects focusing on new ways to improve retention, transfer, and graduation rates. Approximately 930 institutions would receive grants under this program. (Note: our \$50 million proposed increase for this new program, above our initial request, reflects our judgement that an additional \$50 million—suggested by OMB for a student financial aid "field study"—would be better utilized as a discretionary grant competition in support of institutionally proposed retention enhancing projects.)

Fund for the Improvement of Postsecondary Education (FIPSE): +\$10.2 million, of which \$5.2 million would be used to fund 29 more projects under the Comprehensive program (+\$2.2 million); 33 more projects under the Dissemination Projects (+\$2.0 million); 18 more student exchange programs (+0.9 million) and increase field reader costs by \$0.1 million. The remaining \$5 million would be used for a new Technology Training Enhancement Program designed to increase the number of individuals trained in the computer-related skills needed by industry. In the Washington area alone, estimates are that 25,000 jobs are going unfilled, a deficit that economists say is costing the region more than \$1 billion in lost wages. Nationally, the number of bachelor's degrees awarded in computer science has fallen 43 percent from 1986 to 1994 (NCES). Program grants would support industry-college consortium development of curriculum to meet industry needs; the up-grading of faculty skills and equipment; the recruitment of students into computer science programs; and cooperative work-study projects.

International Education and Foreign Language Studies: +\$10.7 million to support adequately all these important program components. The Passback would eliminate some critically important programs while not allowing others to support current service levels.

- Domestic Programs: +\$8.7 million, which would restore funding to the Language Resource Centers Program and International Research and Studies Projects eliminated under the Passback, and maintain current services for the other programs. Under the Passback level, approximately 119 grants to institutions of higher education would be

eliminated. Without these restorations, the our country's capacity to meet international economic and national defense challenges would be diminished.

- Overseas Programs: +\$1 million for the Overseas Programs, which would restore the level of participation in these programs to just slightly over their level of participation in fiscal year 1981. At a time when the need for international and foreign language expertise continues to increase, the purchasing power of these funds continues to decline. Between fiscal year 1981 and fiscal year 1998, the number of participants supported with these funds decreased by more than 50 percent.
- Institute for International Public Policy: +\$1 million for the Institute, which was zero-funded in the Passback, in order to increase the number of minorities in foreign service positions. The Institute operates its own programs and also subgrants to HBCUs and HSIs to support their own programs which support this important mission. Continuing our commitment to this program is consistent with the President's race relations initiative.

National Need Graduate Fellowships: +\$20 million in order to adequately support the Administration's HEA reauthorization proposal for graduate education. The Passback level would only provide funding for continuing GAANN and Javits students, with no awards at all under the new program.

TRIO programs: +\$30 million, which includes the \$13 million OMB "Add Candidate", to increase the intensity of services provided under the Student Support Services program, maintain current service levels and support qualitative improvements in the other TRIO programs, and fund a new \$2 million program for Innovative and Experimental projects aimed at testing strategies and educational approaches. Our proposal for creation of the latter new program has already been submitted to the Congress as part of our HEA reauthorization proposal. Recent evaluation studies show that the Upward Bound and Student Support Services have positive impacts on pre-college academic preparation and college retention. Moreover, at a time when we are proposing major "Presidential" initiatives on Early Awareness and Mentoring (School-College Partnership), we need to signal our ongoing strong support of the TRIO programs, which have similar purposes.

Howard University: +\$8.9 million in order to level fund Howard University with the appropriation level for FY 1998. Providing this minimal level of funding for Howard, an institution that still provides a major avenue of opportunity for African Americans and other minorities, is consistent with to the President's race relations initiative. Even this level is likely to be criticized—as failing to keep up with inflation.

EDUCATIONAL RESEARCH AND IMPROVEMENT

National education research institutes: +\$2.2 million to support the fifth year costs of the national research center on the education of at-risk students and to support additional projects

under the Small Business Innovation Research program. OERI could not meet its continuation commitments and satisfy the requirements of its authorizing legislation regarding field-initiated studies with funding at the 1998 appropriation level. The research center award negotiated in 1995 calls for an increase in funding in 1999 of \$1 million. Those funds would not be available at level funding. Funds are also requested for the small business program to assist the Department meet its statutory obligation to support this program at a level equal to 2 percent of its research and development spending.

National dissemination activities: +\$3.9 million to support increased funding for the clearinghouses and other components of the Education Resources Information Center. ERIC contracts are being recompeted, and an increase in funding is needed to support the core functions conducted by the clearinghouses and the new workload that has emerged in the last few years with the creation of web sites and participation in Internet-based customer services by each of the ERIC components. ERIC is providing many new and exciting services, but additional resources are needed. Additional funding is also needed to support the increasing activity by expert panels that will be identifying promising and exemplary programs in reading, mathematics, science, technology, drug abuse prevention, and other areas for widespread dissemination in support of Department priorities.

Education research initiative: +\$50 million to support a collaborative research effort with the National Science Foundation as outlined in the passback. The Department has had initial/ conversations about this initiative with NSF, and both agencies agree on the strategy. Both also agree that the initiative should be expanded to support research on reading, mathematics, and the instructional applications of brain research for teachers and parents, as well as research on technology. This initiative is an exciting and important effort to improve teaching, learning, and student achievement. As the first step in a multi-year effort, it represents an important opportunity for both agencies to support large-scale studies with real implications for education improvement. The Department will explore with the National Institute on Child Health and Human Development the possibility of including that agency in the collaboration also, especially as it relates to the research on reading. A more detailed plan for how this initiative will be implemented will be developed within the next several weeks.

Statistics: +\$6.4 million, the amount OMB recommended be added from the Priority Reserve. These funds would support: the birth cohort of the Early Childhood Longitudinal Study (\$3 million); support for the international study center so that states and districts may be offered the opportunity to use the TIMSS tests in 1999 (\$1.725 million); fast response surveys for the new biennial report on teachers and for information on vocational and postsecondary education requested by OVAE and OPE (\$825,000); analyses for and preparation of the Year 2000 report on education indicators (\$500,000); and a financial accounting handbook for states and districts (\$350,000).

National assessment: +\$4.3 million for the following activities, listed in priority order: oversampling of private schools and oversampling of minority students needed to establish the data collection plans for the year 2000 assessments in math and science (\$300,000); field testing

of more new items so that more items may be released with each assessment in order to show performance on the achievement levels (\$1 million); new contractor monitoring and personnel costs associated with annual assessments (\$300,000); additional support for schools participating in the assessment in the form of materials and reports in order to maintain participation rates (\$200,000); preliminary analysis of a new reporting metric necessary for implementation of the new market basket concept (\$500,000); and evaluation of the impact of various sampling, scoring, psychometric, and analysis techniques needed for implementation of the NAEP redesign (\$2 million).

National assessment governing board: +\$530,000 for the increased costs of carrying out the board's responsibilities related to the voluntary national tests.

Fund for the improvement of education: +\$48.1 million for continuation of the whole school reform effort begun in 1998 (\$25 million) and for other activities in support of the Department's strategic plan and leadership priorities. Compared to other agencies, the Department has almost no ability to support activities of its own design or at its own discretion. These funds would be used to support activities in collaboration with other agencies, activities that contribute in some strategic way to the Department's priorities, and activities that provide leadership and guidance and demonstrate how emerging knowledge may be put to work in educational practice.

Eisenhower Professional Development Federal Activities: +\$36.7 million, the amount OMB recommended be added from the Priority Reserve, to support Department initiatives to improve teaching of middle school mathematics. Funds would be used to develop national models for professional development, focusing on both mathematics content and pedagogy; develop effective professional development tools; and leverage investments currently being made by school districts and educators.

Eisenhower Math and Science Regional Consortia: +\$10 million, the amount OMB recommended be added from the Priority Reserve, would provide an additional \$1 million to each consortium, to be used to support work relating to the Department's Math Initiative, providing technical assistance and information to schools and districts implementing math and science reforms. Funds would support the training of a cadre of leaders in ways to improve mathematics education consistent with the results of TIMSS and the Department's strategic plan. Increased funding would allow the consortia to provide more intensive technical assistance to urban and rural school districts in planning, training, and identifying and using the best resources.

Javits Gifted and Talented Education: +\$3.5 million to support new awards for projects which improve gifted and talented education for disadvantaged students, and demonstrate improved teaching and learning strategies for all students. Passback would support only continuation costs.

National Writing Project: +\$5 million to provide funding for the National Writing Project at the 1998 level. The NWP is a nationwide professional development program to improve the teaching of writing in public schools in all disciplines and grade levels. The project has developed an

effective model of utilizing the best teachers to train other teachers and to participate in a wide range of reform efforts. This funding level will provide training for well over 100,000 new teachers in 46 States, and can be expected to leverage approximately \$40 million in nonfederal funding. Improving students' writing abilities can have a significant impact on achievement in all subject areas.

PROGRAM ADMINISTRATION

The OMB passback amount of \$354,000 is \$10.086 above the 1998 enacted level, adjusted to include funds for Indian Education Administration. This amount only covers salary and benefits cost increases of current staff—\$6.5 million—and the requested increase of \$3.5 million for Year 2000 costs. The Department is requesting the full "addback" amount of \$11.914 consistent with the OMB passback for the following:

- \$3.4 million for renovation and relocation costs in the Department's regional offices.
- \$4.4 million for Departmental costs, including postage for mailings of Departmental materials, travel and printing costs associated with the America Reads Challenge and the Partnership for Family Involvement in Education Initiatives.
- \$2.0 million for the Department's new One Pubs initiative which will consolidate all printing, storage and distribution of publications/materials in 1999 in OERI, will provide one-stop-shopping access for customers seeking Departmental publications and materials.
- \$2.1 for costs associated with the Department's network operations and maintenance. As demands for network capacity increase through implementation of EDCAPS and the Department standardizes software and re-engineers its Internet site to provide easy access to information to its customers, the costs of basic operations and maintenance increase

A total of \$21.0 million is requested above the "addback" amount for the following:

- \$1.0 for costs associated with the Millennium Project. This amount is consistent with the funds the Department is transferring to the White House this year. The interagency agreement covers a three-year period--FY 1998-2000. Since the Department was not aware of this initiative at the time the budget was submitted and that it would continue to require funding at \$1.0 million each year, no funds were requested in the budget. Therefore we are including this amount as part of our appeal.
- \$20.0 million for student aid modernization. (See separate attachment.)

We are also appealing the requirement that the \$4 million provided for Year 2000 activities be earmarked in the appropriations language. The final phase of systems assessment is currently being conducted, and the \$4 million is only an estimate at this time. Earmarking these funds

would hamper Department operations if actual costs are higher or lower. An alternative to this earmark would be to control the funds through the apportionment process.

OFFICE FOR CIVIL RIGHTS

The Department's Office for Civil Rights is at the crossroads of two of the President's highest domestic priorities—access to high quality education and improved race relations. Failure to fully fund OCR's request will adversely affect those priorities. Most fundamentally, funding at less than \$69,676,000 will return OCR to its budget plight of the mid-1990's, during which central enforcement activities were funded out of PC&B funds resulting from attrition. Specifically, less than full funding will, in effect, result in a major cut in OCR's budget devoted to civil rights enforcement because, after covering PC&B costs and common support, OCR would be left with \$2.9 million for discretionary functions (the costs associated with enforcement activities), that include travel, hiring of experts, and supporting the civil rights surveys. This represents a reduction of \$1.39 million from the FY 1998 discretionary spending level.

OFFICE OF THE INSPECTOR GENERAL

OMB's passback and is not adequate to support OIG's authorized FTE level and its efforts to help correct the Department's major systems problems, increase OIG's own capacity to operate in increasingly more complex computer environments, and to provide mandated or near-/mandated audit services. The passback will undercut OIG's long-term plan to operate at lower FTE levels (a reduction of about 60 FTE in five years) by supplementing its staff with contracts to provide state-of-the-art systems expertise.

Specifically, the passback would not allow funding of the following essential (to our mission) activities:

- EDP audit skills to evaluate and audit major Department computer systems such as SFA delivery and information systems and EDCAPS (requires approximately \$0.5 million minimum in contract funds);
- upgrades of existing ADP equipment and software based on a three-year replacement cycle to provide our staff with the tools needed in the increasingly computerized environment in which they must audit and investigate (approximately \$0.3 million);
- the legislatively-mandated audit of the Department's financial statements (requires approximately \$1.0 million in contract funds, higher than expected due to mergers of CPA firms);
- timely audits being requested by OMB and members of Congress of GPRA data and the controls over information gathering to determine the extent of reliance that can be placed on the data (requires approximately \$0.4 million in contract funds); and

- close-out audits of significant contracts (requires approximately \$0.3 million in contract funds).

In addition, the passback amount would not provide funds for the increased cost of its PC&B (\$1.2 million) and the projected increase in OIG's share of the Department's common support (\$0.2 million).

Because the OIG must properly support the staff it has in terms of travel, training and equipment, to the extent that OIG must absorb the increases in PC&B and common support, as well as any other increase, then OIG will have no choice but to further reduce its FTE which it cannot do and still be a viable deterrent to fraud, waste or abuse.

For the reasons outlined above, OIG appeals for an additional \$3.9 million.

RESPONSE TO OMB PASSBACK ON STUDENT AID MANAGEMENT

FFEL Administration: +\$2.5 million to continue support for systems initiatives. The passback level would represent flat funding for a third consecutive year on the administration of a program for which the Department needs to demonstrate continued support. In particular, these funds are needed to develop the new FFEL System. The loss of these funds will severely cripple plans to reengineer the FFEL System with CASE development tools into a relational database on the EASI model, which is currently estimated to cost \$5 million. Most importantly, this development is critical to the Department's ability to fully implement the Debt Collection Improvement Act of 1996 (DCIA). Among other things it will provide increased system capacity and functionality needed to carry out many planned initiatives. Initiatives planned in this development include determining whether NSLDS could be used to drive payments for guaranty agencies/lenders, and developing the changes needed to other systems to integrate such changes to assure compliance with A-127. The \$2.5 million in FFEL Administration funds is critical to the requirements and initiatives that need to be developed under DCIA, Credit Reform, FMFLA, and JFMIP.

Program Administration (SFA Management Issues)

The Department has a major SFA Delivery System Reengineering project underway that will provide an implementation and transition strategy for the integrated delivery system envisioned under Project EASI by June 1998. Many of the areas raised by OMB in the passback will be addressed in this document and should be included in the Modernization Board discussions regarding objectives and a multi-year implementation plan with milestones, which the Department agrees is necessary to prioritize initiatives. As OMB is aware, major strides have been made on this project in the last year and the project has high-level management support. Its objectives are to create a customer-focused system to support postsecondary education; provide a single interface with the postsecondary education community; streamline, simplify, and improve the accessibility of processes associated with postsecondary education; and reduce management and service delivery costs associated with postsecondary education. Key Project EASI objectives include streamlining SFA systems and processes, improving accountability, and decreasing costs while improving customer service, information sharing, fund disbursement and repayment, and enrollment tracking.

Student Aid Management

The Department believes that many of OMB's proposals for improving the management of the student aid programs may be worthwhile and should be explored. None of these initiatives, however, can be planned for and developed without a substantial increase in funding above the passback level.

For FY 1998, current development plans are limited to \$4 million for Project EASI, and \$1.5 million for Band Initiative Development and Title IV System Technical Support. Any other development work planned in FY 1998 is internal to current contracts and must be accomplished in relation to existing regulatory or SFA policy demands.

In FY 1999, ED plans to invest \$6 million for final development and implementation of the Single Identifier and \$500,000 for Title IV System Technical Support. It is important that the Department's request for \$20 million for modernization initiatives be approved to properly fund the initiatives that will be identified in the implementation and transition strategy and as key initiatives by the Modernization Board. Adequate funding is going to be needed to carry out the system implementation and transition strategy for the integrated delivery system envisioned under Project EASI. The system implementation and transition strategy will include the creation or continuation of initiatives that are instrumental in addressing A-127 requirements, including common data elements, common transaction processing, consistent internal controls, and efficient transaction entry. This strategy will be staged to aggressively implement key projects.

The remainder of this paper provides the Department's initial comments regarding the specific initiatives raised by OMB.

Just-in-time disbursement: The Department supports, and in fact originally proposed, just-in-time disbursements for SFA funding (driven by student-level disbursement records reported by institutions). This idea was adopted by Project EASI and is instrumental to meeting the EASI objectives of simplifying the origination, payment, and reconciliation processes for all student financial assistance programs and improving management of Federal funds to reduce excess cash at institutions and to improve the timeliness of accounting. Currently the Department plans to use the recently awarded Pell contract to support just-in-time and to be able to pilot just-in-time at institutions. The estimated cost to develop the system changes is \$600,000. This initiative is important because the Department is currently implementing EDCAPS and the Grant Administration and Payment System (GAPS) module is due to be up in March. Assuring that we integrate appropriately with GAPS will be an important part of this development.

As requested, the Department will brief OMB on preliminary implementation plans on just-in-time for Pell and Direct Loans by January 15, 1998. It is anticipated, however, that the Department will have a complete strategy for all programs when the system implementation and transition strategy is completed in June 1998. If the Pell pilot is successful, it will be important for the Department to have funding to implement this initiative for all programs. Implementation for just-in-time disbursements for Direct Loans, which involves several systems (EDExpress, Direct Loan Origination, EDCAPS), will cost an estimated \$1.5 million. In order to make just-in-time fully integrated for all aid programs a single identifier for each school must be developed and implemented for each institution. Discussions are currently taking place as to what number will be used. When the selection is made, however, the costs for implementing a single identifier across all systems except Direct Loan Origination will be approximately \$6 million. This amount is already included in the budget request. Single identifier costs for the loan origination contract would be at least an additional \$1 million.

Better use of the Internet: The Department also believes that we could better use the Internet and develop a strategy for phasing out or decreasing the use of the TIVWAN for data communications and shifting to less costly Internet communications. At this time we see real potential to reduce printing, postage, and handling costs in transmitting documents electronically

among SFA program participants. Currently we believe that the Department's electronic application on the Internet can reduce costs by as much as \$5 per application compared to the paper application process. Developing a digital or electronic signature is key to the successful completion of this initiative, however, and we appreciate OMB's initiation of meetings to address the obstacles that the Department has encountered in this area. We also look forward to working with OMB on security and other issues that need to be addressed for the Department to better use the Internet without compromising performance, customer support, and program management.

Electronic Lender Origination & Reporting: The Department agrees that it needs to take full advantage of the efficiencies offered by electronic origination and reporting in standardized formats. During the FFEL Redesign, options for reengineering data flow between lenders and guaranty agencies and the Department will be examined. The current 1130/1189/704 Redesign project will provide the foundation for new options for possibly using NSLDS to drive payments. ED and the guaranty agencies have spent considerable time and funds in improving GA reporting of loan-level data to NSLDS, and over the past year the agencies have been advised of the plan to use NSLDS data to compute payments. The GAs are working with the Department to assure that there are common definitions between NSLDS and the current billing information being gathered at a summary level.

Loan data in NSLDS is not perfect but is greatly improved. We recognize the possible advantages that having lenders reporting directly to NSLDS possibly could mean to program oversight and accountability. We have plans for pilot projects under which selected lenders will report directly to NSLDS. It is anticipated that this may be a reporting solution for high-volume lenders, providing the Department with much more timely and accurate data with which to manage the FFEL program. The Department will need to assure that processes and systems are developed/changed to handle the additional volume of interactions between a higher number of participants, because just dealing with 35 GAs has proven to be labor-intensive under the current structure.

Implementing lender reporting will require changes to data provider software for both GAs and lenders at an estimated cost of \$1 million. In addition, lenders must be trained, potential impact on the database must be analyzed, and increased data quality assurance efforts will need to be put in place at an additional cost of approximately \$500,000.

Establishing common processes and data standards for the direct and guaranteed loan programs: We agree with this principle, and under Project EASI, the Department's goal is to assure that there are common front-end processes and data standards for both direct and guaranteed loans. As we do this, however, we must also balance the objectives and statutory requirements of the programs to assure that we meet those objectives and/or make changes necessary to increase the Department's ability to access existing commercial service providers while assuring high quality and lower cost services to students and other SFA participants.

Financial Management

We will be unable to fully comply with the Debt Collection Improvement Act (DCIA) without funds to support conversion to the Grand Treasury Offset Program, which will require system changes costing an estimated \$1.5 million. We have been urged by OMB to apply to become a Debt Collection Center. If we were approved to function in this capacity, it would cost approximately \$1 million per new debt type to make necessary system changes.

NSLDS must have additional funds to support data gathering and reporting from the GAs to support implementation of Section 682.409 of the DCIA. Estimated cost for this have yet to be determined.

SUMMARY OF DEPARTMENT OF EDUCATION FY 1999 DISCRETIONARY BUDGET PASSBACK & APPEAL

04-Dec-97

	1997 Appropriation	1998 Appropriation	1999 Rev. Request	1999 Basic Passback	1999 Total Passback	1999 Appeal	Change from 1998 Appn.	Change from Basic Passback	Change from Total Passback
PRESIDENTIAL INITIATIVES, MANDATORY:									
After School Initiative (non-add)	\$0.0	\$0.0	\$400.0	\$0.0	\$0.0	\$160.0	\$160.0	\$160.0	\$160.0
School Construction (non-add)	0.0	0.0	5,000.0	1,900.0	1,900.0	6,000.0	5,000.0	3,100.0	3,100.0
NEW PRESIDENTIAL INITIATIVES, DISCRETIONARY:									
Drug Coordinator Initiative	0.0	0.0	27.0	27.0	27.0	27.0	27.0	0.0	0.0
Urban Initiative	0.0	0.0	320.0	0.0	0.0	320.0	320.0	320.0	320.0
SuperPell Grants	0.0	0.0	150.0	0.0	0.0	0.0	0.0	0.0	0.0
Early Information	0.0	0.0	20.0	0.0	20.0	20.0	20.0	20.0	0.0
School-College Partnerships	0.0	0.0	300.0	0.0	300.0	300.0	300.0	300.0	0.0
Teacher Recruitment & Preparation	0.0	0.0	67.0	67.0	67.0	67.0	67.0	0.0	0.0
Institutional Retention Grants	0.0	0.0	150.0	0.0	0.0	200.0	200.0	200.0	200.0
National Tests Development (FIE addition)	0.0	0.0	110.0	16.0	16.0	16.0	16.0	0.0	0.0
National Test Implementation (1999 advance for 2000)	0.0	0.0	0.0	50.0	50.0	50.0	50.0	0.0	0.0
Subtotal, New Presidential Initiatives, Discretionary	0.0	0.0	1,144.0	160.0	480.0	1,000.0	1,000.0	840.0	520.0
PRIOR PRESIDENTIAL INITIATIVES, DISCRETIONARY:									
Goals 2000	491.0	491.0	585.0	501.0	585.0	550.0	59.0	49.0	-35.0
School-to-Work	200.0	200.0	125.0	125.0	125.0	125.0	-75.0	0.0	0.0
Technology Literacy Challenge Fund & Grants	257.0	531.0	625.0	606.0	608.0	600.0	69.0	-6.0	-8.0
Child Literacy Initiative	0.0	0.0	290.0	80.0	80.0	80.0	80.0	0.0	0.0
Child Literacy Initiative (1998 advance for 1999)	0.0	0.0	210.0	210.0	210.0	210.0	210.0	0.0	0.0
Charter Schools	51.0	80.0	120.0	100.0	100.0	100.0	20.0	0.0	0.0
Subtotal, Prior Presidential Initiatives, Discretionary	999.0	1,302.0	1,955.0	1,022.0	1,708.0	1,665.0	363.0	43.0	-41.0
CONTINUING PRIORITIES, DISCRETIONARY:									
Other Educational Technology	48.0	53.0	55.0	53.0	53.0	63.0	10.0	10.0	10.0
Education for the Disadvantaged (Title I)	7,799.8	8,021.8	8,584.1	7,964.6	8,460.1	8,609.1	586.3	643.5	148.0
Impact Aid	730.0	808.0	718.0	696.0	696.0	718.0	-82.0	20.0	20.0
Eisenhower Professional Development	310.0	336.0	388.0	310.0	350.0	350.0	15.0	40.0	0.0
Safe and Drug-Free Schools	558.0	569.0	611.0	528.0	529.0	529.0	-27.0	0.0	0.0
Other School Improvement	508.7	570.2	254.8	206.8	238.8	242.8	-327.4	38.2	4.0
Indian Education	58.0	59.8	74.7	60.0	63.0	68.7	8.9	8.7	5.7
Bilingual and Immigrant Education	281.7	354.0	389.4	354.0	372.0	395.4	41.4	41.4	23.4
Special Education	4,036.0	4,810.6	5,052.4	4,810.6	5,052.4	5,072.4	261.6	261.6	20.0
Rehabilitation Services amount above CPIU baseline	0.0	0.0	279.9	0.0	0.0	200.0	200.0	200.0	200.0
Special Institutions	123.9	133.3	137.1	133.3	137.1	137.1	3.8	3.8	0.0
Vocational & Adult Education	1,486.5	1,507.7	1,701.0	1,483.0	1,541.0	1,667.0	159.3	204.0	128.0
Pell Grants	5,919.0	7,344.9	8,325.0	7,779.0	8,140.0	8,140.0	795.1	361.0	0.0
Other Student Aid	1,641.4	1,634.0	1,756.4	1,498.0	1,548.0	1,684.0	50.0	186.0	138.0
TRIO	500.0	529.7	588.1	530.0	543.0	560.0	30.3	30.0	17.0
Other Higher Education	379.1	414.1	448.1	403.9	403.9	482.8	46.7	58.9	58.9
Howard University	196.0	210.0	215.5	201.1	201.1	210.0	0.0	8.9	8.9
Research, Statistics, & Improvement	293.1	431.4	481.2	384.9	473.6	535.4	103.9	170.4	61.8
Federal Administration	481.0	482.9	570.4	487.0	514.1	541.0	58.0	44.0	26.8
Subtotal, Continuing Priorities, Discretionary	25,313.0	28,258.5	30,586.2	27,854.0	29,316.1	30,182.7	1,928.2	2,329.7	868.5
TOTAL, DISCRETIONARY BUDGET AUTHORITY	26,311.9	29,408.5	33,685.0	29,586.1	31,452.1	32,787.7	3,369.2	3,211.6	1,345.6
Total, Discretionary Outlays	23,601.3	25,812.5	29,505.2				-25,812.5	0.0	0.0

1 Detail does not add to total. The 1998 total excludes an additional \$159 million advance appropriation for FY 1999 (for a total of \$1.4 billion) for Title I. Title I amount includes the 1999 advance appropriation of \$1.4 billion.

2 Detail does not add to total. The 1999 Passback and Appeal totals exclude a \$50 million advance appropriation for FY 2000 for costs to administer national tests.

DEC 11 1997 11:03AM DEPT OF EDUC SEC

DEPARTMENT OF EDUCATION FISCAL YEAR 1999 BUDGET APPEAL TO OMB--INTERNAL USE ONLY

(in thousands of dollars)

Office	1997 Appra.	1998 Appra.	1999 Revised Request	1999 OMB Basic Passback	1999 OMB Add Priority Reserve	1999 OMB Total Passback	1999 ED Appeal	1999 ED Appeal change from 1998 Appra. Basic Passb. Total Passb.	1998 Appra. Amount	1998 Basic Passb. Amount	1998 Total Passb. Amount
Education Reform.....	\$995,973	\$1,275,035	\$1,390,035	\$1,285,000	\$84,000	\$1,369,000	\$1,338,035		\$63,000	\$53,035	(\$30,965)
Elementary and Secondary Education.....	10,013,241	10,280,765	16,955,669	12,083,192	570,700	12,653,892	16,411,661		6,130,896	4,328,469	3,757,769
Bilingual Education and Minority Languages Affairs	261,700	354,000	389,400	354,000	18,000	372,000	395,400		41,400	41,400	23,400
Special Education and Rehabilitative Services.....	6,674,310	7,535,168	8,125,720	7,600,269	245,487	7,845,756	8,065,845		530,677	465,576	220,089
Vocational and Adult Education.....	1,493,665	1,507,698	1,700,884	1,463,000	78,000	1,541,000	1,667,000		159,302	204,000	126,000
Postsecondary Education.....	12,724,068	14,230,713	16,182,117	14,640,546	746,492	15,387,038	15,807,831		1,577,118	1,167,285	420,793
Educational Research and Improvement.....	293,126	431,438	591,225	380,938	108,669	489,607	551,375		119,937	170,437	61,768
Program Administration.....	328,898	343,914	392,590	354,000	11,914	365,914	386,914		43,000	32,914	21,000
Office for Civil Rights.....	54,900	61,500	69,676	65,000	0	65,000	69,676		8,176	4,676	4,676
Office of the Inspector General.....	29,943	30,242	35,359	30,242	2,758	33,000	34,142		3,900	3,900	1,142
Departmental Renovation.....	0	0	22,500	0	0	0	0		0	0	0
Contributions.....	134	95	0	0	0	0	0		(95)	0	0
Receipts.....	(98,518)	0	(305,000)	(305,000)	0	(305,000)	(305,000)		(305,000)	0	0
TOTAL, DEPARTMENT OF EDUCATION.....	32,771,440	36,050,568	45,550,175	37,951,187	1,866,020	39,817,207	44,422,879		8,372,311	6,471,692	4,605,672
Total, Discretionary Funds.....	26,311,919	29,408,521	33,685,018	29,586,053	1,866,020	31,452,073	32,797,745		3,389,224	3,211,692	1,345,672
Total, Mandatory.....	6,459,521	6,642,047	11,865,157	8,365,134	0	8,365,134	11,625,134		4,983,087	3,260,000	3,260,000

NO. 021

DEPT OF EDUCATION

11:31AM

DEC.11.1997

(in thousands of dollars) Office, Account, Program and Activity	D N	1997 Actual	1998 Actual	1999 Revised Actual	1999 GME			1999 ED Actual	1999 ED Appeal change from		
					Basic Payback	Add Priority Reverts	Total Payback		1998 Appr. Actual	Basic Payrb. Actual	Total Payrb. Actual
Education Reform											
1. Goals 2000 (Goals 2000 EAA):											
(a) State and local education systemic improvement (Title III).....	D	476,000	466,000	560,000	476,000	84,000	560,000	523,000	59,000	49,000	(13,000)
(b) Parental Assistance (Title IV).....	D	15,000	25,000	25,000	25,000	0	25,000	25,000	0	0	0
Subtotal, Goals 2000.....		491,000	491,000	585,000	501,000	84,000	585,000	550,000	59,000	49,000	(13,000)
2. School-to-work opportunities (STW Opportunities Act Titles II, III and IV).....	D	199,973	200,000	125,000	125,000	0	125,000	125,000	(73,000)	0	0
3. Educational technology (ESEA III):											
(a) Technology for education (Part A):											
(1) Technology literacy challenge fund (ESEA section 1172).....	D	200,000	425,000	500,000	500,000	0	500,000	475,000	50,000	(25,000)	(25,000)
(2) Technology Innovation Challenge grants (section 1116).....	D	56,983	106,000	125,000	206,000	0	106,000	125,000	19,000	19,000	19,000
(3) Regional technology in education consortia (section 1161).....	D	10,000	10,000	10,000	10,000	0	10,000	12,000	2,000	2,000	2,000
(4) Technology leadership activities (section 1172).....	D	0	0	2,000	0	0	0	2,000	2,000	2,000	2,000
Subtotal.....		266,983	541,000	637,000	616,000	0	616,000	614,000	73,000	(2,000)	(2,000)
(b) Star schools (Part B).....	D	30,000	34,000	34,000	34,000	0	34,000	40,000	6,000	6,000	6,000
(c) Ready to learn television (Part C).....	D	7,000	7,000	7,000	7,000	0	7,000	7,000	0	0	0
(d) Telecommunications demonstration project for mathematics (Part D).....	D	1,035	2,035	2,035	2,000	0	2,000	2,035	0	35	35
Subtotal.....		303,000	584,035	680,035	659,000	0	659,000	663,035	79,000	4,035	4,035
TOTAL		894,973	1,075,035	1,265,035	1,185,000	84,000	1,269,000	1,238,035	69,000	32,035	(10,965)
Outlays.....		431,489	660,092	1,150,244	1,238,962	4,200	1,243,162	1,341,394	673,502	2,452	(1,548)

* \$200,000 thousand was provided to each of the Departments of Education and Labor. The Department of Education amount reflects a subsequent reduction of \$27 thousand for this account's share of a \$1,351 thousand cancellation of funds available to the Department for salaries and expenses.

* An identical amount is included in the budget for the Department of Labor.

* Adjusted for comparability. Funds were provided in the Education Research, Statistics, and Improvement account.

NOTE: Category Codes are as follows: D = discretionary program; M = mandatory program. The designation of programs as discretionary or mandatory is set forth in the Budget Enforcement Act of 1990.

11-01-97

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11-01-97

DEC. 11, 1997

(in thousands of dollars)	D A E	1997 Amount	1998 Amount	1999 Revised Request	1999 OMB Basic Passback	Add Priority Reserve	Total Passback	1999 ED Appeal	1999 ED Appeal change from 1998 Appro. Amount Basic Passb. Total Passb. Amount			
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION (OESE)												
Education for the Disadvantaged												
1. Grants to local educational agencies (ESEA I-A):												
(a) Basic grants:												
(1) Basic grants (section 1124(a))	D	6,169,712	6,169,712	6,270,000	6,116,000	0	6,116,000	6,196,000	0	0	0	
(2) LEA Census poverty data	D	3,500	3,500	6,000	6,000	0	6,000	6,000	0	0	0	
Subtotal, Basic grants		6,273,212	6,273,212	6,276,000	6,116,000	0	6,116,000	6,400,000	126,788	282,000	282,000	
(b) Concentration grants (section 1124A)	D	1,022,020	1,102,020	1,020,000	999,000	0	999,000	1,100,000	197,980	101,000	101,000	
(c) Targeted grants (section 1125)	D	0	0	626,000	350,000	0	350,000	200,000	200,000	[150,000]	[130,000]	
Subtotal		7,295,232	7,375,232	7,920,000	7,467,000	493,000	7,912,000	7,900,000	524,768	483,000	(17,000)	
2. Capital expenses for private school children (ESEA I section 1120(e))												
	D	41,119	41,119	0	0	0	0	10,000	(31,119)	10,000	10,000	
3. Even start (ESEA I-B)												
	D	101,992	124,000	124,000	101,992	11,000	112,992	112,992	(11,008)	11,000	0	
4. State agency programs:												
(a) Migrant (ESEA I-C)	D	305,873	305,873	330,000	305,000	25,000	330,000	330,000	24,927	25,000	0	
(b) Neglected and delinquent (ESEA I-D)	D	39,311	39,311	42,000	39,000	3,000	42,000	42,000	2,689	3,000	0	
Subtotal		344,784	344,784	372,000	344,000	28,000	372,000	372,000	27,216	28,000	0	
5. State school improvement (ESEA I-A sections 1116 and 1117)												
	D	0	0	6,000	0	6,000	6,000	6,000	6,000	6,000	0	
6. Evaluation (ESEA I-E section 1501)												
	D	6,977	6,977	10,000	6,900	3,100	10,000	10,000	3,023	3,100	0	
7. Demonstrations of comprehensive school reform (section 1502)												
	D	0	120,000	120,000	0	0	0	150,000	30,000	150,000	150,000	
Subtotal, ESEA I		7,790,104	8,012,112	8,554,000	7,919,892	493,100	8,414,992	8,562,992	550,860	693,100	148,000	

¹ Includes an advance appropriation of \$1,798,388 thousand in 1997, and \$1,466,386 thousand in 1998 and the Revised Request that becomes available on October 1 of the following fiscal year. The amount shown reflects the program level rather than the total new budget authority available in that fiscal year.

NO. 001

DEC.11.1997 11:32AM DEPT OF ED/DEP SECY

(in thousands of dollars)	D \\ H	1997 Actual	1998 Actual	1999 Revised Request	1999 OMB			1999 OMB Appeal	1999 OMB Appeal change from		
Office, Account, Program and Activity					Basic Backpack	Add Priority Backpack	Total Backpack		1998 Appro. Amount	Basic Backpack Amount	Total Backpack Amount
<u>Education for the Disadvantaged (continued)</u>											
8. Migrant education (NEA IV-A-5):											
(a) High school equivalency program.....	D	7,441	7,639	7,900	7,400	300	7,900	7,900	266	300	0
(b) College assistance migrant program.....	D	2,028	2,081	2,200	2,100	100	2,200	2,200	119	100	0
Subtotal.....		9,469	9,713	10,100	9,700	400	10,100	10,100	385	400	0
9. Transition to school.....	D	0	0	0	33,000	0	33,000	33,000	33,000	0	0
Total, Program level (non-add)....		7,799,573	8,021,877	8,566,100	7,869,592	493,500	8,468,092	8,468,092	586,263	643,500	148,000
Total, Budget authority.....		7,799,573	8,021,877	8,566,100	7,869,592	493,500	8,468,092	8,468,092	586,263	643,500	148,000
Current authority.....		6,501,167	6,572,441	7,115,714	6,516,206	493,500	7,011,706	7,153,706	586,263	643,500	148,000
Permanent authority.....		1,298,386	1,449,386	1,448,386	1,448,386	0	1,448,386	1,448,386	130,000	0	0
Outlays, current.....		6,261,876	6,051,876	6,643,882	6,316,359	19,671	6,336,030	6,366,334	1,495,098	12,175	12,500
Outlays, permanent.....		938,609	1,180,308	1,402,934	1,402,431	0	1,402,431	1,402,431	217,825	0	0

¹ Includes an advance appropriation of \$1,298,386 thousand in 1997, and \$1,448,386 thousand in 1998 and the Revised Request that becomes available on October 1 of the following fiscal year. The amount shown reflects the program level rather than the total new budget authority available in that fiscal year.

² Reflects an advance appropriation that was included in the prior year's appropriations act and which becomes available on October 1 of the fiscal year shown. The advance appropriation is scored as permanent budget authority in the year of availability.

NO. 001

DEC. 11. 1997 DEPT OF EDUCATION

(in thousands of dollars)		D N	1997 Admin.	1998 Admin.	1999 Revised Request	1999 OCE			1999 ED Actual	1999 ED Appeal change from						
Office, Account, Program and Activity						Basic Passback	Add Priority Accounts	Total Passback		1998 Appcn. Amount	Basic Passb. Amount	Total Passb. Amount				
<u>Direct Aid (655A-9711)</u>																
1. Payments for federally connected children (section 8003):																
(a) Basic support payments (section 8003(b))	D	619,500	662,000	626,000	626,000	0	626,000	666,000	(16,000)	20,000	20,000					
(b) Payments for children with disabilities (section 8003(d))	D	40,000	50,000	50,000	40,000	0	40,000	40,000	(10,000)	0	0					
(c) Payments for heavily impacted districts (section 8003(e))	D	52,000	62,000	20,000	20,000	0	20,000	20,000	(42,000)	0	0					
Subtotal		707,500	774,000	696,000	686,000	0	686,000	706,000	(44,000)	20,000	20,000					
2. Facilities maintenance (section 8006)	D	0	3,000	20,000	10,000	0	10,000	10,000	7,000	0	0					
3. Construction (section 8007)	D	5,000	7,000	0	0	0	0	0	(7,000)	0	0					
4. Payments for Federal property (section 8002)	D	17,500	24,000	0	0	0	0	0	(24,000)	0	0					
Total		730,000	808,000	716,000	696,000	0	696,000	716,000	(27,000)	20,000	20,000					
Outlays		636,476	1,007,323	733,423	722,023	0	722,023	730,423	(244,894)	16,400	16,400					

<u>School Construction</u>											
1. School construction (proposed legislation)	M		0	0	3,000,000	1,900,000	0	1,900,000	3,000,000	3,000,000	3,100,000
Total			0	0	3,000,000	1,900,000	0	1,900,000	3,000,000	3,000,000	3,100,000
Outlays			0	0	1,250,000	475,000	0	475,000	1,250,000	1,250,000	775,000

(in thousands of dollars)			1999 Revised Request	1999 CMB			1999 AD Actual	1999 AD Appeal change from		
Office, Account, Program and Activity	1997 Appro.	1998 Appro.		Basic Passback	Add Priority Requests	Total Passback		1998 Appro.	Basic Passb.	Total Passb.
School Improvement Program										
1. Professional development and program innovation:										
(a) Eisenhower professional development state grants (ESIA II-B).....	0	310,000	368,000	310,000	40,000	350,000	350,000	15,000	40,000	0
(b) Innovative education program strategies state grants (ESIA VI-A).....	0	310,000	0	0	0	0	0	(390,000)	0	0
Subtotal.....		620,000	368,000	310,000	40,000	350,000	350,000	(375,000)	40,000	0
2. Safe and drug-free schools and communities:										
(a) State grants (ESIA IV-A Subpart 1).....	0	530,978 ⁴	576,000	479,000	0	479,000	494,000	(37,000)	15,000	15,000
(b) National programs (ESIA IV-A Subpart 2).....	0	25,000 ⁴	35,000	50,000	0	50,000	35,000	10,000	(15,000)	(15,000)
(c) Coordinator initiative (ESIA IV-A, Subpart 2).....	0	0	27,000	27,000	0	27,000	27,000	27,000	0	0
Subtotal.....		555,978	638,000	556,000	0	556,000	556,000	0	0	0
3. Child literacy initiative (proposed legislation):										
(a) Annual appropriation.....	0	210,000	290,000	80,000	0	80,000	80,000	80,000	0	0
(b) 1998 advance for 1999.....	0	0	210,000	210,000	0	210,000	210,000	210,000	0	0
Subtotal.....		0	500,000	290,000	0	290,000	290,000	290,000	0	0
4. Inexpensive book distribution (ESIA X-E).....	0	10,265	12,000	12,000	0	12,000	12,000	0	0	0
5. Arts in education (ESIA X-D-II).....	0	9,000	10,500	9,500	0	9,500	10,500	0	1,000	1,000
6. Magnet schools assistance (ESIA V-A).....	0	95,000	104,000	101,000	3,000	104,000	104,000	3,000	3,000	0
7. Education for homeless children and youth (JNCEA Title VII-B).....	0	25,000	35,000	25,000	1,200	30,000	30,000	3,200	1,200	0
8. Women's educational equity (ESIA V-B).....	0	2,000	3,000	1,000	0	3,000	3,000	0	0	0
9. Training and advisory services (CNA IV).....	0	7,334	14,334	7,300	7,000	14,300	14,334	7,000	7,034	34
10. Elderly fellowships (ESIA X-G).....	0	1,500	0	0	0	0	0	(1,500)	0	0
11. Education for Native Hawaiians (ESIA IX-3).....	0	15,000	18,000	18,000	0	18,000	18,000	0	0	0
12. Alaska Native education equity (ESIA IX-C).....	0	8,000	8,000	8,000	0	8,000	8,000	0	9,000	0
13. Charter schools (ESIA X-C).....	0	50,000	120,000	100,000	0	100,000	100,000	20,000	0	0
14. Comprehensive regional assistance centers (ESIA VIII-A).....	0	25,554	27,054	27,000	13,000	40,000	40,000	12,446	13,000	0
15. Advanced placement test fees (P.L. 102-323, XV-G).....	0	3,000	6,000	0	0	0	3,000	0	3,000	1,000
16. Urban initiative (proposed legislation).....	0	0	320,000	0	0	0	320,000	320,000	320,000	320,000
17. After-school initiative (proposed legislation).....	0	0	160,000	0	0	0	160,000	160,000	160,000	160,000
Total, discretionary, current.....	0	1,425,618	1,990,834	1,462,400	72,200	1,534,600	1,534,600	107,444	346,234	321,034
Current discretionary authority... D	1,425,618	1,541,188	1,990,834	1,792,400	72,200	1,864,600	1,448,634	107,444	346,234	321,034
Permanent discretionary authority D	0	0	210,000	210,000	0	210,000	210,000	210,000	0	0
Total, mandatory authority..... M	0	0	400,000	0	0	0	160,000	160,000	160,000	160,000
Outlays, discretionary, current..	1,376,249	1,386,429	1,318,593	1,458,917	3,610	1,462,527	1,467,729	101,700	28,812	23,202
Outlays, discretionary, permanent	0	0	10,500	10,500	0	10,500	10,500	10,500	0	0
Outlays, mandatory.....	0	0	20,000	0	0	0	0,000	0,000	0,000	0,000

⁴ Reflects a reprogramming of 325,000 thousand from State Grants to National Programs.

⁵ Adjusted for comparability. Funds were provided in a separate Child Literacy Initiative account.

⁶ Funds are provided on an advance basis to become available on October 1 of fiscal year 1999, if specifically authorized by July 1, 1998. If the literacy initiative is not authorized by July 1, 1998, the funds shall be transferred to the special education account to be available on July 1, 1999, for the same purposes as that account. The advance appropriation is scored as permanent budget authority in fiscal year 1999 and is not reflected in the 1998 Conference total.

⁷ Adjusted for comparability. Funds were provided in the Higher Education account in 1998.

NOTE: Funds requested in 1998 for the Child Literacy Initiative were classified as mandatory; however, the 1998-2002 budget agreement between the President and Congress reclassified those funds as discretionary.

(in thousands of dollars)				1999	1999 OMB			1999	1999 NO Appeal change (from		
Office, Account, Program and Activity		1997	1998	Revised	Basic	Add Priority	Total	NO Appeal	1998 Appr.	Basic Passb.	Total Passb.
		APPRO.	APPRO.	REQUEST	Passback	Reserve	Passback		Amount	Amount	Amount
Indian Education											
1. Grants to local educational agencies (ISIA IK-A-1).....	D	58,050	59,750	63,000	60,000	3,000	63,000	62,000	2,250	2,000	(1,000)
2. Special programs for Indian children (ISIA IK-A-2).....	D	0	0	7,000	0	0	0	4,000	4,000	4,000	4,000
3. Special programs for Indian adults (ISIA IK-A-3).....	D	0	0	4,000	0	0	0	2,000	2,000	2,000	2,000
4. National activities (ISIA IK-A-4).....	D	0	0	735	0	0	0	735	735	735	735
TOTAL INDIAN EDUCATION		58,050	59,750	74,735	60,000	3,000	63,000	68,735	9,285	8,735	5,735
Outlays		55,969	55,025	66,883	65,115	360	65,475	66,163	11,178	1,048	680
TOTAL, OMB		10,013,241	10,280,763	16,955,469	12,093,192	570,700	12,663,892	16,411,461	6,130,896	4,028,469	2,757,769
Total, discretionary.....	D	10,013,241	10,280,763	11,555,669	10,103,192	570,700	10,753,892	11,231,461	970,896	1,068,469	897,769
Total, mandatory.....	M	0	0	5,400,000	1,900,000	0	1,900,000	5,180,000	5,160,000	3,260,000	1,260,000

^A Adjusted for comparability. Excludes \$2,943 thousand in 1997 and \$2,850 thousand in 1998 for Indian Education Federal administrative costs, which are included in the Program Administration account in 1999.

NOTE: Prior to fiscal year 1998, funds for Indian Education were provided in the Department of the Interior and Related Agencies Appropriations Acts.

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(In thousands of dollars)		D	1999		1999 OMB				1999 ED Appeal change from		
Office, Account, Program and Activity	V	1997	1998	Revised	Basic	Add Priority	Total	1999	1998 ED Appeal	Basic Passb.	Total Passb.
	M	Actual	Actual	Request	Payback	Reserve	Payback	ED Appeal	Amount	Amount	Amount
OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS (OMBELA)											
Bilingual and Immigrant Education											
1. Bilingual education (ESEA VII-A):											
(a) Instructional services (subpart 1).....	D	141,700	160,000	176,000	160,000	16,000	176,000	176,000	16,000	16,000	0
(b) Support services (subpart 2).....	D	10,000	14,000	15,400	14,000	400	14,400	14,400	400	400	0
(c) Professional development (subpart 3).....	D	9,000	23,000	27,500	25,000	1,600	26,600	30,000	23,000	23,000	23,400
Subtotal.....		158,700	197,000	218,900	199,000	18,000	217,000	240,400	41,400	41,400	23,400
2. Foreign language assistance (ESEA VII-B).....	D	5,000	5,000	5,500	5,000	0	5,000	5,000	0	0	0
3. Immigrant education (ESEA VII-C).....	D	100,000	150,000	165,000	150,000	0	150,000	150,000	0	0	0
TOTAL.....		263,700	352,000	389,400	354,000	18,000	372,000	395,400	41,400	41,400	23,400
Outlays.....		161,257	270,504	347,028	342,780	41,647	384,427	388,427	164,023	41,647	0
TOTAL, OMBELA.....		261,700	354,000	389,400	354,000	18,000	372,000	393,400	41,400	41,400	23,400

¹ Reflects a reprogramming of \$15,000 thousand from funds provided for Instructional Services; \$10,000 thousand to Support Services and \$5,000 thousand to Professional Development.

(in thousands of dollars)		1997		1998	1999	1999 CBO			1999	1999 CBO Appeal change from		
Office, Account, Program and Activity		N	1997	1998	Revised	Basic	Add Priority	Total	1999	1998 Appr.	Basic Passb.	Total Passb.
			Amount	Amount	Amount	Passback	Reserve	Passback	Ex Appeal	Amount	Amount	Amount
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES (OSERS)												
SPECIAL EDUCATION /IDEAR												
1. State grants:												
(a) Grants to States (Part B-611).....	D		3,807,922	3,801,000	3,977,393	3,801,000	176,393	3,977,393	3,977,393	176,393	176,393	0
(b) Preschool grants (Part B-619).....	D		160,409	373,983	393,309	373,983	19,324	393,309	393,309	19,324	19,324	0
(c) Grants for infants and families (Part C).....	D		319,714	150,000	359,911	350,000	9,911	359,911	380,000	30,000	30,000	20,000
(d) Studies and evaluations (section 674).....	D		1,873	4,700	12,624	6,700	5,924	12,624	12,624	5,924	5,924	0
Subtotal, State grants.....			3,789,558	4,331,685	4,743,237	4,331,685	211,532	4,743,237	4,743,326	231,641	231,641	20,089
2. National activities (Part D):												
(a) State improvement (Subpart 1).....	D		25,988	35,200	60,518	35,200	25,318	60,518	60,518	25,318	25,318	0
(b) Research and innovation (section 672).....	D		67,803	61,508	67,000	64,308	2,692	67,000	67,000	2,692	2,692	0
(c) Technical assistance and dissemination (section 683).....	D		34,337	44,356	45,356	44,356	1,000	45,356	45,356	1,000	1,000	0
(d) Personnel preparation (section 673).....	D		80,733	82,139	82,139	82,139	0	82,139	82,139	0	0	0
(e) Parent information centers (sections 682-684).....	D		19,335	18,335	21,355	18,335	2,820	21,355	21,355	2,820	2,820	0
(f) Technology and media services (section 687).....	D		30,023	34,023	32,523	34,023	(1,500)	32,523	32,523	(1,500)	(1,500)	0
Subtotal.....			250,421	278,661	309,121	278,661	30,160	309,121	309,121	30,160	30,160	0
Total.....			4,039,979	4,610,346	5,052,358	4,610,346	241,712	5,052,358	5,072,447	261,801	261,801	20,089
Outlays.....			3,303,288	3,648,566	4,340,891	4,698,660	12,086	4,710,746	4,711,751	1,063,185	13,093	1,005

NOTE: Activities and amounts for 1997 and the 1998 President's Budget have been adjusted for comparability to reflect the reauthorized Individuals with Disabilities Education Act (Public Law 105-17) enacted June 4, 1997.

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(in thousands of dollars)		1997		1999	1999 OMB			1999	1999 EO Appeal change from		
Office, Account, Program and Activity		Appro.	Amend.	Revised Request	Basic Feedback	Add Priority Request	Total Feedback	EO Request	1998 Appro. Amount	Basic Passb. Amount	Total Passb. Amount
Rehabilitation Services and Disability Research											
1. Vocational rehabilitation State grants:											
(a) Grants to States (RA I-A and sections 110 and 111...)	M	2,164,030	2,231,520	2,935,018	2,193,552	0	2,193,552	2,492,052	260,924	190,500	190,500
(b) Grants for Indians (RA I-D).....	M	12,000	19,360	15,000	17,332	0	17,332	18,032	3,472	1,500	1,500
Subtotal.....		2,176,030	2,250,880	2,950,018	2,210,884	0	2,210,884	2,510,084	264,396	200,000	200,000
2. Client assistance State grants (RA section 112).....	M	10,392	10,714	10,993	10,993	0	10,993	10,993	279	0	0
3. Training (RA sections 302 and 803).....	M	39,429	39,429	33,483	33,483	0	33,483	33,483	(3,944)	0	0
4. Special demonstration programs (RA sections 311 and 802).....	M	18,942	15,942	18,942	18,942	0	18,942	18,942	3,000	0	0
5. Migratory workers (RA section 312).....	M	1,850	2,350	2,350	2,350	0	2,350	2,350	0	0	0
6. Recreational programs (RA section 314).....	M	2,596	2,596	2,596	2,596	0	2,596	2,596	0	0	0
7. Protection and advocacy of individual rights (RA section 509).....	M	7,837	9,894	9,894	9,894	0	9,894	9,894	0	0	0
8. Projects with industry (RA VI-B).....	M	22,071	22,071	22,071	22,071	0	22,071	22,071	0	0	0
9. Supported employment State grants (RA VI-C).....	M	38,152	38,152	38,152	38,152	0	38,152	38,152	0	0	0
10. Independent living (RA VII):											
(a) State grants (Chapter 1, Part B).....	M	21,859	21,859	22,427	22,427	0	22,427	22,427	568	0	0
(b) Centers (Chapter 1, Part C).....	M	42,876	43,205	46,380	46,380	0	46,380	46,380	1,175	0	0
(c) Services for older blind individuals (Chapter 2)....	M	9,952	10,950	11,233	11,233	0	11,233	11,233	283	0	0
11. Program improvement (RA section 12).....	M	2,391	2,900	1,900	1,900	0	1,900	1,900	(1,000)	0	0
12. Evaluation (RA section 14).....	M	1,587	1,587	1,587	1,587	0	1,587	1,587	0	0	0
13. Helen Weller National Center for Deaf-Blind Youths and Adults (HWNCA).....	M	7,337	7,549	8,200	8,200	0	8,200	8,200	631	0	0
14. National Institute on Disability and Rehabilitation Research (RA II).....	M	69,990	76,000	83,000	83,000	0	83,000	83,000	8,200	0	0
15. Assistive technology (TRAIDA).....	M	36,109	36,109	30,000	30,000	0	30,000	30,000	(6,109)	0	0
Total.....	M	2,509,428	2,591,193	2,938,260	2,456,296	0	2,456,296	2,534,294	264,101	200,000	200,000
Total, discretionary.....	D	0	0	279,941	0	0	0	0	200,000	200,000	200,000
Total, mandatory baseline.....	M	2,509,428	2,591,193	2,658,319	2,456,296	0	2,456,296	2,534,294	64,101	0	0
Outlays, discretionary.....		0	0	193,859	0	0	0	160,000	160,000	160,000	160,000
Outlays, mandatory baseline		2,460,030	2,516,914	1,951,456	2,429,451	0	2,429,451	2,425,451	310,337	0	0

NOTE: Funds in this account are classified as mandatory under the rules specified in the Budget Enforcement Act of 1990. When the total for the account is different from the mandatory baseline total, the difference is scored as discretionary and is applied to the Department's discretionary total.

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11-53H1
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(in thousands of dollars)	D V M	1997 Appr.	1998 Appr.	1999 Revised Request	1999 OMB			1999 Appr.	1999 OMB Appeal change from		
Office, Account, Program and Activity					Basic Passback	Add Priority Passback	Total Passback		1998 Appr. Amount	Basic Passb. Amount	Total Passb. Amount
<u>American Priorities Review for Low Risk</u> <u>(20 U.S.C. 101 et seq.)</u>	D	6,640	6,185	8,269	6,186	83	6,269	6,269	6,185	83	0
Outlays.....		7,308	9,220	8,268	8,185	78	8,263	8,264	(956)	78	0
<u>National Technical Institute for the Deaf</u> <u>(1801-1-8 and section 112 and 107)</u>	D	43,041	44,141	45,110	44,141	869	45,010	45,110	44,141	869	0
Outlays.....		42,832	41,702	45,051	44,141	810	45,051	45,051	3,319	810	0
<u>California Polytechnic State University</u> <u>(1801-1-8 and section 107)</u>	D	79,182	81,000	83,723	81,000	2,723	83,723	83,723	79,182	2,723	0
Outlays.....		79,150	77,194	81,060	81,500	2,560	84,060	81,060	4,866	2,560	0
TOTAL, USERS.....		6,476,310	7,535,168	8,125,720	7,600,269	245,487	7,845,756	8,065,045	530,677	465,576	220,089
Total, discretionary.....	D	4,168,882	4,943,973	5,469,401	4,943,973	245,487	5,189,460	5,409,549	465,576	465,576	220,089
Total, mandatory.....	M	2,307,428	2,591,195	2,656,319	2,656,296	0	2,656,296	2,655,496	65,101	0	0

(In thousands of dollars)		D V M	1997 Appro.	1998 Appro.	1999 Revised Request	1999 OMB			1999 ID Appeal	1999 ID Appeal change from			
Office, Account, Program and Activity						Basic Passback	Add Priority Reserve	Total Passback		1999 Appro. Amount	Basic Passb. Amount	Total Passb. Amount	
OFFICE OF VOCATIONAL AND ADULT EDUCATION (OVAE)													
Vocational and Adult Education													
1. Vocational education (Carl D. Perkins VAEA):													
(a) Basic grants:													
(1) Basic State grants (Title II).....	D		998,056	1,009,857	1,099,696	955,410	55,020	1,010,430	1,046,625	34,773	91,215	36,195	
(2) Territorial set-aside (section 101A).....	D		2,050	2,082	0	0	0	0	0	(2,082)	0	0	
(3) Indian and Hawaiian natives set-aside [section 103].....	D		15,436	15,446	22,188	18,093	980	20,073	21,875	6,259	3,782	1,802	
Subtotal.....			1,015,550	1,027,550	1,121,884	974,503	56,000	1,030,503	1,068,500	40,950	95,000	37,997	
(b) Tech-prep education (VAEA III-B).....	D		100,000	103,000	125,000	103,000	0	103,000	111,000	12,000	12,000	12,000	
(c) National programs:													
(1) Research and evaluation (VAEA IV-A).....	D		13,497	13,497	21,000	13,497	0	13,497	16,500	3,003	3,003	3,003	
(2) Industry partnerships for youth (proposed legislation).....	D		0	0	0	0	0	0	50,000	50,000	50,000	50,000	
Subtotal.....			13,497	13,497	21,000	13,497	0	13,497	66,500	53,003	53,003	53,003	
(d) Tribally controlled postsecondary vocational institutions (VAEA III-B).....	D		2,919	3,100	0	0	0	0	0	(3,100)	0	0	
Subtotal, annual.....			1,131,966	1,147,147	1,247,884	1,091,000	56,000	1,147,000	1,250,000	107,853	159,000	103,000	
(e) Permanent appropriation (Smith-Rugby Act):													
(1) Basic grants.....	M		6,848	0	0	0	0	0	0	0	0	0	
(2) Territorial set-aside.....	M		14	0	0	0	0	0	0	0	0	0	
(3) Indian and Hawaiian natives set-aside.....	M		107	0	0	0	0	0	0	0	0	0	
(4) Research.....	M		179	0	0	0	0	0	0	0	0	0	
Subtotal, permanent.....			7,148	0	0	0	0	0	0	0	0	0	
Subtotal, vocational education.....			1,139,114	1,147,147	1,247,884	1,091,000	56,000	1,147,000	1,250,000	107,853	159,000	103,000	
2. Adult Education:													
(a) State grants (AEA B).....	D		360,339	365,339	420,000	359,500	21,500	381,000	384,000	18,461	24,500	3,000	
(b) Evaluation and technical assistance (AEA sections 341 and 381(a) and (b)).....	D		4,998	4,998	7,000	6,500	500	7,000	27,000	22,002	20,500	20,000	
(c) National Institute for Literacy (AEA section 381(c))	D		4,491	5,491	6,000	6,000	0	6,000	6,000	509	0	0	
(d) Literacy program for prisoners (National Literacy Act section 601).....	D		4,723	4,723	0	0	0	0	0	(4,723)	0	0	
Subtotal, Adult education.....			394,551	390,551	433,000	372,000	22,000	394,000	417,000	54,469	65,000	23,000	
Subtotal, annual.....			1,486,517	1,507,698	1,700,884	1,463,000	78,000	1,541,000	1,667,000	159,302	204,000	126,000	
Subtotal, permanent.....			7,148	0	0	0	0	0	0	0	0	0	
TOTAL.....			1,493,665	1,507,698	1,700,884	1,463,000	78,000	1,541,000	1,667,000	159,302	204,000	126,000	
TOTAL OVAE.....			1,493,665	1,507,698	1,700,884	1,463,000	78,000	1,541,000	1,667,000	159,302	204,000	126,000	
Total, discretionary.....	D		1,486,517	1,507,698	1,700,884	1,463,000	78,000	1,541,000	1,667,000	159,302	204,000	126,000	
Total, mandatory.....	M		7,148	0	0	0	0	0	0	0	0	0	
Outlays, discretionary.....			1,399,123	1,331,492	1,503,759	1,491,809	3,000	1,495,709	1,501,009	169,517	0,200	5,300	
Outlays, mandatory.....			7,245	6,255	7,144	2,144	0	2,144	2,144	(6,109)	0	0	

¹ Under proposed legislation, Territories receive funds from the Basic State Grants formula, not from a separate set-aside.

² Under proposed legislation, tribally controlled postsecondary vocational institutions will receive funding under the Indian/Native Hawaiian set-aside under Basic State Grants.

(in thousands of dollars)			O M	1997 Appr.	1998 Appr.	1999 Revised Request	1999 CNO			1999 ED Appeal	1999 ED Appeal change from		
Office, Account, Program and Activity							Basic Payback	Add Priority Reserve	Total Payback		1998 Appr.	Basic Payab.	Total Payab.
OFFICE OF POSTSECONDARY EDUCATION (OPE)													
~~Federal Financial Assistance~~													
1. Federal Pell grants:													
(a) Federal Pell grants (HEA IV-A-1).....	O	5,919,000	7,344,934	8,325,000	7,779,000	361,000	8,140,000	8,140,000	795,066	361,000	0		
Prior-year surplus used (non-add).....	O	394,000	96,250	0	0	0	0	0	(96,250)	0	0		
(b) Supplement grants (proposed legislation).....	O	0	0	150,000	0	0	0	0	0	0	0		
Subtotal, budget authority.....		5,919,000	7,344,934	8,475,000	7,779,000	361,000	8,140,000	8,140,000	795,066	361,000	0		
Subtotal, program cost (non-add).....		6,313,000	7,441,184	8,271,000	7,779,000	361,000	8,140,000	8,140,000	698,816	361,000	0		
Maximum award (in whole dollars).....		2,700	3,000	3,150	3,100	0	3,100	3,100	100	0	0		
Subtotal, Pell grants.....		5,919,000	7,344,934	8,475,000	7,779,000	361,000	8,140,000	8,140,000	795,066	361,000	0		
2. Campus-based programs:													
(a) Federal supplemental educational opportunity grants (HEA IV-A-3).....	O	583,407	614,000	683,407	583,000	0	583,000	684,000	70,000	101,000	101,000		
(b) Federal work-study (HEA IV-C).....	O	830,000	830,000	885,000	885,000	0	885,000	885,000	95,000	0	0		
(c) Federal Perkins loans (HEA IV-E):													
(1) Capital contributions.....	O	158,000	135,000	155,000	0	0	0	85,000	(50,000)	85,000	85,000		
(2) Loan cancellations.....	O	20,000	30,000	30,000	30,000	0	30,000	30,000	0	0	0		
Subtotal.....		178,000	165,000	185,000	30,000	0	30,000	115,000	(50,000)	85,000	85,000		
Subtotal, campus-based programs.....		1,591,407	1,609,000	1,754,407	1,498,000	0	1,498,000	1,684,000	75,000	186,000	186,000		
3. State student incentive grants (HEA IV-A-4).....	O	50,000	25,000	0	0	0	0	0	(25,000)	0	0		
4. Early information (proposed legislation).....	O	0	0	20,000	0	20,000	20,000	20,000	20,000	20,000	0		
5. Financial aid field studies.....	O	0	0	0	0	50,000	50,000	0	0	0	(50,000)		
Total.....		7,560,407	8,978,934	10,254,407	9,277,000	411,000	9,708,000	9,914,000	835,066	567,000	176,000		
Outlays.....		7,248,242	8,435,485	9,057,947	9,053,112	179,600	9,232,712	9,165,812	730,427	112,800	(6,400)		
Reflects a minimum Pell award of \$400 at all levels.													
1999 Revised Request is \$204 million above expected program costs.													
Reflects the estimate prepared for Mid-Session Review of the Budget (September 1997).													
~~Federal Perkins Loans Revolving Fund (HEA IV-E-2)(104-167)~~													
Federal Perkins loans collections (non-add).....	M	0	(50,000)	(50,000)	(50,000)	0	(50,000)	(50,000)	0	0	0		
Outlays.....		0	(2,175)	(50,000)	(50,000)	0	(50,000)	(50,000)	(47,825)	0	0		

(in thousands of dollars)		B N	1997 Appro.	1998 Appro.	1999 Revised Request	1999 CMB			1999 EO Annual	1999 EO Appeal change from						
Office, Account, Program and Activity						Basic Payback	Add Priority Reserve	Total Payback		1998 Appr.	Basic Payab.	Total Payab.				
										Amount	Amount	Amount				
<u>Federal Family Education Loan Program Account</u>																
1. Family education loans (HEA IV-B) (permanent authority).....		M	0	0	0	0	0	0	0	0	0	0	0			
Total, FY98 (liquidation) (permanent authority).....			0	0	0	0	0	0	0	0	0	0	0			
Outlays.....			203,061	(136,601)	(270,726)	(270,726)	0	(270,726)	(270,726)	(136,125)	0	0	0			
<u>Federal Family Education Loan Program Account</u>																
1. New loan subsidies (HEA IV-B) (permanent authority).....		M	3,198,139	3,070,799	2,719,073	2,719,073	0	2,719,073	2,719,073	(331,726)	0	0	0			
2. Reestimate of existing loans.....		M	98,038	0	0	0	0	0	0	0	0	0	0			
Subtotal.....			3,296,217	3,070,799	2,719,073	2,719,073	0	2,719,073	2,719,073	(331,726)	0	0	0			
3. Federal administration (HCRA section 503(e)).....		D	46,482	46,482	48,974	46,482	2,492	48,974	48,974	2,492	2,492	0	0			
Total, FY98 Program.....			3,342,699	3,117,281	2,768,047	2,765,555	2,492	2,768,047	2,768,047	(331,726)	2,492	0	0			
Outlays, discretionary.....			45,441	46,637	46,350	46,350	0	46,350	46,350	1,713	0	0	0			
Outlays, mandatory.....			2,904,768	2,753,363	2,595,494	2,595,494	0	2,595,494	2,595,494	(287,889)	0	0	0			
Total, FY98.....			3,342,699	3,117,281	2,768,047	2,765,555	2,492	2,768,047	2,768,047	(331,726)	2,492	0	0			
Total, discretionary.....		D	46,482	46,482	48,974	46,482	2,492	48,974	48,974	2,492	2,492	0	0			
Total, mandatory.....		M	3,296,217	3,070,799	2,719,073	2,719,073	0	2,719,073	2,719,073	(331,726)	0	0	0			
<u>Federal Direct Student Loan Program Account</u>																
1. New loan subsidies (HEA IV-D section 451) (permanent authority).....		M	346,769	504,958	814,265	814,265	0	814,265	814,265	309,707	0	0	0			
2. Reestimate of existing loans.....		M	(82,137)	0	0	0	0	0	0	0	0	0	0			
Subtotal.....			284,632	504,958	814,265	814,265	0	814,265	814,265	309,707	0	0	0			
J. Federal administration (HEA IV-D section 458):																
(a) Federal administration (permanent authority).....		M	491,000	507,000	610,000	610,000	0	610,000	610,000	103,000	0	0	0			
(b) Payments for services to guaranty agencies (non-add).....		M	190,418	170,000	170,000	170,000	0	170,000	170,000	0	0	0	0			
(c) Transfer from BIAF account (HEA section 422(b)) (non-add).....		M	0	23,000	0	0	0	0	0	(23,000)	0	0	0			
Subtotal, resources available (non-add).....			491,000	532,000	610,000	610,000	0	610,000	610,000	78,000	0	0	0			
Subtotal, budget authority....			491,000	507,000	610,000	610,000	0	610,000	610,000	103,000	0	0	0			
Total, FY98.....			775,632	1,031,958	1,424,265	1,424,265	0	1,424,265	1,424,265	412,707	0	0	0			
Outlays, Total.....			519,290	924,413	1,199,369	1,199,369	0	1,199,369	1,199,369	274,736	0	0	0			
Outlays, Federal admin.—mandatory.....			427,230	488,370	562,458	562,458	0	562,458	562,458	63,088	0	0	0			
Outlays, loan subsidies—mandatory.....			201,051	425,043	636,711	636,711	0	636,711	636,711	211,658	0	0	0			

(In thousands of dollars)		D V M	1997 Appro.	1998 Appro.	1999 Revised Request	1999 OMB			1999 OMB Appeal	1999 OMB Appeal change from						
Office, Account, Program and Activity						Basic Passback	Add Priority Reserve	Total Passback		1998 Appro.	Basic Passb. Amount	Total Passb. Amount				
Higher Education																
1. Aid for institutional development (HEA III):																
(a) Strengthening institutions (Part A).....	D		55,450	55,450	60,000	60,000	0	60,000	60,000	4,550	0	0				
(b) Strengthening HBCUs (Part B section 323).....	D		108,990	110,995	124,000	124,000	0	124,000	120,000	11,505	4,000	6,000				
(c) Strengthening historically black graduate institutions (Part B section 324).....	D		19,606	25,000	25,000	25,000	0	25,000	25,000	0	0	0				
(d) Hispanic-serving institutions (Part A section 316)...	D		10,600	12,000	28,000	28,000	0	28,000	28,000	14,000	0	0				
(e) Endowment challenge grants HBCU set-aside (Part C section 331).....	D		0	0	0	0	0	0	0	0	0	0				
(f) Strengthening tribal colleges (proposed legislation)	D		0	0	3,000	3,000	0	3,000	3,000	3,000	0	0				
(g) Minority science improvement (HEA X-B-1/proposed legislation).....	D		3,255	3,255	7,500	7,500	0	7,500	7,500	2,245	0	0				
Subtotal.....			200,101	216,200	245,500	249,500	0	249,500	255,500	39,300	4,000	6,000				
2. Program development:																
(a) Fund for the Improvement of Postsecondary Education (HEA X-A).....	D		10,000	23,200	27,700	20,000	0	20,000	30,200	3,000	10,200	10,200				
(b) International education and foreign language studies:																
(1) Domestic programs (HEA VI-A and B).....	D		53,481	53,981	60,372	46,311	0	46,311	55,000	1,619	8,689	8,689				
(2) Overseas programs (Fulbright-Hays Act (section 102(b)(6))).....	D		3,270	3,770	10,750	3,770	0	3,770	6,770	1,000	1,000	1,000				
(3) Institute for International Public Policy (HEA VI-C).....	D		1,000	1,000	1,300	0	0	0	1,000	0	1,000	1,000				
Subtotal.....			58,751	60,351	72,422	52,081	0	52,081	62,770	7,619	10,689	10,689				
(c) Urban community service (HEA XI-A).....	D		9,200	4,900	0	0	0	0	0	(4,900)	0	0				
(d) School-college partnerships (proposed legislation)...	D		0	0	300,000	0	300,000	300,000	300,000	300,000	300,000	0				
3. Minority teacher recruitment/Teacher recruitment and preparation (HEA V-E-2/proposed legislation).....																
4. Intergovernmental grants (HEA VII section 702).....	D		13,477	13,700	13,000	13,000	0	13,000	13,000	(700)	0	0				
5. Mary McLeod Bethune Memorial Pine Arts Center (Pub.L. 102-423).....																
6. Edmund S. Masbie Foundation (Human Rights, Refugee, and Other For. Rel. Grow. Act, section 501).....	D		1,000	0	0	0	0	0	0	0	0	0				
7. Calvin Coolidge Memorial Foundation (Human Rights, Refugee and Other For. Rel. Grow. Act, section 502)...																
8. Claiborne Pell Institute for International Relations and Public Policy (Claiborne Pell IIRPP Act).....	D		3,000	0	0	0	0	0	0	0	0	0				

(in thousands of dollars)	D	1997	1998	1999	1999 OMB			1999 ED Appeal	1999 ED Appeal change from		
Office, Account, Program and Activity	N	Appro.	Appro.	Revised Estimate	Basic Passback	Add Priority Estimate	Total Passback		1998 Appro.	Basic Passb. Amount	Total Passb. Amount
Higher Education (continued)											
9. Aid to students:											
(a) Federal FRO programs (HEA IV-A-2, Chapter 1).....	D	999,994	529,647	586,067	530,000	13,000	543,000	540,000	30,333	30,000	17,000
(b) National early intervention scholarships and partnerships (HEA IV-A-2, Chapter 2).....	D	1,600	3,600	0	0	0	0	0	(3,600)	0	0
(c) Byrd honors scholarships (HEA IV-A-6).....	D	29,117	39,288	39,288	39,288	0	39,288	39,288	0	0	0
(d) George Bush fellowships (George Bush School of Government and Public Services Act).....	D	3,000	0	0	0	0	0	0	0	0	0
(e) Javits fellowships (HEA IX-C).....	D	5,931	0	0	0	0	0	0	0	0	0
(f) Graduate assistance in areas of national need (HEA IX-D).....	D	24,069	30,000	0	0	0	0	0	(30,000)	0	0
(g) National need graduate fellowships (proposed legislation).....	D	0	0	50,000	30,000	0	30,000	30,000	30,000	20,000	20,000
10. State grants for incarcerated youth offenders (HEA X-B).....	D	0	12,000	0	0	0	0	12,000	0	12,000	12,000
11. Institutional retention grants (proposed legislation).....	D	0	0	150,000	0	0	0	200,000	200,000	200,000	200,000
Total.....		899,048	645,738	1,251,115	1,000,868	13,000	1,013,868	1,049,158	446,820	336,880	279,863
Outlays.....		876,944	635,672	1,002,713	930,503	37,560	968,063	1,008,170	159,198	70,867	33,107

* Funds provided for Graduate Assistance in Areas of National Need also are available for Harris Fellowships accompanying continuation awards for academic year 1997-98. \$4,118 thousand was used for Harris Fellowships.

* Includes \$5,131 thousand provided for Javits Fellowships accompanying continuation awards and new awards.

* Adjusted for comparability. Excludes \$3,000 thousand for Advanced Placement fees, which is proposed for funding in 1999 under the School Improvement Programs account.

NOTE: All activities authorized under the Higher Education Act and for which funds are proposed to fiscal year 1999 were requested under proposed legislation.

(In thousands of dollars)			1997	1998	1999	1999 OMB	1999	1999	1999 EO Annual	1998 EO Annual	Basic Payab.	Total Payab.
Office, Account, Program and Activity	D M	Enact.	Enact.	Revised Request	Basic Payback	Add Priority Requests	Total Payback	EO Annual	Amount	Amount	Amount	Amount
Howard University												
1. Howard University Hospital (20 U.S.C. 128).....	D		29,489	29,489	30,256	30,256	0	30,256	19,469	0	(767)	(767)
2. General support (20 U.S.C. 121 et seq. and PL 98-480)....	D		186,311	180,311	185,204	170,640	0	170,640	180,311	0	9,671	9,671
TOTAL			196,000	210,000	215,460	201,096	0	201,096	210,000	0	9,671	9,671
Outlays			199,223	202,687	215,132	201,630	0	201,630	210,000	7,313	8,370	8,370
Higher Education Facilities Loans and Grants Program												
TOTAL	M		(2,500)	(2,500)	(2,500)	(2,500)	0	(2,500)	(2,500)	500	0	0
Outlays			(2,500)	(2,500)	(2,500)	(2,500)	0	(2,500)	(2,500)	0	0	0
College-Borrower and Academic Facilities Loans Program												
1. Interest subsidy payments (EIA VII-C) (permanent authority).....	M		3,000	3,000	3,000	3,000	0	3,000	3,000	0	0	0
TOTAL			3,000	3,000	3,000	3,000	0	3,000	3,000	0	0	0
Outlays			3,000	3,000	3,000	3,000	0	3,000	3,000	0	0	0
College-Borrowing and Academic Facilities Loans Program												
1. Federal administration (FCRA section 505(e)).....	0		499	698	1,163	1,163	0	1,163	1,163	467	0	0
TOTAL			499	698	1,163	1,163	0	1,163	1,163	467	0	0
Outlays, Total			1,611	1,019	1,118	1,118	0	1,118	1,118	98	0	0
Outlays, loan subsidies			906	318	946	946	0	946	946	628	0	0
Outlays, Federal administration			705	701	172	172	0	172	172	(529)	0	0
Total, CBAPL			3,698	3,698	4,165	4,165	0	4,165	4,165	467	0	0

No loan authority.

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(In thousands of dollars)	D V M	1997 Amount	1998 Amount	1999 Revised Amount	1999 OMB			1999 EO Approval	1999 EO Approval change from 1998 Appr. Basic Payab. Total Payab.		
Office, Account, Program and Activity					Basic Payback	Add Priority Reserve	Total Payback		Amount	Amount	Amount
~~College Housing Loans (NRA-VTC-C) (140104000)~~	~~M~~	~~(10,000)~~	~~(10,000)~~	~~(10,000)~~	~~(10,000)~~	~~0~~	~~(10,000)~~	~~(10,000)~~	~~0~~	~~0~~	~~0~~
Outlays.....		(10,000)	(10,000)	(10,000)	(10,000)	0	(10,000)	(10,000)	0	0	0
~~Historically Black College and University Graduate Education Program Account (NRA-VTC-B)~~											
1. Federal administration (PCRA section 305(e)).....	D	104	104	96	96	0	96	94	(8)	0	0
TOTAL DISCRETIONARY.....		104	104	96	96	0	96	94	(8)	0	0
Outlays.....		104	104	104	104	0	104	104	(24)	0	0
TOTAL, OPE.....		12,724,068	14,230,713	14,192,117	14,640,546	746,492	15,387,038	15,907,831	1,517,118	1,167,285	(40,793)
Total, discretionary.....	D	8,682,739	10,179,956	12,068,179	10,526,708	746,492	11,273,200	11,690,993	1,516,037	1,167,285	(40,793)
Total, mandatory.....	M	4,041,329	4,050,757	2,123,938	4,113,838	0	4,113,838	4,216,838	63,081	0	0

* No loan authority.

(in thousands of dollars)		D V M	1997			1999			1999 OMB			1999 EO Annual	1999 EO Appeal change from		
Office, Account, Program and Activity			1997 Appro.	1998 Appro.	1999 Revised Amount	Basic Passback	Add Priority Reactive	Total Passback	1999 EO Annual	1998 Appro. Amount	Basic Amount		Total Amount		
OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT (OEIR)															
~~Education Research Initiative and Statistics~~															
1. Research, development and dissemination (EAOBIA):															
(a) National education research institutes (Part C)....		D	54,000	53,782	160,000	53,782	0	53,782	56,000		2,218	2,218	2,218		
(b) Regional educational laboratories (Section 941(b)).		D	51,000	56,000	56,000	56,000	0	56,000	56,000		0	0	0		
(c) National dissemination activities (Section 941(a)-(g) and Part E).....		D	18,567	18,785	22,475	18,785	0	18,785	22,475		3,690	3,690	3,690		
Subtotal.....			123,567	128,567	178,475	128,567	0	128,567	134,475		5,908	5,908	5,908		
2. Education research initiative.....		D	0	0	0	0	50,000	50,000	50,000		50,000	50,000	0		
3. Statistics (NIESA).....		D	50,000	59,000	72,250	61,600	6,400	68,000	68,000		9,000	6,400	0		
4. Assessment:															
(a) National assessment (NIESA section (II)).....		D	29,732	32,000	36,500	32,000	4,000	36,000	36,300		4,300	4,300	300		
(b) National Assessment Governing Board (NIESA section (I2)).....		D	2,865	3,471	3,500	3,471	529	4,000	4,000		529	529	0		
Subtotal.....			32,617	35,471	40,000	35,471	4,529	40,000	40,300		4,829	4,829	300		
5. Eisenhower professional development Federal activities (ESEA II-A).....		D	13,742	23,300	60,000	23,300	36,700	60,000	60,000		36,700	36,700	0		
6. Fund for the Improvement of Education:															
(a) Improvement activities (ESEA X-A).....		D	40,000	83,100	125,000	60,000	0	60,000	83,100		0	23,100	23,100		
National tests development (non-add).....		D	12,000	14,000	110,000	16,000	0	16,000	16,000		0	0	0		
(b) Costs for administering national tests (ESEA X-A).....		D	0	0	0	50,000	0	50,000	50,000		50,000	0	0		
(c) Comprehensive school reform (ESEA X-A) and Pub.L. 105-78).....		D	0	25,000	25,000	0	0	0	25,000		0	25,000	25,000		
Subtotal.....			40,000	109,100	130,000	60,000	0	60,000	108,100		0	48,100	48,100		
7. Javits gifted and talented education (ESEA X-B).....		D	3,000	6,500	10,000	6,500	0	6,500	10,000		3,500	3,500	3,500		
8. Eisenhower regional mathematics and science education consortia (ESEA XIII-C).....		D	15,000	15,000	25,000	15,000	10,000	25,000	25,000		10,000	10,000	0		
9. 21st Century community learning centers (ESEA X-I).....		D	1,000	40,000	40,000	40,000	1,040	41,040	40,000		0	0	(1,040)		
10. National writing project (ESEA X-II).....		D	3,100	5,000	5,000	0	0	0	5,000		0	5,000	5,000		
11. Civic education (ESEA section 10601).....		D	4,500	3,500	3,500	3,500	0	3,500	3,500		0	0	0		
12. International education exchange (Goals 2000 ESEA title VII).....		D	3,000	3,000	5,000	5,000	0	5,000	5,000		0	0	0		
TOTAL, OEIR.....			223,326	431,438	591,225	380,138	108,469	489,607	531,375		119,937	170,437	61,168		
Outlays.....			340,060	588,238	498,781	475,566	30,101	505,667	518,860		(69,378)	39,234	9,193		
TOTAL, OEIR.....			283,126	431,438	591,225	380,938	108,469	489,607	531,375		119,937	170,437	61,168		

* Funds are requested on an advance basis to become available on October 1 of fiscal year 2000. The advance appropriations is scored as permanent budget authority in fiscal year 2000 and is not reflected in the 1999 totals for the Department.

* Adjusted for comparability. Includes \$305,000 thousand for Educational Technology activities, which were appropriated in 1998 and are requested in 1999 in the Education Reform account.

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(In thousands of dollars) Office, Account, Program and Activity	D V H	1997			1998			1999			1999 OMB			1999			1999 ED Appral change from		
		1997	1998	1999	1997	1998	1999	1997	1998	1999	Basic	Add Priority	Total	1999	1998	1999	1998 Appr.	Basic Passb.	Total Passb.
		Amount	Amount	Revised	Amount	Amount	Revised	Amount	Amount	Amount	Passback	Reserve	Passback	ED Appral	ED Appral	ED Appral	Amount	Amount	Amount
DEPARTMENTAL MANAGEMENT:																			
Program Administration (DEDA, section 202).....	D	328,898	343,914	392,390	351,000	344,834	344,834	11,914	345,914	345,914	345,914	5,719	350,553	346,633	43,000	32,914	27,695	15,799	10,000
Outlays.....		322,123	337,838	368,281	344,834	344,834	344,834	0	345,000	345,000	345,000	0	345,000	345,000	0	0	0	0	0
Office for Civil Rights (DEDA, section 203).....	D	58,900	61,500	69,678	65,000	62,407	62,407	0	65,000	65,000	65,000	0	65,000	65,000	0	0	0	0	0
Outlays.....		58,162	58,361	66,215	62,407	62,407	62,407	0	62,407	62,407	62,407	0	62,407	62,407	0	0	0	0	0
Office of the Inspector General (DEDA, section 212).....	D	29,913	30,242	35,359	30,242	30,242	30,242	7,733	31,000	31,000	31,000	1,724	31,359	31,007	3,900	3,900	1,000	1,072	1,162
Outlays.....		30,181	30,807	33,179	30,242	30,242	30,242	0	30,242	30,242	30,242	0	30,242	30,242	0	0	0	0	0
Departmental Renovation (DEDA, section 207).....	D	0	0	22,500	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Outlays.....		1,162	5,741	5,623	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total, DEPARTMENTAL MANAGEMENT:		416,711	435,656	525,322	449,242	449,242	449,242	19,647	481,914	481,914	481,914	7,443	489,357	487,640	55,078	41,886	28,695	16,871	11,162
CONTRIBUTIONS:																			
Outlays.....	H	158	125	79	79	79	79	0	79	79	79	0	79	79	0	0	0	0	0
RECEIPTS:																			
1. Proprietary receipts.....	H	(14,482)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Title guaranty agency reserve recoveries.....	H	(51,056)	0	(303,000)	(303,000)	(303,000)	(303,000)	0	(303,000)	(303,000)	(303,000)	0	(303,000)	(303,000)	(303,000)	0	0	0	0
Total:		(65,538)	0	(303,000)	(303,000)	(303,000)	(303,000)	0	(303,000)	(303,000)	(303,000)	0	(303,000)	(303,000)	(303,000)	0	0	0	0
OUTLAYS:		(64,376)	0	(303,000)	(303,000)	(303,000)	(303,000)	0	(303,000)	(303,000)	(303,000)	0	(303,000)	(303,000)	(303,000)	0	0	0	0
CHILDS LITERACY INITIATIVE:		300	2,071	2,300	2,300	2,300	2,300	0	2,300	2,300	2,300	0	2,300	2,300	15,739	0	0	0	0
BUDGET AUTHORITY TOTAL, EDUCATION DEPARTMENT:		322,721,460	343,950,344	425,550,172	371,951,192	371,951,192	371,951,192	1,814,020	484,214,192	484,214,192	484,214,192	7,443	491,657,192	491,657,192	70,812,879	41,886	28,695	16,871	11,162
Budget Authority, Discretionary Funds.....	D	26,311,919	29,408,321	33,631,010	29,486,033	29,486,033	29,486,033	0	31,452,023	31,452,023	31,452,023	0	31,452,023	31,452,023	0	0	0	0	0
Budget Authority, Mandatory.....	H	6,459,321	6,442,047	11,889,159	6,365,134	6,365,134	6,365,134	0	6,365,134	6,365,134	6,365,134	0	6,365,134	6,365,134	0	0	0	0	0
OUTLAYS TOTAL, EDUCATION DEPARTMENT:		29,823,637	31,361,836	35,818,822	35,774,938	35,774,938	35,774,938	283,330	36,058,268	36,058,268	36,058,268	283,330	36,341,598	36,341,598	1,162,288	783,000	783,000	783,000	783,000
Outlays, Discretionary Funds.....	D	23,757,353	25,301,321	29,554,003	29,335,378	29,335,378	29,335,378	0	29,618,654	29,618,654	29,618,654	0	29,618,654	29,618,654	0	0	0	0	0
Outlays, Mandatory.....	H	6,066,284	6,060,515	6,264,819	6,439,560	6,439,560	6,439,560	0	6,439,614	6,439,614	6,439,614	0	6,439,614	6,439,614	0	0	0	0	0

- * Adjusted for comparability. Includes \$2,813 thousand in 1997 and \$2,850 thousand in 1998 for Indian Education Federal administrative costs, which were provided under the Indian Education account.
- * Excludes \$762 thousand transferred to the Institute of Museum and Library Services on July 20, 1997, for administrative costs of library programs.
- * Excludes a total of \$136,431 thousand for library programs, which were transferred to the Institute of Museum and Library Services (IMLS) on July 20, 1997, pursuant to section 214 of the Museum and Library Services Act of 1996: \$262 thousand in the Program Administration account and \$136,169 thousand in the Libraries account.
- * Includes an advance appropriation of \$1,448,388 thousand under the Education for the Disadvantaged account that becomes available on October 1 of fiscal years 1999 and 2000, respectively.
- * Includes an advance appropriation of \$210,000 thousand for the Child Literacy Initiative that becomes available on October 1 of fiscal year 1999.

NOTE: Amounts for receipts reflect current estimates.



UNITED STATES DEPARTMENT OF EDUCATION

THE SECRETARY

September 9, 1997

PHOTOCOPY
PRESERVATION

Honorable Franklin D. Ral
Director
Office of Management and Budget
Washington, DC 20503

Dear Frank:

With this letter I am submitting my 1999 budget request for the Department of Education.

As you know, education continues to rank as one of President Clinton's highest priorities. During a recent press conference following the signing of the balanced budget agreement, the President said that "our common mission must be to prepare our people for the 21st century." The President identified the following as his first big challenge "beyond the balanced budget:"

We must continue to invest in the education and training of our people and we must succeed in our push for high national standards and tests to make sure students, our schools, and our teachers are doing the job.

It is clear to me from this statement that even as he celebrated the historic balanced budget legislation, President Clinton recognized both that much is left to be done as the Nation approaches the next millennium and that investing in education must be a critical priority. I emphasize this because after the truly outstanding legacy that the President has built in the area of education, it might seem natural that he would turn his attention to other challenges. After all, in addition to his comprehensive education reform legislation — the Goals 2000: Educate America Act, the Improving America's Schools Act, the School-to-Work Opportunities Act, and the Student Loan Reform Act — and his successful efforts to transform attacks on the very existence of the Department of Education into strong, bipartisan support for significantly increased Federal investment in education, President Clinton has now delivered the largest increase in Federal support for college in the 50 years since the GI Bill.

I think you know as well as I do, however, that when it comes to education Bill Clinton has no intention of resting on his laurels. He understands the vital importance of our education enterprise for the Nation's future, and is determined to finish the job he started. My 1999 budget request for the Department of Education reflects that same understanding and determination. The request includes \$33.0 billion in discretionary budget authority, an increase of \$3.6 billion or 12.3 percent over the 1998 President's Budget. We also continue to seek mandatory funds for the School Construction initiative.

Frank, I fully realize that this request — even after accounting for proposed Presidential initiatives — exceeds the OMB planning guidance for the Department of Education. That guidance, however, would require essentially straightlining the Department's budget from the expected 1998 level. Knowing the President's determination to leave his mark in education, I could not in good conscience submit a budget request that fell so short of the real challenges that the Nation faces in reforming its schools, particularly when it is the President himself who has emphasized time and again the importance of meeting those challenges. I know you are aware of the President's views, but I would be happy to meet with you to

discuss the agenda that the President has laid out for education and to explain my commitment to securing the resources needed to carry out that agenda.

The decisions in my 1999 request were driven by three factors: (1) continuing, and in many communities explosive, growth in elementary and secondary school enrollment; (2) the need to help States, communities, and schools prepare their students for the national tests in reading and mathematics; and (3) the President's desire to develop effective strategies for addressing the problem of racism in American society.

The National Center for Education Statistics recently announced that elementary and secondary school enrollment will reach 52.2 million this fall; a new national record. I began to sound the warning on this "baby boom echo" over a year ago, and all indications are that the problem of overcrowded schools will only intensify in the coming years, with the potential to develop into a national crisis. Demographers forecast a steady increase in students for at least the next 10 years. Enrollment pressures will make it difficult just to maintain recent progress in raising student achievement in areas like math and science; reaching the President's goal of high standards for all students in the core subjects will require even greater effort at the Federal level to help States and communities facing the added burdens of building 6,000 new schools and hiring two million more teachers over the next decade.

I believe the President's call for voluntary national tests in reading and mathematics is the single most important initiative for bringing about real improvement in the performance of our schools and students. The small dollars associated with this initiative, however, mask the tremendous implications of the national tests for schools and communities. The President and I expect that many students and schools will not perform well on these tests, at least initially. In particular, the tests are likely to be a great challenge for our poorest schools. Making the changes needed to improve performance on the national tests will be the responsibility primarily of principals, teachers, parents, and students. Nevertheless, we must be prepared at the Federal level to provide as much help as possible, especially to those schools and communities with few resources of their own.

When John Hope Franklin, chairman of the Presidential Advisory Board on Race, was asked at the Board's first press briefing what he hoped the President's initiative on race would accomplish, he started with education: "We hope that it will lead to very specific improvements in education." I share Dr. Franklin's emphasis on education as a key tool for addressing the problems created by racism in American society, and many of the new dollars in my 1999 request are allocated to activities that will improve educational opportunities for racial minorities.

These priorities, in particular the first two, have led to an emphasis on elementary and secondary education in my 1999 request. I believe this emphasis is appropriate, particularly in view of the unprecedented level of new resources provided to higher education under the balanced budget agreement.

My request reflects our continuing efforts to allocate both new and existing resources in accordance with the Department's Strategic Plan. We have extensively revised our plan this year to incorporate the priorities derived from the President's Call to Action on Education in his State of the Union Address, and to meet the complex requirements of the Government Performance and Results Act (GPRA). While we are continuing to refine the plan in response to suggestions from OMB, the General Accounting Office, and the Congress, I am pleased to note that the Department's plan was recently ranked number two of all plans reviewed by Congress.

We also have made good progress in establishing annual performance plans for Department program activities. In most cases, these plans have been integrated into our budget request, as called for in your planning guidance. In addition, we have prepared a freestanding Annual Performance Plan, covering our largest programs, that summarizes the relationship between annual performance goals and the goals and objectives of our Strategic Plan.

The following describes the highlights of my 1999 request. The enclosed narrative explanation and summary table provide more detail on specific program proposals. Except as noted, all comparisons are to the President's 1998 budget request.

HIGH STANDARDS FOR ALL STUDENTS

High academic standards are at the core of the changes that States and school districts are now making to prepare their children for the challenges of the 21st century. The President's Goals 2000 program supports these efforts in an estimated 12,000 schools in all 50 States. The program will reach 16,000 schools in 1998, and my \$660 million State grant request for 1999 — an increase of \$55 million or 9 percent — would help 500 additional school districts and 2,000 additional schools undertake comprehensive reforms linked to challenging academic standards.

We will begin the planned phaseout of the School-to-Work Opportunities program with a 1999 request of \$125 million, a reduction of \$75 million from the 1998 President's budget level. An identical request is included in the Department of Labor budget. We hope that by 1998 all States will be implementing systems that help students make the transition from secondary school to further education or a high-skills, high-wage career. By 1999, eight States will have completed their implementation grants and 19 others will be in the final year.

I am requesting \$500 million for the Technology Literacy Challenge Fund, an increase of \$75 million or 18 percent over the 1998 level, as the third installment of the President's commitment to provide States and districts with \$2 billion over five years for computers, connections, training, and software so that they can fully integrate technology into schools. To continue the momentum and maximize the effectiveness of the President's investment in educational technology, we are also asking for \$95 million for the Technology Innovation Challenge Grants program, which supports the development of innovative applications of advanced, cutting-edge technology that can be adapted in classrooms across the Nation.

The budget also includes a \$20 million increase for Charter Schools, for a total of \$120 million to support State and local efforts to provide greater parental choice in public education and reach the President's goal of creating 3,000 charter schools by 2002. We would provide additional support to a limited number of hard-pressed urban school districts with a new \$320 million Urban Initiative offering competitive grants to address such areas as management reform, accountability, school leadership development, and expansion of educational choice.

To help train teachers to teach to high standards, the Department's request includes \$396 million for Eisenhower Professional Development State Grants, an increase of \$36 million or 10 percent over the 1998 level. In addition, the request includes first-year funding for two new teacher training programs that the President has proposed under the upcoming reauthorization of the Higher Education Act. A \$39 million Teacher Recruitment program, which would replace and expand the current Minority Teacher Recruitment program, would increase the number of qualified teachers in underserved areas, including minority

teachers, through 5-year grants to institutions of higher education (IHEs) in partnership with local educational agencies. A new \$30 million Teacher Preparation program would make 5-year grants to IHEs with exemplary teacher preparation programs, in collaboration with local school districts, to support the dissemination of their successful practices.

Consistent with the Department's priority of improving mathematics education, we are also requesting increased funding for professional development targeted at mathematics and science, based on the Action Plan developed by the Department and the National Science Foundation. The request includes \$60 million for the Eisenhower Professional Development Federal Activities program and \$25 million for the Eisenhower Regional Mathematics and Science Consortia to support activities improving teachers' knowledge of math concepts and their ability to teach for understanding of those concepts.

My budget also provides \$682 million, an increase of \$62 million or 10 percent, for efforts to fight drugs and violence in the Nation's schools. We propose to restructure the Safe and Drug-Free Schools and Communities Act by reserving \$100 million in State grant funds for competitive grants to the most needy school districts to support aggressive, comprehensive approaches that can truly change student behavior and ensure a safe, drug-free school environment. In addition, the increase includes \$27 million for a new initiative, requested by the Office of National Drug Control Policy, to place drug prevention program coordinators in middle schools across the Nation. Students also would be encouraged to resist unsafe or violent behaviors through the President's After-School Initiative, which would provide \$400 million in mandatory funding to support the expansion of after-school programs operated by, or in cooperation with, local school districts.

A SOLID FOUNDATION OF LEARNING FOR ALL CHILDREN

Rising enrollments create special challenges for States and school districts working to implement reforms based on high academic standards, particularly when those enrollments include large numbers of low-achieving disadvantaged students, limited-English-proficient students, or students with disabilities. The Department's 1999 budget includes significant increases to help ensure that such students receive the support necessary to prepare them for a lifetime of learning.

To make sure that principals, teachers, and parents know what needs to be done in the gateway subjects of reading and mathematics, my request would provide \$110 million to support the President's proposal to develop and make available voluntary national tests in 4th-grade reading and 8th-grade mathematics. The increase of \$95 million over the 1998 level would be used primarily to pay the costs of administering the tests during their first year of availability (beginning in Spring 1999).

Helping States and school districts and schools prepare students to take these voluntary national tests is a critical theme of my 1999 request, and a key part of that effort is the America Reads Challenge. This proposal, which is now before the Congress, would help ensure that every child can read well and independently by the end of third grade. My budget would provide \$290 million for the Department's share of funding for the second year of this program, a \$30 million increase over the 1998 request and the same as the level called for in the Administration's America Reads legislation.

Substantial additional support for both reading and mathematics would be provided through an \$8.1 billion request for the Title I Grants to Local Educational Agencies program, which will serve nearly 11 million educationally disadvantaged students in 1999. The request is \$559 million or 7 percent over the 1998

level, and includes \$827 million for Targeted Grants that provide higher per-child allocations to cities and other communities with high concentrations of disadvantaged children.

The request includes \$4.5 billion for programs under the reauthorized Individuals with Disabilities Education Act, an increase of \$290 million or almost 7 percent over 1998. Within this total, a \$229 million increase for Special Education Grants to States would cover 8 percent of the excess cost for an estimated count of 6,070,000 children with disabilities, up from the estimated 7.8-percent Federal contribution in 1998. Funding for Bilingual and Immigrant Education would rise by \$35 million or 10 percent, allowing the Instructional Services program to serve an additional 62,000 limited-English-proficient students.

POSTSECONDARY EDUCATION AND LIFELONG LEARNING

Though we are emphasizing elementary and secondary education in our 1999 request, we are proposing increased support for programs that ensure access to postsecondary education and lifelong learning for all Americans. The overall request for student financial aid, for example, would raise aid available to postsecondary students from \$46.4 billion to \$49.2 billion — up \$2.8 billion or 6 percent. The number of recipients would grow to an estimated 8.5 million, an increase of almost 193,000.

For the Pell Grant program, I am asking for a \$690 million or 9 percent increase that would raise the maximum Pell award to \$3,150, up \$150 over the 1998 level. In addition, the Department is seeking \$150 million for a new SuperPell Grant initiative to increase persistence and retention by providing additional grant assistance of \$300 to each of the estimated 500,000 second-year Pell Grant recipients with zero expected family contributions. The SuperPell would provide a 9 percent increase in grant aid to these students who would otherwise receive a maximum grant of \$3,150.

My budget also includes a \$150 million increase for Supplemental Educational Opportunity Grants (SEOG) — the first increase in SEOG funding since 1993 — to provide SEOG awards to an additional 200,000 students. Work-Study would grow by \$28 million to support a total of approximately \$1.1 billion in assistance and meet President Clinton's goal of expanding the Work-Study program to serve 1 million recipients. An estimated 100,000 students would work as reading tutors in support of the President's America Reads Challenge, with an additional 33,000 students performing other community service activities.

We are proposing to end new appropriations for Perkins Loans Federal Capital Contributions in 1999 — a reduction of \$158 million — but would provide new flexibility in the use of institutional Perkins Loans collections to meet student needs and to reduce administrative burden. Institutions would be permitted to utilize their existing Perkins Loan funds for support of institutional need-based student aid.

The Department's request would provide substantial increases for programs aimed at increasing the college-going and completion rates of disadvantaged and minority students. Aid for Institutional Development would receive a \$38 million or 18 percent increase, primarily to provide greater support to historically black institutions and Hispanic-serving institutions. The request also includes \$150 million for a new program of Institutional Retention Grants. Approximately 700 institutions would receive awards that could be used for any purpose related to the improvement of student retention, transfer, and graduation rates of all their students, with an emphasis on the lowest-income Pell recipients. A new \$300 million School-College Partnership program would encourage colleges to work with high-poverty middle schools

to provide academic enrichment, mentoring, counseling, and other services to all students. The TRIO programs would receive a \$56 million increase, and a new \$20 million Early Information Initiative would widely advertise the availability of Federal student aid for postsecondary education, targeting in particular low-income families, who research shows tend to underestimate the availability of such aid.

Another key area of concern related to lifelong learning is vocational rehabilitation of individuals with disabilities. My 1999 request includes \$2.6 billion for the Vocational Rehabilitation (VR) State Grants, a \$344 million or 15 percent increase over the 1998 level, to help States meet the significant demand for VR services and to reduce the high unemployment rate of individuals with disabilities. The increase includes \$278 million over the amount required to satisfy the increase mandated by the authorizing legislation; this amount is scored as discretionary.

MAKING THE DEPARTMENT A HIGH-PERFORMANCE ORGANIZATION

The 1999 discretionary request for Salaries and Expenses will allow the Department to build on a strong record of management improvements, streamlining, and reinvention while implementing the President's programmatic initiatives. This request reflects the fact that after years of reducing staff while taking on major new activities, the Department needs significant additional resources — including new staff — to carry out its mission. The budget includes an \$85 million or 17 percent increase for discretionary administrative accounts. The mandatory account for student loan administration will also increase from \$532 million in 1998 to \$610 million in 1999, reflecting the cost of servicing the growing number of loans in repayment as well as the recently enacted permanent authorization.

No private-sector entity would announce a large-scale initiative and then cut the resources available for carrying it out. The Department of Education, however, has repeatedly been tasked with a wide range of major new programs and management initiatives in recent years, even as its staff declined 8 percent, from 4,859 FTE in 1992 to 4,468 FTE in 1997. During the same period we have successfully implemented Goals 2000, School-to-Work, Direct Student Loans, the Technology Literacy Challenge Fund, and Charter Schools. We also significantly reduced defaults in the FFEL program and improved collections of defaulted loans, saving taxpayers billions of dollars in the process. Thus far we have been able to do more with less in part because of our commitment to reinvention, which has included the elimination of nearly 70 categorical programs and the reduction of almost half of all our regulations.

We have reached the point now, however, where we will simply have to hire additional people in order to implement important new Administration initiatives, including the voluntary national tests, the America Reads Challenge, the higher education tax credits, and the reauthorized Individuals with Disabilities Education Act. We will also have to implement the reauthorization of the Higher Education Act expected next year while continuing our emphasis on institutional gatekeeping activities. The request includes 4,606 FTE in 1998 and 4,621 FTE in 1999. Even with these increases, the 1999 FTE level will be 40 percent below the 7,700 FTE that administered education programs prior to the establishment of the Department of Education in 1980. In a sense we have fallen victim to our own streamlining efforts: we are the smallest Cabinet-level Federal agency, yet we are charged with implementing more Presidential initiatives — most of them carrying a high profile — than any other Department.

The 1999 budget increase for Salaries and Expenses also is needed to pay for scheduled pay raises, Year 2000 system compliance activities, and contract and printing support for national education priorities such as the America Reads Challenge, the Partnership for Family Involvement, voluntary national tests, and the

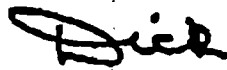
HOPE Scholarship program. In addition, the request will fund continued operation of the contracts supporting the administration of the student financial aid programs, studies to collect data needed to comply with the Government Performance and Results Act, and a planned \$22.5 million renovation of Department facilities.

CONCLUSION

My 1999 budget request for the Department of Education reflects the high priority that President Clinton has placed on education in his vision for America in the 21st century. This request would move the Nation significantly along the path toward high and challenging standards for all students by supporting changes at the State and local level that will make a difference: helping all children master the basics, including reading and mathematics; holding schools accountable for student achievement; putting a talented teacher in every classroom; using technology to improve instruction and connect schools to the information superhighway; expanding public school choice; improving results for children with disabilities; preparing students for the world of work, helping families send their kids to college; and making a lifetime of learning available to every American.

I urge you to give the Department's request serious consideration. I look forward to working with you and your staff over the next few months on a strong President's budget for fiscal year 1999.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Dick", with a stylized flourish at the end.

Richard W. Riley

Enclosures

NARRATIVE EXPLANATION OF FISCAL YEAR 1999 DEPARTMENT OF EDUCATION BUDGET

Except as noted, all comparisons are to the 1998 President's budget request.

Department Totals: The proposed 1999 request to OMB would provide \$33.0 billion in discretionary budget authority for Department of Education programs, an increase of \$3.6 billion or 12.3 percent over the 1998 President's budget request. Mandatory spending would rise from \$11.6 billion in 1998 to \$12.1 billion in 1999, an increase of \$516.3 million or 4.5 percent. Total Department budget authority would be \$45.1 billion, an increase of \$4.1 billion or 10.1 percent over the 1998 request of \$41.0 billion.

The \$3.6 billion in new discretionary budget authority includes \$1.1 billion in new and existing Presidential initiatives, leaving \$2.5 billion for other priorities and proposals.

EDUCATION REFORM

Goals 2000: +\$55 million (9 percent) for State and local grants to enable approximately 8,500 school districts (+500) and 18,000 schools (+2,000) to undertake educational reform projects. A \$5 million increase for Parental Assistance would expand the program to all States. Goals 2000 will continue to help States and districts develop and implement, and help all students meet, challenging content and performance standards.

School-to-Work Opportunities: The \$125 million request, with an identical amount in the DOL budget, is consistent with the Administration's phase-out plans for the program.

Technology Literacy Challenge Fund: +\$75 million to provide the third installment of the planned five-year commitment to upgrading school technology and supporting four objectives in educational technology: (1) providing teachers with training and support in technology, (2) providing teachers and students with modern computers, (3) connecting every classroom to the information superhighway, and (4) ensuring that schools have access to effective and engaging software.

EDUCATION FOR THE DISADVANTAGED

Title I Grants to Local Educational Agencies: +\$559.4 million (7.4 percent) to increase services to almost 11 million students. The request includes \$827 million — nearly all of the funding above the 1997 appropriation level — for Targeted Grants that would provide higher per-child allocations to cities and other communities with high concentrations of disadvantaged children. The request also would support State and local alignment of Title I programs with emerging State performance standards and assessments.

Even Start: +\$5 million (4.6 percent) to increase support for approximately 700 local projects that combine early childhood education, adult education, and parenting instruction.

Other Title I programs: +\$25.5 million (8 percent) for the Title I Migrant program and +\$2.7 million (6.6 percent) for the Neglected and Delinquent program. State School Improvement Grants and Title I Evaluations would be level-funded. Capital Expenses for Private School Children would no longer be funded because by 1999 school districts will have completed the transition to the new arrangements permitted under the Agostini v. Felton decision.

High School Equivalency Program (HEP) and College Assistance Migrant Program (CAMP): +\$385,000 (4 percent) to demonstrate support for these programs consistent with commitments the Administration made during the FY 1997 budget negotiations.

IMPACT AID

Basic Support Payments: +\$42 million (7.2 percent) to help address the unmet needs of school districts that are significantly affected by the presence of federally connected children. The Department would continue the current policy calling for the elimination of payments to "civilian a" and "b" children, and would continue to propose more equitable Impact Aid funding mechanisms. However, the Department proposes to work with OMB on determination of policies that will be more sensitive to the needs of districts that enroll students living on Indian lands.

Other Impact Aid programs: Payments for Children with Disabilities and Payments for Heavily Impacted Districts would be level-funded. Funding for Facilities Maintenance would be doubled to make up for previous appropriations shortfalls and permit the Department to make emergency repairs to federally owned school buildings and proceed with the transfer of these buildings to local educational agencies. Funding for the Construction authority, which as currently authorized does not effectively target its very limited resources on districts that have the greatest need for Federal construction assistance, would be eliminated.

SCHOOL CONSTRUCTION

Although the 1998 budget agreement did not include funding for the President's School Construction initiative, the Department recommends that the Administration go forward with this initiative in 1999. The budget request includes \$5 billion in one-time mandatory spending.

SCHOOL IMPROVEMENT PROGRAMS

Eisenhower Professional Development State Grants: +\$36 million (10 percent) to help additional teachers to receive the training they need to educate all their students to high standards.

Safe and Drug-Free Schools: +\$62 million (10 percent) for a restructured program that earmarks \$100 million in State grant funds for competitive grants to the most needy school districts for aggressive, comprehensive programs that can truly change student behavior and ensure a safe,

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drug-free school environment. In addition, the increase includes \$27 million for a new initiative, requested by the Office of National Drug Control Policy, to place drug prevention program coordinators in middle schools across the Nation.

America Reads Challenge: +\$30 million (11.5 percent) to reflect the 1999 authorized level in the President's legislative proposal for the Department's share of funding for this joint initiative with the Corporation for National Service.

Charter Schools: +\$20 million (20 percent) to support the Administration's objective of helping to create 3,000 charter schools by the year 2002.

Urban Initiative: \$320 million for a new program that would make competitive grants to a limited number of hard-pressed urban school districts to help them address such areas as management reform, accountability, school leadership development, and expansion of educational choice.

After-School Initiative: \$400 million in mandatory funding for a new program to expand the availability of after-school learning opportunities in communities nationwide. The request will fund the after-school component of the broader childcare initiative currently under development within the Administration.

Magnet Schools Assistance: +\$5 million (5.3 percent) to launch a new, expanded competition under the "Innovative Programs" authority and, by providing additional resources for school desegregation, to contribute to the Administration's initiative on improving race relations.

Other School Improvement Programs: The request also includes increases for Comprehensive Regional Assistance Centers, Inexpensive Book Distribution, Education for Homeless Children and Youth, and Women's Educational Equity. Level funding is provided for Arts in Education, Training and Advisory Services, Education for Native Hawaiians, Alaskan Native Education Equity, and Advanced Placement Test Fees (This new program will be administered by the Office of Elementary and Secondary Education.). As in previous years, the Department is requesting no funding for Innovative Education Program Strategies or Ellender Fellowships.

INDIAN EDUCATION

The request would increase funding for Grants to Local Educational Agencies by \$3.3 million or 5 percent, while reestablishing the Special Programs for Indian Children and Special Programs for Indian Adults programs at \$7 million and \$4 million, respectively. Renewing these programs would be consistent with the Administration's overall policies on Indians and would help to meet the needs of a particularly disadvantaged population. A \$735,000 request for National Activities would allow oversampling of schools serving Indians in the next NCES Schools and Staffing survey.

BILINGUAL AND IMMIGRANT EDUCATION

Bilingual Education: +\$19.9 million to provide an across-the-board increase of 10 percent, allowing Instructional Services to serve some 62,000 additional students, funding additional GPRA-related studies and data collections under Support Services, and supporting Professional Development for additional educational personnel who are qualified to teach limited English proficient students.

Foreign Language Assistance: +\$500,000 (10 percent) to support almost 50 new competitive awards.

Immigrant Education: +\$15 million (10 percent) to assist school districts in meeting the costs of educating an increasing number of immigrant children.

SPECIAL EDUCATION

Grants to States: +\$229.5 million (7.1 percent) to provide 8.0 percent of the excess cost for an estimated count of 6,070,000 children with disabilities. The increase includes funds to cover the cost of inflation and additional children who will require services. It also includes a .2 percent increase over the estimated 7.8 percent 1998 Federal contribution toward meeting the excess cost. Funds for studies and evaluations will be increased by \$4.6 million for the mandated assessment of the Individuals with Disabilities Education Act. This amount includes \$3 million for activities carried out under the Research and Improvement program in 1998.

Preschool Grants: +\$21.3 million (5.7 percent) to serve approximately 17,200 or 3 percent additional children aged 3 through 5 with disabilities and provide an increase in the per pupil allocation of 2.6 percent to help offset the effect of inflation.

Grants for Infants and Families: +\$8.4 million (2.6 percent) to help offset the effect of inflation.

State Improvement: +\$25.3 million (72 percent) to double the number of grants made to States for the reform and improvement of their educational systems. The number of States actually participating by 1999, however, would depend on the quality of the applications received in 1998 and 1999 and the size of the awards.

Research and Innovation: +\$2.5 million (3.9 percent) for coordinated research, demonstration, and outreach activities that focus on areas such as developing accommodations for children in regular assessments, alternative assessments for children who cannot participate in regular assessments, improving reading and literacy skills, and providing access to the general curriculum in regular education classrooms. The request does not include \$3 million for projects which were funded under Research and Innovation in 1998 but which will be funded in 1999 under the Grants to States set-aside for studies and evaluations.

Technical Assistance and Dissemination: +\$1 million (2.9 percent) to increase technical assistance to States to aid them in developing and implementing reform efforts under the State Improvement program, and to expand and develop technical assistance to address the needs of children in elementary and secondary schools, including needs related to helping students with disabilities successfully transition from school to work.

Parent Information Centers: +\$2 million (12.9 percent) to expand the number of parents served by the centers, and to provide parents with information on new responsibilities and opportunities for themselves and their children in the development of Individual Education Programs (IEPs), State assessments, and reform initiatives.

Other programs: No changes in funding are proposed for the Personnel Preparation and Technology and Media Services programs.

REHABILITATION SERVICES AND DISABILITY RESEARCH

Vocational Rehabilitation (VR) State Grants program: +\$344 million (15.3 percent), or \$287.8 million over the amount required to satisfy the increase mandated by the authorizing legislation, would help States to meet the significant demand for VR services and to reduce the high unemployment rate of individuals with disabilities. The request includes \$5.9 million to support in-service training activities previously conducted under the Title III training authority. Pending legislation would convert the discretionary in-service training grant program under Title III of the Act to a set-aside used solely for training State agency personnel consistent with the agency's plan for personnel development under Title I. The request also includes an increase of \$2.4 million over the required set-aside for the Grants for Indians program to increase funding for existing projects and fund 6 or 7 new projects.

Training: -\$5.9 million (-15 percent) to reflect the transfer of \$5.9 million to the VR State grants program for In-Service Training activities and maintain all other Training program activities at the 1998 level.

Special demonstration programs: +\$2 million (11.8 percent) to support \$5.5 million for new initiatives or priorities, \$10.8 million in continuations, and \$2 million for the continuation of State systems change projects that will begin in 1998 under Program Improvement.

Program Improvement: -\$2 million (-51.3 percent) to reflect the transfer of funding for the State systems change projects from this activity to Special Demonstrations, while maintaining support for RSA's technical assistance, performance measurement, and data management efforts. The request also would fund a national conference on the findings of the longitudinal study of the VR program.

National Institute on Disability and Rehabilitation Research: +\$9 million (12.7 percent) to increase the scientific research capacity of NIDRR's research centers and increase the number and size of field-initiated projects and dissemination and utilization projects.

Assistive technology: -\$6.1 million (-16.9 percent) will enable the Department to support 47 assistive technology programs, including 43 States and 4 Territories. Funding for 14 States will be reduced in fiscal year 1999 in accordance with the Act. Nine States receive their last year of funding in fiscal year 1998.

Other programs: The Client Assistance Program, all three Independent Living programs, and the Helen Keller National Center receive a 2.6 percent increase, while level-funding is provided for Migratory Workers, Recreation, Protection and Advocacy, and Projects with Industry.

SPECIAL INSTITUTIONS

Gallaudet University: +\$6.4 million (8 percent) to support a \$4.3 million upgrade of the University's electronic mail and management information systems and help offset the effect of inflation for other activities.

National Technical Institute for the Deaf (NTID): +\$2.5 million (5.8 percent) to help offset the effect of inflation and provide \$500,000 for the Endowment Grant program, \$250,000 to hire additional interpreters, and \$618,000 to help pay the design costs associated with the renovation of the NTID dormitories.

American Printing House for the Blind (APH): +\$376,000 (5.6 percent) to help offset the effect of inflation and support four special initiatives: creation of an electronic file repository for publishers' files; development of a technical assistance service using the Internet; upgrading the APH central listing service to increase access for students; and development of guidelines for use of computers in testing visually impaired students.

VOCATIONAL AND ADULT EDUCATION

Vocational Education: \$95.9 million (8.2 percent) to support the Administration's reauthorization proposal, including a \$20 million or 19 percent increase for Tech-Prep Education that will support an increase in the number of local programs and enrollments in one of the most prominent approaches to the school-to-work transition. Funding for Basic Grants would rise by \$74.2 million or 7.2 percent, while a \$21 million request for National Programs would support continued research, development, evaluation, and technical assistance efforts, including activities to gather performance data for GPRA. Tribally Controlled Postsecondary Vocational Institutions are not funded separately because under the reauthorization these institutions would be funded through the Indian-Native Hawaiian set-aside.

Adult Education: +\$39 million (9.9 percent) to support the critical role of Adult Education activities under the new welfare legislation in enabling public assistance recipients to obtain the skills they need to gain employment and leave the welfare rolls. The request includes a \$1 million increase for Evaluation and Technical Assistance to support an expanded R&D effort. The National Institute for Literacy would be level-funded and, consistent with the

Administration's legislative policy, funding for Literacy Programs for Prisoners would be eliminated.

STUDENT FINANCIAL ASSISTANCE

Pell Grants: +\$690 million (9 percent) to support a maximum award of \$3,150 and approximately 4.1 million recipients. The request would include legislative proposals to: (1) establish a true \$400 minimum award, (2) limit the duration of a student's eligibility for Pell Grants to 150 percent of the period normally required for the student to complete a program of study, (3) obtain income data directly from the IRS for the calendar year two years prior to enrollment rather than the calendar year immediately prior to enrollment (which is the current base year), (4) change the income protection allowances in need analysis for dependent students and independent students without children, and (5) eliminate the reporting of assets by applicants and instead impute an expected contribution from assets.

SuperPell Grants: The Department requests \$150 million for a new initiative designed to improve the persistence and retention rates of the neediest Pell Grant recipients. Additional grant assistance of \$300 would be provided to each of the estimated 500,000 second-year Pell Grant recipients with expected family contributions of zero. The SuperPell would thus provide a 9 percent increase in grant aid to these students who would otherwise receive a maximum grant of \$3,150.

Supplemental Educational Opportunity Grants: +\$150 million (25.7 percent) to provide the first increase in SEOG funding since 1993. Combined with institutional matching, the \$733 million request would provide \$928 million to over 1 million students, an increase of 200,000.

Work-Study: +\$28 million (3.3 percent) to support a total of approximately \$1.1 billion in assistance and meet President Clinton's goal of expanding the Work-Study program to serve 1 million Work-Study recipients. Recipients would include an estimated 100,000 students working as reading tutors in support of the President's America Reads Challenge, and an additional 33,000 students performing other community service activities.

Perkins Loans Federal Capital Contributions (FCC): -\$158 million as part of a proposal to eliminate the Perkins Loans program and allow institutions to use their Perkins loans funds for any institutional need-based aid. This proposal would reduce administrative burden on institutions and the Department and increase institutional flexibility to meet student needs.

Perkins Loans Cancellations: No new funds are requested for this authority. Under the Department's proposal to eliminate the Perkins Loans program, institutions would be given the authority to forgive any outstanding loans.

Early Information Initiative: +\$20 million for a new program that would widely advertise the availability of Federal student aid, particularly to low-income families who tend to underestimate the amount of Federal aid available to help pay for college. Information would be disseminated

through public service announcements and direct mailings, with a celebrity steering committee to enhance the visibility of the effort.

STUDENT LOANS

Direct Loans and FFEL: The fiscal year 1999 budget request supports HEA reauthorization proposals including reducing student loan origination fees, providing an interest subsidy for Unsubsidized Stafford Loan borrowers performing community service who qualify for an economic hardship deferment, allowing schools to limit borrowing for specific student categories, and recalling an additional \$1.5 billion in guaranty agency reserve funds through fiscal year 2003. Fiscal year 1998 budget policy, such as increasing FFEL lender default risk-sharing from 2 to 5 percent, reducing interest rates during in-school, grace, and deferment periods, and restructuring guaranty agencies into performance-based servicers, would be continued.

HIGHER EDUCATION

Aid for Institutional Development (Title III): +\$38.2 million (+18.4 percent) to fund a \$4.6 million or 8.2 percent increase for the regular Strengthening Institutions program, an \$11 million or 9.7 percent rise for Strengthening Historically Black Colleges and Universities, a \$5.4 million or 27.5 percent increase for Strengthening Historically Black Graduate Institutions, and a \$12 million or 100 percent jump for Strengthening Hispanic-serving Institutions. In addition, the Department is proposing a new \$5 million Strengthening Tribal Colleges program of support for 14 needy and often geographically isolated postsecondary institutions that serve Native Americans. The request also consolidates aid for institutions that serve large percentages of financially needy/minority students by transferring the existing Minority Science Improvement Program, which receives a \$2.2 million or 42.7-percent increase.

Fund for the Improvement of Postsecondary Education (FIPSE): +\$2.5 million (+13.9 percent) to fund 214 grants under the Comprehensive program, as well as continued funding for the Special Focus projects: the US/European Student Exchange Program; the US/Canada/Mexico Student Exchange Program; Dissemination projects; and the Restructuring Initiative, which focuses on improving institutional cost-effectiveness. The increase would maintain the \$75,000 average award for the Comprehensive Program and would support a new competition under the Restructuring Initiative.

International Education and Foreign Language Studies: +\$12.4 million (20.5 percent) to provide a \$6.9 million or 13-percent increase for the Domestic programs, a \$5.0 million or 86-percent increase for the Overseas programs, and a \$500,000 or 50-percent increase for the Institute for International Public Policy. These increases would train more students, faculty, and K-12 teachers in foreign languages and in area and international studies, and send more of them overseas.

School-College Partnerships: +\$300 million for a new program that would encourage colleges to work with local high poverty schools to provide academic enrichment, intensive mentoring and other services. Colleges have the tools and stability to provide such leadership and know what academic preparation they require from schools. These partnerships would also encourage higher standards in impoverished schools and support school reform.

Teacher Recruitment and Preparation (Title V): The \$69 million request would support a new \$39 million Teacher Recruitment program, which would replace and expand the current Minority Teacher Recruitment program. The new program would increase the number of qualified teachers and teachers in under-served areas, particularly minority teachers, through 5-year grants to institutions of higher education (IHEs) in partnership with LEAs. In addition, a new \$30 million Teacher Preparation program that would make 5-year grants to IHEs with exemplary teacher preparation programs, in collaboration with local school districts, to support the dissemination of their successful practices.

Interest Subsidy Grants: -\$700,000 to support mandatory payments to IHEs that receive Federal interest subsidies on privately secured loans negotiated between 1970-73.

TRIO programs: +\$56 million (10.7 percent) to bring all Upward Bound projects to a September 1 start date; increase the intensity of services provided under Student Support Services, maintain current service levels and support qualitative improvements in the other TRIO programs, and fund a new \$2 million program of Innovative and Experimental projects aimed at testing new strategies and educational approaches.

National Need Graduate Fellowships: This new \$50 million consolidated graduate fellowship program would combine the purposes of the Graduate Assistance in Areas of National Need (GAANN), Harris, and Javits programs. The request represents a \$20 million, or 67 percent increase, over the 1998 request for GAANN.

Institutional Retention Grants: The \$150 million request would support a new initiative to improve retention, transfer and graduation rates at postsecondary institutions by providing funds to approximately 700 institutions that have achieved success in these areas, but could benefit from additional resources to realize even greater success. Institutions would be able to use grant funds for any purpose related to the improvement of student retention, transfer and graduation rates of all their students, although they would be encouraged to fund activities that would improve these rates for Pell Grant recipients with zero EFCs.

Howard University: +\$5.1 million (2.6 percent) to maintain current services for Howard University and the Howard University Hospital.

EDUCATIONAL RESEARCH AND IMPROVEMENT

National Research Institutes: +\$44.5 million (71.5 percent) for new applied research in support of the Department's Strategic Plan and leadership priorities, specifically research in the areas of

improving instruction and student achievement in reading; improving instruction and student achievement in mathematics; integrating educational technology in schools to improve curriculum, instruction, and student achievement in reading, mathematics, and science; constructing national tests that help improve student achievement in reading and mathematics; and understanding the implications of neuroscience and cognitive science for educational practice. Links to the classroom would be a paramount feature of this research.

Regional Educational Laboratories: -\$2.5 million (-4.7 percent) to reflect one-time evaluation costs in 1998 and continue support for the ten regional laboratories at the 1998 level.

National Dissemination Activities: +\$3.7 million (19.6 percent) to support increases for printing and customer outreach, the Educational Resources Information Center (ERIC), and INET.

Statistics: +\$6 million (9.1 percent) to support the implementation of an Adult Literacy Survey in 2002, the expansion of fast response surveys to collect performance indicator data for OPE and OVAE, an ongoing teacher quality survey, the development of a new school system financial accounting handbook, a cross-cutting special report of education in the year 2000, enhancements to the Early Childhood Longitudinal Survey kindergarten cohort, and further analysis of data from TIMSS.

Assessment: +\$998,000 (2.8 percent) to support the analysis and reporting of the 1998 assessment, the 1999 long term trends study, preparatory activities for the 2000 assessment, and a study of NAGB's redesign of NAEP. The increase will also support linking NAEP to national and international assessments, a study on reporting NAEP results, and additional studies in mathematics and science.

Eisenhower Professional Development Federal Activities: +\$30 million (100 percent) to support four new initiatives as part of the ED/NSF Action Plan to improve math and science education: (1) a National Mathematics Project to develop professional development models for improving the content knowledge of mathematics teachers; (2) the Teach for Understanding Professional Development Program to create national models for professional development that support teaching for understanding in mathematics; (3) an initiative to leverage and enhance existing investments of LEA's and educators in professional development; and (4) an initiative to enhance the use of video, CD-Rom and other materials for professional development. The request also provides increased funding for the National Clearinghouse to support materials development, creation of websites, and increased access to information via technology, and continues funding for the National Board for Professional Teaching Standards.

Technology Innovation Challenge Grants: +\$20 million (26.7 percent) to support approximately 20 new projects that use cutting-edge technologies to develop innovative applications of educational technology to improve teaching and learning. Funds will also continue approximately 83 projects funded in the 1995-98 grant cycles.

Technology Leadership Activities: \$2 million for this new effort, in collaboration with the Office of Technology, to promote leadership in the field of education technology and strengthen the network of the Department's technology programs. Leadership activities will include coordinating the dissemination of evaluation results for the technology programs, developing a framework for ongoing research and evaluation, developing strategies to maximize the benefits of the Universal Service Fund (the E-rate), convening "think tanks" and conferences, and commissioning papers or monograph series.

Star Schools: +\$5 million (19.2 percent) to support new distance learning projects using advanced and wireless technologies, with a focus on improving teacher training and certification efforts.

Fund for the Improvement of Education: +\$110 million to support the implementation of the national tests in reading and mathematics, with most of the increase (\$96 million) used to reimburse licensees for the costs of administering the tests (estimated at \$12 per student). Other FIE activities would be level-funded at \$40 million.

Javits Gifted and Talented Education: +\$3 million (42.9 percent) to support about 17 new projects that will develop high-level learning opportunities in schools serving disadvantaged students, improve the way we identify and teach gifted students, and improve standards and curricula for all students.

Eisenhower Regional Math and Science Consortia: +\$10 million (66.7 percent) to support the Department's Math Initiative by providing roughly equal increases to the 10 existing consortia that would be used to train educational leaders in ways to improve mathematics education, with a focus on teaching more advanced mathematics content in middle school and raising students' conceptual understanding of mathematics. 

Other Improvement Programs: The request includes level-funding for the Regional Technology in Education Consortia, Ready-to-Learn Television, Telecommunications Demonstration Project for Mathematics, 21st Century Community Learning Centers, Civic Education, and International Education Exchange. In addition, funding for the National Writing Project is reinstated at the 1997 level of \$3.1 million. 

SALARIES AND EXPENSES

Salaries and Expenses: The budget includes an \$84.9 million or 17 percent increase for discretionary administrative accounts. The mandatory account for student loan administration will also increase, primarily to service the growing number of direct loans in repayment, while remaining \$58 million below the permanent authorization. Despite reducing staff from 4,859 FTE in 1992 to 4,468 FTE in 1997 while implementing a wide range of major new programs and management initiatives during the same period, the Department now has reached the point where it will have to hire additional people in order to implement the latest Administration initiatives. These include the voluntary national tests, the America Reads Challenge, and the reauthorized

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Individuals with Disabilities Education Act. The request includes 4,606 FTE in 1998 and 4,621 FTE in 1999. Even with these increases, the 1999 FTE level will be 40 percent below the 7,700 FTE that administered education programs prior to the establishment of the Department of Education in 1980.

The 1999 increase for Salaries and Expenses also is needed to pay for scheduled pay raises, Year 2000 system activities, and administrative support for national education priorities such as the America Reads Challenge, the Partnership for Family Involvement, the voluntary national tests, and the Hope Scholarship program. In addition, the request will fund continued operation of the contracts supporting the administration of the student financial aid programs and provide \$22.5 million for renovation of Department facilities.

SUMMARY OF DEPARTMENT OF EDUCATION FY 1999 DISCRETIONARY BUDGET REQUEST TO OMB
(BA in millions)

09-Sep-97

	1997 Appropriation	1998 President's Budget	1999 Request	Change Over 1998	Percentage Change over 1998
PRESIDENTIAL INITIATIVES, MANDATORY:					
After School Initiative (non-add)	\$0.0	\$0.0	\$400.0	\$400.0	—
School Construction (non-add)	0.0	5,000.0	5,000.0	0.0	0.0%
NEW PRESIDENTIAL INITIATIVES, DISCRETIONARY:					
Drug Coordinator Initiative	0.0	0.0	27.0	27.0	—
Urban Initiative	0.0	0.0	320.0	320.0	—
SuperPell Grants	0.0	0.0	150.0	150.0	—
Early Information	0.0	0.0	20.0	20.0	—
School-College Partnerships	0.0	0.0	300.0	300.0	—
Teacher Recruitment & Preparation	0.0	0.0	69.0	69.0	—
National Tests (FIE addition)	0.0	0.0	110.0	110.0	—
Subtotal, New Presidential Initiatives, Discretionary	0.0	0.0	996.0	996.0	—
PRIOR PRESIDENTIAL INITIATIVES, DISCRETIONARY:					
Goals 2000	491.0	620.0	680.0	60.0	9.7%
School-to-Work	200.0	200.0	125.0	-75.0	-37.5%
Technology Literacy Challenge Fund & Grants	257.0	500.0	595.0	95.0	19.0%
America Reads Challenge	0.0	280.0	290.0	30.0	11.5%
Charter Schools	51.0	100.0	120.0	20.0	20.0%
Subtotal, Prior Presidential Initiatives, Discretionary	999.0	1,680.0	1,810.0	130.0	7.7%
CONTINUING PRIORITIES, DISCRETIONARY:					
Education for the Disadvantaged (Title I)	7,799.6	8,077.3	8,629.1	551.8	6.8%
Impact Aid	730.0	658.0	706.0	48.0	7.3%
Eisenhower Professional Development	310.0	360.0	396.0	36.0	10.0%
Safe and Drug-Free Schools	556.0	620.0	655.0	35.0	5.6%
Other School Improvement	508.7	225.2	256.8	31.6	14.0%
Indian Education	58.0	59.8	74.7	14.9	24.9%
Bilingual and Immigrant Education	261.7	354.0	389.4	35.4	10.0%
Special Education	4,036.0	4,210.0	4,500.0	290.0	6.9%
Rehabilitation Services amount above CPIU baseline	0.0	0.0	278.4	278.4	—
Special Institutions	128.9	128.9	138.1	9.2	7.1%
Vocational & Adult Education	1,486.5	1,586.0	1,701.0	135.0	8.6%
Pell Grants (\$3,150 maximum award in 1999)	6,919.0	7,635.0	8,325.0	690.0	9.0%
Other Student Aid	1,641.4	1,628.4	1,618.4	-10.0	-0.6%
TRIO	500.0	525.0	581.0	56.0	10.7%
Other Higher Education	379.1	504.3	590.9	86.6	17.2%
Howard University	196.0	196.0	201.1	5.1	2.6%
Research, Statistics, & Improvement	341.2	435.7	542.1	106.4	24.4%
Federal Administration	461.0	486.2	570.4	84.2	17.3%
Subtotal, Continuing Priorities, Discretionary	25,313.1	27,869.8	30,153.4	2,483.6	9.0%
TOTAL, DISCRETIONARY BUDGET AUTHORITY	26,311.9	29,349.7	32,959.4	3,609.7	12.3%
Total, Discretionary Outlays	23,773.2	26,343.6	29,585.8	3,242.2	12.3%

September 9, 1997 at 10:30 AM

DEPARTMENT OF EDUCATION FISCAL YEAR 1999 BUDGET REQUEST TO OMB
(in thousands of dollars)

Account	1997 Appropriation	1998 President's Budget	1999 Request	1999 Req. Vs. '98 Pr. Bud. Amount	Percent
Education Reform.....	\$890,973	\$1,245,000	\$1,305,000	\$60,000	4.8%
Elementary and Secondary Education.....	10,013,241	15,360,238	16,874,669	1,514,431	9.9%
Bilingual Education and Minority Languages Affairs	261,700	354,000	389,400	35,400	10.0%
Special Education and Rehabilitative Services.....	6,674,310	6,922,279	7,564,858	642,579	9.3%
Vocational and Adult Education.....	1,493,665	1,565,966	1,700,884	134,918	8.6%
Postsecondary Education.....	12,724,068	14,613,317	16,021,592	1,408,275	9.6%
Educational Research and Improvement.....	398,126	510,693	747,110	236,417	46.3%
Program Administration.....	328,898	343,889	392,590	48,701	14.2%
Office for Civil Rights.....	54,900	61,500	69,676	8,176	13.3%
Office of the Inspector General.....	29,943	32,000	35,359	3,359	10.5%
Headquarters Renovation.....	0	0	22,500	22,500	---
Contributions.....	127	119	0	(119)	-100.0%
Receipts.....	(61,581)	(61,180)	(50,000)	11,180	-18.3%
TOTAL, DEPARTMENT OF EDUCATION.....	32,808,370	40,947,821	45,073,638	4,125,817	10.1%
Total, Discretionary Funds.....	26,311,919	29,349,749	32,959,397	3,609,648	12.3%
Total, Mandatory.....	6,496,451	11,598,072	12,114,241	516,169	4.5%

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud. Amount	Percent
~~Education Reform~~						
1. Goals 2000 (Goals 2000 EAA):						
(a) State and local education systemic improvement (Title III).....	D	476,000	605,000	660,000	55,000	9.10
(b) Parental assistance (Title IV).....	D	15,000	15,000	20,000	5,000	33.30
Subtotal, Goals 2000.....		491,000	620,000	680,000	60,000	9.70
2. School-to-work opportunities (STW Opportunities Act Titles II, III and IV).....	D	199,973 ¹	200,000 ²	125,000	(75,000)	-37.5%
3. Technology literacy challenge fund (ESEA section 3132)..	D	200,000 ³	425,000	500,000	75,000	17.6%
~~TOTAL.....~~		~~890,973~~	~~1,245,000~~	~~1,305,000~~	~~60,000~~	~~4.8%~~
Outlays.....		586,078	722,043	1,126,469	404,426	56.0%

¹ \$200,000 thousand was provided to each of the Departments of Education and Labor. The Department of Education amount ¹ reflects a subsequent reduction of \$27 thousand for this account's share of a \$1,381 thousand cancellation of funds available to the Department for salaries and expenses.

² An identical amount is included in the budget for the Department of Labor.

³ Adjusted for comparability. Funds were provided in the Education Research, Statistics, and Improvement account.

NOTE: Category Codes are as follows: D - discretionary program; M - mandatory program. The designation of programs as discretionary or mandatory is set forth in the Budget Enforcement Act of 1990.

(in thousands of dollars)						
Office, Account, Program and Activity		Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud. Amount Percent
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION (OESE)						
~~Allocation for the Disadvantaged~~						
1. Grants to local educational agencies (ESEA I-A):						
(a) Basic grants:						
(1) Basic grants (section 1124(a)).....	D		6,269,712	6,187,350	6,269,712	82,362 1.3%
(2) LEA Census poverty data.....	D		3,500	4,000	4,000	0 0.0%
Subtotal, Basic grants.....			6,273,212	6,191,350	6,273,712	82,362 1.3%
(b) Concentration grants (section 1124A).....	D		1,022,020	999,249	999,249	0 0.0%
(c) Targeted grants (section 1125).....	D		0	350,000	827,039	477,039 136.3%
Subtotal.....			7,295,232 ¹	7,540,599 ¹	8,100,000 ¹	559,401 7.4%
2. Capital expenses for private school children (ESEA I section 1120(e)).....						
	D		41,119	41,119	0	(41,119) -100.0%
3. Even start (ESEA I-B).....						
	D		101,992	108,000	113,000	5,000 4.6%
4. State agency programs:						
(a) Migrant (ESEA I-C).....	D		305,473	319,500	345,000	25,500 8.0%
(b) Neglected and delinquent (ESEA I-D).....	D		39,311	40,333	43,000	2,667 6.6%
Subtotal.....			344,784	359,833	388,000	28,167 7.8%
5. State school improvement (ESEA I-A sections 1116 and 1117).....						
	D		0	8,000	8,000	0 0.0%
6. Evaluation (ESEA I-E section 1501).....						
	D		6,977	10,000	10,000	0 0.0%
Subtotal, ESEA I.....			7,790,104	8,067,551	8,619,000	551,449 6.8%
7. Migrant education (HEA IV-A-5):						
(a) High school equivalency program.....	D		7,441	7,634	7,900	266 3.5%
(b) College assistance migrant program.....	D		2,028	2,081	2,200	119 5.7%
Subtotal.....			9,469	9,715	10,100	385 4.0%
Total Budget Authority.....						
			7,799,573	8,077,266	8,629,100	551,834 6.8%
Current authority.....			6,501,187 ¹	6,778,880 ¹	7,330,714 ¹	551,834 8.1%
Permanent authority.....			1,298,386 ²	1,298,386 ²	1,298,386 ²	0 0.0%
Outlays, current.....			5,186,180	6,165,997	6,692,648	526,651 8.5%
Outlays, permanent.....			903,219	1,231,460	1,297,985	66,525 5.4%

¹ Excludes an advance appropriation of \$1,298,386 thousand that becomes available on October 1 of the following fiscal year.

² Reflects an advance appropriation that was included in the prior year's appropriations act and which becomes available on October 1 of the fiscal year shown. The advance appropriation is scored as permanent budget authority in the year of availability.

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud.	
					Amount	Percent
Impact Aid (ESPA VCEF)						
1. Payments for federally connected children (section 8003):						
(a) Basic support payments (section 8003(b)).....	D	615,500	584,000	626,000	42,000	7.2%
(b) Payments for children with disabilities (section 8003(d)).....	D	40,000	40,000	40,000	0	0.0%
(c) Payments for heavily impacted districts (section 8003(f)).....	D	52,000	20,000	20,000	0	0.0%
Subtotal.....		707,500	644,000	686,000	42,000	6.5%
2. Facilities maintenance (section 8008).....	D	0	10,000	20,000	10,000	100.0%
3. Construction (section 8007).....	D	5,000	4,000	0	(4,000)	-100.0%
4. Payments for federal property (section 8002).....	D	17,500	0	0	0	---
Total.....		730,000	658,000	706,000	48,000	7.3%
Outlays.....		900,957	700,995	692,500	(8,495)	-1.2%

School Construction

1. School construction (proposed legislation).....	M	0	5,000,000	5,000,000	0	0
Total.....		0	5,000,000	5,000,000	0	0.0%
Outlays.....		0	1,250,000	1,250,000	0	0.0%

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud.	
					Amount	Percent
School Improvement Programs						
1. Professional development and program innovation:						
(a) Eisenhower professional development State grants (ESEA II-B).....	D	310,000	360,000	396,000	36,000	10.0%
(b) Innovative education program strategies State grants (ESEA VI-A).....	D	310,000	0	0	0	---
Subtotal.....		620,000	360,000	396,000	36,000	10.0%
2. Safe and drug-free schools and communities:						
(a) State grants (ESEA IV-A Subpart 1).....	D	530,978 ¹	590,000	620,000	30,000	5.1%
(b) National programs (ESEA IV-A Subpart 2).....	D	25,000 ¹	30,000	35,000	5,000	16.7%
(c) Coordinator initiative (ESEA IV-A, Subpart 2).....	D	0	0	27,000	27,000	---
Subtotal.....		555,978	620,000	682,000	62,000	10.0%
3. America Reads Challenge (proposed legislation).....	D	0	260,000	290,000	30,000	11.5%
4. Inexpensive book distribution (ESEA X-E).....	D	10,265	12,000	14,000	2,000	16.7%
5. Arts in education (ESEA X-D-1).....	D	9,000	9,500	9,500	0	0.0%
6. Magnet schools assistance (ESEA V-A).....	D	95,000	95,000	100,000	5,000	5.3%
7. Education for homeless children and youth (SBMHAA Title VII-B).....	D	25,000	27,000	35,000	8,000	29.6%
8. Women's educational equity (ESEA V-B).....	D	2,000	4,000	5,000	1,000	25.0%
9. Training and advisory services (CRA IV).....	D	7,334	14,334	14,334	0	0.0%
10. Ellender fellowships (ESEA X-G).....	D	1,500	0	0	0	---
11. Education for Native Hawaiians (ESEA IX-B).....	D	15,000	15,000	15,000	0	0.0%
12. Alaska Native education equity (ESEA IX-C).....	D	8,000	8,000	8,000	0	0.0%
13. Charter schools (ESEA X-C).....	D	50,987	100,000	120,000	20,000	20.0%
14. Comprehensive regional assistance centers (ESEA XIII-A)	D	25,554	34,388	50,000	15,612	45.4%
15. Advanced placement test fees (P.L. 102-325, XV-G).....	D	0	6,000 ²	6,000	0	0.0%
16. Urban initiative (proposed legislation).....	D	0	0	320,000	320,000	---
17. After-school initiative (proposed legislation).....	M	0	0	400,000	400,000	---
Total, discretionary.....	D	1,425,618	1,565,222	2,464,834²	899,612	57.5%
Total, discretionary.....	D	1,425,618	1,565,222	2,064,834	499,612	31.9%
Total, mandatory.....	M	0	0	400,000	400,000	---
Outlays, discretionary...		1,335,705	1,376,972	1,537,875	160,903	11.7%
Outlays, mandatory.....		0	0	20,000	20,000	---

¹ Reflects a reprogramming of \$25,000 thousand appropriated for State Grants to National Programs.

² Adjusted for comparability. Funds were requested in the Higher Education account in 1998.

NOTE: Funds requested in 1998 for America Reads Challenge were classified as mandatory; however, the 1998-2002 budget agreement between the President and Congress reclassified those funds as discretionary.

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud.	
					Amount	Percent
Indian Education						
1. Grants to local educational agencies (ESEA IX-A-1).....	D	58,050	59,750	63,000	3,250	5.4%
2. Special programs for Indian children (ESEA IX-A-2).....	D	0	0	7,000	7,000	---
3. Special programs for Indian adults (ESEA IX-A-3).....	D	0	0	4,000	4,000	---
4. National activities (ESEA IX-A-4).....	D	0	0	735	735	---
Total		58,050	59,750	74,735	14,985	25.1%
Outlays		87,471	60,709	61,174	465	0.8%
TOTAL, OESE		10,013,241	15,360,238	16,874,669	1,514,431	9.9%
Total, discretionary	D	10,013,241	10,360,238	11,474,669	1,114,431	10.8%
Total, mandatory	M	0	5,000,000	5,400,000	400,000	8.0%

¹ Adjusted for comparability. Excludes \$2,943 thousand in 1997 and \$2,850 thousand in 1998 for Indian Education Federal administrative costs, which are included in the Program Administration account in 1999.

NOTE: Prior to fiscal year 1998, funds for Indian Education were provided in the Department of the Interior and Related Agencies Appropriations Acts.

(In thousands of dollars)

Office, Account, Program and Activity	Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud.	
					Amount	Percent
OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS (OBEMLA)						
Bilingual and Immigrant Education:						
1. Bilingual education (ESEA VII-A):						
(a) Instructional services (subpart 1).....	D	141,700 ¹	160,000	176,000	16,000	10.0%
(b) Support services (subpart 2).....	D	10,000	14,000	15,400	1,400	10.0%
(c) Professional development (subpart 3).....	D	5,000	25,000	27,500	2,500	10.0%
Subtotal.....		156,700	199,000	218,900	19,900	10.0%
2. Foreign language assistance (ESEA VII-B).....	D	5,000	5,000	5,500	500	10.0%
3. Immigrant education (ESEA VII-C).....	D	100,000	150,000	165,000	15,000	10.0%
Total.....		261,700	354,000	389,400	35,400	10.0%
Outlays.....		225,430	276,822	343,508	66,686	24.1%
TOTAL, OBEMLA.....		261,700	354,000	389,400	35,400	10.0%

¹ Reflects a reprogramming of \$15,000 thousand from funds provided for Instructional Services: \$10,000 thousand to Support Services and \$5,000 thousand to Professional Development.

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud.	
					Amount	Percent
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES (OSERS)						
~~Special Education (IDEA)~~						
1. State grants:						
(a) Grants to States (Part B-611).....	D	3,109,395	3,248,750	3,478,201	229,451	7.1%
(b) Preschool grants (Part B-619).....	D	360,409	374,825	396,111	21,286	5.7%
(c) Grants for infants and families (Part C-686).....	D	315,754	323,964	332,387	8,423	2.6%
Subtotal, State grants.....		3,785,558	3,947,539	4,206,699	259,160	6.6%
2. National activities (Part D):						
(a) State improvement (Part D, Subpart 1).....	D	26,988	35,200	60,548	25,348	72.0%
(b) Research and innovation (Part D-section 761).....	D	62,803	64,508	67,000	2,492	3.9%
(c) Technical assistance and dissemination (Part D-Section 685).....	D	34,337	35,056	36,056	1,000	2.9%
(d) Personnel preparation (Part D-673).....	D	80,735	82,139	82,139	0	0.0%
(e) Parent information centers (Part D-sections 682-684)	D	15,535	15,535	17,535	2,000	12.9%
(f) Technology and media services (Part D-section 687)..	D	30,023	30,023	30,023	0	0.0%
Subtotal.....		250,421	262,461	293,301	30,840	11.8%
Total.....		4,035,979	4,210,000	4,500,000	290,000	6.9%
Outlays.....		3,347,657	3,764,330	4,122,653	358,323	9.5%

NOTE: Activities and amounts for 1997 and the 1998 President's Budget have been adjusted for comparability to reflect the reauthorized Individuals with Disabilities Education Act (Public Law 105-17) enacted June 4, 1997.

(in thousands of dollars)		Category	1997	1998	1999	1999 Request Vs. 1998 Pr. Bud.	
Office, Account, Program and Activity	Code	Appropriation	President's Budget	Request	Amount	Percent	
<u>Rehabilitation Services and Disability Research</u>							
1. Vocational rehabilitation State grants:							
(a) Grants to States (RA I-A and sections 110 and 111..)	M	2,164,038	2,234,528	2,575,848	341,320	15.3%	
(b) Grants for Indians (RA I-D).....	M	12,000	12,360	15,000	2,640	21.4%	
Subtotal.....		2,176,038	2,246,888	2,590,848	343,960	15.3%	
2. Client assistance State grants (RA section 112).....	M	10,392	10,714	10,993	279	2.6%	
3. Training (RA sections 302 and 803).....	M	39,629	39,629	33,685	(5,944)	-15.0%	
4. Special demonstration programs (RA sections 311 and 802).....	M	18,942	16,942	18,942	2,000	11.8%	
5. Migratory workers (RA section 312).....	M	1,850	2,350	2,350	0	0.0%	
6. Recreational programs (RA section 316).....	M	2,596	2,596	2,596	0	0.0%	
7. Protection and advocacy of individual rights (RA section 509).....	M	7,657	7,894	7,894	0	0.0%	
8. Projects with industry (RA VI-B).....	M	22,071	22,071	22,071	0	0.0%	
9. Supported employment State grants (RA VI-C).....	M	38,152	38,152	38,152	0	0.0%	
10. Independent living (RA VII):							
(a) State grants (Chapter 1, Part B).....	M	21,859	21,859	22,427	568	2.6%	
(b) Centers (Chapter 1, Part C).....	M	42,876	44,205	45,354	1,149	2.6%	
(c) Services for older blind individuals (Chapter 2)...	M	9,952	9,952	10,211	259	2.6%	
11. Program improvement (RA section 12).....	M	2,391	3,900	1,900	(2,000)	-51.3%	
12. Evaluation (RA section 14).....	M	1,587	1,587	1,587	0	0.0%	
13. Helen Keller National Center for Deaf-Blind Youths and Adults (HKNCA).....	M	7,337	7,528	7,724	196	2.6%	
14. National Institute on Disability and Rehabilitation Research (RA II).....	M	69,990	71,000	80,000	9,000	12.7%	
15. Assistive technology (TRAIDA).....	M	36,109	36,109	30,000	(6,109)	-16.9%	
Total.....	M	2,509,428	2,583,376	2,926,734	343,358	13.3%	
Total, discretionary.....	D	0	0	278,437	278,437	---	
Total, mandatory baseline.....	M	2,509,428	2,583,376	2,648,297	64,921	2.5%	
Outlays, discretionary.....		0	0	194,906	194,906	---	
Outlays, mandatory baseline		2,663,097	2,514,102	2,643,352	129,250	5.1%	

NOTE: Funds in this account are classified as mandatory under the rules specified in the Budget Enforcement Act of 1990. When the total for the account is different from the mandatory baseline total, the difference is scored as discretionary and is applied to the Department's discretionary total.

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud. Amount	Percent
<u>American Printing House for the Blind</u> <u>(20 U.S.C. 101 et seq.)</u>	D	6,680	6,680	7,056	376	5.6%
Outlays.....		8,771	6,680	6,633	(47)	-0.7%
<u>National Technical Institute for the Deaf</u> <u>(EDA 1-A, and sections 112 and 207)</u>	D	43,041	43,041	45,520	2,487	5.8%
Outlays.....		40,459	43,045	42,796	(249)	-0.6%
<u>Gallaudet University (EDA 1-A and section 207)</u>	D	79,182	79,182	85,540	6,358	8.0%
Outlays.....		75,879	79,256	80,408	1,152	1.5%
TOTAL, OSERS.....		6,674,310	6,922,279	7,564,859	642,579	9.3%
Total, discretionary.....	D	4,164,882	4,338,903	4,916,561	577,658	13.3%
Total, mandatory.....	M	2,509,428	2,583,376	2,648,297	64,921	2.5%

(in thousands of dollars)						
Office, Account, Program and Activity		Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud. Amount Percent
OFFICE OF VOCATIONAL AND ADULT EDUCATION (OVAE)						
~~Vocational and Adult Education~~						
1. Vocational education (Carl D. Perkins VATEA):						
(a) Basic grants:						
(1) Basic State grants (Title II).....	D	998,056	1,025,461	1,099,696	74,235	7.2%
(2) Territorial set-aside (section 101A).....	D	2,058	2,128	0	(2,128)	-100.0%
(3) Indian and Hawaiian natives set-aside (section 103).....	D	15,436	15,961	22,188	6,227	39.0%
Subtotal.....		1,015,550	1,043,550	1,121,884	78,334	7.5%
(b) Tech-prep education (VATEA III-E).....	D	100,000	105,000	125,000	20,000	19.0%
(c) National programs (VATEA IV-A).....	D	13,497	20,497	21,000	503	2.5%
(d) Tribally controlled postsecondary vocational institutions (VATEA III-H).....	D	2,919	2,919	0	(2,919)	-100.0%
Subtotal, annual.....		1,131,966	1,171,966	1,267,884	95,918	8.2%
(e) Permanent appropriation (Smith-Hughes Act):						
(1) Basic grants.....	M	6,848	0	0	0	---
(2) Territorial set-aside.....	M	14	0	0	0	---
(3) Indian and Hawaiian natives set-aside.....	M	107	0	0	0	---
(4) Research.....	M	179	0	0	0	---
Subtotal, permanent.....		7,148	0	0	0	---
Subtotal, vocational education.....		1,139,114	1,171,966	1,267,884	95,918	8.2%
2. Adult Education:						
(a) State grants (AEA B).....	D	340,339	382,000	420,000	38,000	9.9%
(b) Evaluation and technical assistance (AEA sections 383 and 384(a) and (b)).....	D	4,998	6,000	7,000	1,000	16.7%
(c) National Institute for Literacy (AEA section 384(c))	D	4,491	6,000	6,000	0	0.0%
(d) Literacy programs for prisoners (National Literacy Act section 601).....	D	4,723	0	0	0	---
Subtotal, Adult education.....		354,551	394,000	433,000	39,000	9.9%
Subtotal, annual.....		1,486,517	1,565,966	1,700,884	134,918	8.6%
Subtotal, permanent.....		7,148	0	0	0	---
~~Total, OVAE, discretionary.....~~		~~1,493,665~~	~~1,565,966~~	~~1,700,884~~	~~134,918~~	~~8.6%~~
TOTAL, OVAE.....		1,493,665	1,565,966	1,700,884	134,918	8.6%
Total, discretionary.....	D	1,486,517	1,565,966	1,700,884	134,918	8.6%
Total, mandatory.....	M	7,148	0	0	0	---
Outlays, discretionary.....		1,281,091	1,440,551	1,543,750	95,199	6.6%
Outlays, mandatory.....		6,978	6,790	0	(6,790)	-100.0%

¹ Under proposed legislation, Territories receive funds from the Basic State Grants formula, not from a separate set-aside.

² Under proposed legislation, tribally controlled postsecondary vocational institutions will receive funding under the Indian/Native Hawaiian set-aside under Basic State Grants.

(in thousands of dollars)			1997	1998	1999	1999 Request Vs. 1998 Pr. Bud.	
Office, Account, Program and Activity	Category Code	Appropriation	Budget	Request	Amount	Percent	
OFFICE OF POSTSECONDARY EDUCATION (OPE)							
Student Financial Assistance							
1. Federal Pell Grants:							
(a) Federal Pell grants (HEA IV-A-1).....	D	5,919,000	7,635,000	8,325,000 ¹	690,000	9.0%	
Prior-year surplus used (non-add).....	D	308,000	171,304 ²	0	(171,304)	-100.0%	
(b) SuperPell grants (proposed legislation).....	D	0	0	150,000	150,000	---	
Subtotal, budget authority.....		5,919,000	7,635,000	8,475,000	840,000	11.0%	
Subtotal, program level (non-add)		6,227,000	7,806,304	8,475,000	668,696	8.6%	
Maximum award (in whole dollars).		2,700	3,000	3,150	150	5.0%	
Subtotal, Pell grants.....		5,919,000	7,635,000	8,475,000	840,000	11.0%	
2. Campus-based programs:							
(a) Federal supplemental educational opportunity grants (HEA IV-A-3).....	D	583,407	583,407	733,407	150,000	25.7%	
(b) Federal work-study (HEA IV-C).....	D	830,000	857,000	885,000 ³	28,000	3.3%	
(c) Federal Perkins loans (HEA IV-E):							
(1) Capital contributions.....	D	158,000	158,000	0 ³	(158,000)	-100.0%	
(2) Loan cancellations.....	D	20,000	30,000	0 ⁴	(30,000)	-100.0%	
Subtotal.....		178,000	188,000	0	(188,000)	-100.0%	
Subtotal, campus-based programs		1,591,407	1,628,407	1,618,407	(10,000)	-0.6%	
3. State student incentive grants (HEA IV-A-4).....	D	50,000	0	0	0	---	
4. Early information (proposed legislation).....	D	0	0	20,000	20,000	---	
TOTAL.....		7,560,407	9,263,407	10,113,407	850,000	9.2%	
Outlays.....		7,698,923	8,250,118	9,583,653	1,333,535	16.2%	

¹ Reflects a minimum Pell award of \$400 at all levels.² An additional \$99,435 thousand in prior-year surplus is available.³ Proposed legislation would allow institutions to use Federal Perkins Loans collections to support institutional need-based student aid.⁴ Under proposed legislation, institutions would be authorized to forgive outstanding loans.

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud. Amount	Percent
~~Federal Family Education Loans (Liquidating)~~						
1. Family education loans (HEA IV-B):						
(a) Program costs (permanent authority).....	M	0	0	0	0	---
~~Total, FFEL (Liquidating)~~		~~0~~	~~0~~	~~0~~	~~0~~	~~---~~
~~(permanent authority).....~~		~~0~~	~~0~~	~~0~~	~~0~~	~~---~~
Outlays.....		205,061	(134,601)	(270,726)	(136,125)	101.10
~~Federal Family Education Loan Program Account~~						
1. New loan subsidies (HEA IV-B) (permanent authority).....	M	3,198,159	3,070,799	2,719,073	(351,726)	-11.50
2. Reestimate of existing loans.....	M	98,058	0	0	0	---
Subtotal.....		3,296,217	3,070,799	2,719,073	(351,726)	-11.50
3. Federal administration (FCRA section 505(e)).....	D	46,482	47,688	48,974	1,286	2.70
~~Total, FFEL Program.....~~		~~3,342,699~~	~~3,118,487~~	~~2,768,047~~	~~(350,440)~~	~~-11.20~~
Outlays, discretionary.....		41,067	44,359	48,020	3,661	8.30
Outlays, mandatory.....		2,904,786	2,783,383	2,595,477	(187,906)	-6.80
Total, FFEL.....		3,342,699	3,118,487	2,768,047	(350,440)	-11.20
Total, discretionary.....	D	46,482	47,688	48,974	1,286	2.70
Total, mandatory.....	M	3,296,217	3,070,799	2,719,073	(351,726)	-11.50
~~Federal Direct Student Loan Program Account~~						
1. New loan subsidies (HEA IV-D section 451) (permanent authority).....	M	366,769	504,958 ¹	816,371	311,413	61.70
2. Reestimate of existing loans.....	M	(82,157)	0	0	0	---
Subtotal.....		284,612	504,958	816,371	311,413	61.70
3. Federal administration (HEA IV-D section 458):						
(a) Federal administration (permanent authority).....	M	491,000	532,000	610,000	78,000	14.70
(b) Payments for services to guaranty agencies (non-add)	M	150,419	170,000	170,000	0	0.00
Subtotal.....		491,000	532,000	610,000	78,000	14.70
~~Total.....~~		~~775,612~~	~~1,036,958~~	~~1,426,371~~	~~389,413~~	~~37.60~~
Outlays, Total.....		618,290	924,613	1,201,400	276,787	29.90
Outlays, Federal admin.--mandatory.		417,239	499,570	562,657	63,087	12.60
Outlays, loan subsidies--mandatory.		201,051	425,043	638,743	213,700	50.30

¹ Reflects a reduction of \$35,000 thousand from the 1998 current services level of \$508,416 thousand, based on proposed legislation.

(in thousands of dollars)		Category	1997	1998	1999	1999 Request Vs. 1998 Pr. Bud.	
Office, Account, Program and Activity	Code	Appropriation	President's Budget	Request	Amount	Percent	
Higher Education							
1. Aid for institutional development (HEA III):							
(a) Strengthening institutions (Part A).....	D	55,450	55,450	60,000	4,550	8.2%	
(b) Strengthening HBCUs (Part B section 323).....	D	108,990	113,000	124,000	11,000	9.7%	
(c) Strengthening historically black graduate institutions (Part B section 326).....	D	19,606	19,606	25,000	5,394	27.5%	
(d) Hispanic-serving institutions (Part A section 316)...	D	10,800	12,000	24,000	12,000	100.0%	
(e) Endowment challenge grants HBCU set-aside (Part C section 331).....	D	0	2,015	0	(2,015)	-100.0%	
(f) Strengthening tribal colleges (proposed legislation)	D	0	0	5,000	5,000	---	
(g) Minority science improvement (HEA X-B-1/proposed legislation).....	D	5,255	5,255	7,500	2,245	42.7%	
Subtotal.....		200,101	207,326	245,500	38,174	18.4%	
2. Program development:							
(a) Fund for the Improvement of Postsecondary Education (HEA X-A).....	D	18,000	18,000	20,500	2,500	13.9%	
(b) International education and foreign language studies:							
(1) Domestic programs (HEA VI-A and B).....	D	53,481	53,481	60,372	6,891	12.9%	
(2) Overseas programs (Fulbright-Hays Act (section 102(b)(6))).....	D	5,270	5,770	10,750	4,980	86.3%	
(3) Institute for International Public Policy (HEA VI-C).....	D	1,000	1,000	1,500	500	50.0%	
Subtotal.....		59,751	60,251	72,622	12,371	20.5%	
(c) Urban community service (HEA XI-A).....	D	9,200	0	0	0	---	
(d) School-college partnerships (proposed legislation)...	D	0	0	300,000	300,000	---	
3. Minority teacher recruitment/Teacher recruitment and preparation (HEA V-E-2/proposed legislation).....	D	2,212	3,727	69,000	65,273	1751.4%	
4. Interest subsidy grants (HEA VII section 702).....	D	15,673	13,700	13,000	(700)	-5.1%	
5. Mary McLeod Bethune Memorial Fine Arts Center (Pub.L. 102-423).....	D	1,400	0	0	0	---	
6. Edmund S. Muskie Foundation (Human Rights, Refugee, and Other For. Rel. Prov. Act, section 501).....	D	3,000	0	0	0	---	
7. Calvin Coolidge Memorial Foundation (Human Rights, Refugee and Other For. Rel. Prov. Act, section 502)...	D	1,000	0	0	0	---	
8. Claiborne Pell Institute for International Relations and Public Policy (Claiborne Pell IIRPP Act).....	D	3,000	0	0	0	---	

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud.	
					Amount	Percent
<u>Higher Education (continued)</u>						
9. Aid to students:						
(a) Federal TRIO programs (HEA IV-A-2, Chapter 1).....	D	499,994	525,000	581,000	56,000	10.7%
(b) National early intervention scholarships and partnerships (HEA IV-A-2, Chapter 2).....	D	3,600	0	0	0	---
(c) Byrd honors scholarships (HEA IV-A-6).....	D	29,117	39,288	39,288	0	0.0%
(d) Presidential honors scholarships (proposed legislation).....	D	0	132,000	0	(132,000)	-100.0%
(e) George Bush fellowships (George Bush School of Government and Public Services Act).....	D	3,000	0	0	0	---
(f) Javits fellowships (HEA IX-C).....	D	5,931	0	0	0	---
(g) Graduate assistance in areas of national need (HEA IX-D).....	D	24,069 ¹	30,000 ²	0	(30,000)	-100.0%
(h) National need graduate fellowships (proposed legislation).....	D	0	0	50,000	50,000	---
10. Institutional retention grants (proposed legislation)...	D	0	0	150,000	150,000	---
Total.....		879,040	1,029,292	1,540,910	511,618	49.7%
Outlays.....		880,188	896,569	922,857	26,288	2.9%

¹ Funds provided for Graduate Assistance in Areas of National Need also are available for Harris Fellowships noncompeting continuation awards for academic year 1997-98. \$4,118 thousand was used for Harris Fellowships.

² Funds provided for Graduate Assistance in Areas of National Need also are available for Javits Fellowships noncompeting continuation awards for academic year 1998-99. \$4,284 thousand will be used for Javits Fellowships.

³ Adjusted for comparability. Excludes \$6,000 thousand requested in 1998 for Advanced Placement Fees, which is proposed for funding under the School Improvement Programs account, per tentative agreement between OPE and OESF.

NOTE: All activities authorized under the Higher Education Act and for which funds are proposed in fiscal year 1999 are requested under proposed legislation.

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud. Amount	Percent
~~Howard University~~						
1. Howard University Hospital (20 U.S.C. 128).....	D	29,489	29,489	30,256	767	2.6%
2. Undistributed (20 U.S.C. et seq.).....	D	166,511	166,511	170,840	4,329	2.6%
Total.....		196,000	196,000	201,096	5,096	2.6%
Outlays.....		192,997	196,000	200,790	4,790	2.4%
~~Higher Education Facilities Loans (HEA VII-C) (Liquidating)~~						
Outlays.....		(4,300)	(4,164)	(3,853)	311	-7.5%
~~College Housing and Academic Facilities Loans (Liquidating)~~						
1. Interest subsidy payments (HEA VII-C) (permanent authority).....	M	3,000	3,000	3,000	0	0.0%
Total, CHAFL (Liquidating).....		3,000	3,000	3,000	0	0.0%
Outlays.....		6,831	3,995	3,999	4	0.1%
~~College Housing and Academic Facilities Loans Program~~						
1. Federal administration (FCRA section 505(e)).....	D	698	1,069	1,165	96	9.0%
Total, CHAFL program.....		698	1,069	1,165	96	9.0%
Outlays, Total.....		1,670	1,406	1,385	(21)	-1.5%
Outlays, loan subsidies.....		1,034	444	292	(152)	-34.2%
Outlays, Federal administration.....		636	962	1,093	131	13.6%
Total, CHAFL.....		3,698	4,069	4,165	96	2.4%

¹ No loan authority.

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud. Amount	Percent
~~College Housing Loans (HSA-VII-C) (Continued)~~	M	(30,000)	(32,000)	(30,000)	2,000	-6.3%
Outlays.....		(31,906)	(32,028)	(30,909)	1,119	-3.5%
~~Historically Black College and University Capital Financing~~						
~~Program Account (HSA-VII-B)~~						
1. Federal administration (FCRA section 505(a)).....	D	104	104	96	(8)	-7.7%
Total.....		104	104	96	(8)	-7.7%
Outlays.....		104	104	102	(2)	-1.9%
TOTAL, OPE.....		12,724,068	14,613,317	16,021,592	1,408,275	9.6%
Total, discretionary.....	D	8,682,739	10,537,560	11,905,648	1,368,088	13.0%
Total, mandatory.....	M	4,041,329	4,075,757	4,115,944	40,187	1.0%

No loan authority.

(In thousands of dollars)

Office, Account, Program and Activity	Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud.	
					Amount	Percent
OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT (OERI)						
~~Education Research, Statistics, and Improvement~~						
1. Research, development and dissemination (ERDDIA):						
(a) National education research institutes (Part C)....	D	54,000	62,250	106,750	44,500	71.5%
(b) Regional educational laboratories (Section 941(h))..	D	51,000	51,500	51,000	12,500	-4.7%
(c) National dissemination activities (Section 941(a)-(g) and Part 2).....	D	18,567	18,785	22,475	3,690	19.6%
Subtotal.....		123,567	134,535	180,225	45,690	34.0%
2. Statistics (NESA).....	D	50,000	66,250	72,250	6,000	9.1%
3. Assessment:						
(a) National assessment (NESA section 411).....	D	29,752	35,502 ¹	36,500	998	2.8%
(b) National Assessment Governing Board (NESA section 412).....	D	2,865	2,871	3,500	629	21.9%
Subtotal.....		32,617	38,373	40,000	1,627	4.2%
4. Eisenhower professional development Federal activities (ESEA II-A).....	D	13,342	30,000	60,000	30,000	100.0%
5. Educational technology (ESEA III):						
(a) Technology for education (Part A):						
(1) Technology innovation challenge grants (section 3136).....	D	56,965	75,000	95,000	20,000	26.7%
(2) Regional technology in education consortia (section 3141).....	D	10,000	10,000	10,000	0	0.0%
(3) Technology leadership activities (section 3122)	D	0	0	2,000	2,000	---
Subtotal.....		66,965 ²	85,000	107,000	22,000	25.9%
(b) Star schools (Part B).....	D	30,000	26,000	31,000	5,000	19.2%
(c) Ready to learn television (Part C).....	D	7,000	7,000	7,000	0	0.0%
(d) Telecommunications demonstration project for mathematics (Part D).....	D	1,035	2,035	2,035	0	0.0%
Subtotal.....		105,000	120,035	147,035	27,000	22.5%

¹ Includes \$5,000 thousand for the assessment and reporting of reading performance, as part of the President's proposed America's Reading Challenge.² Adjusted for comparability. Excludes \$200,000 thousand in 1997 for the Technology Literacy Challenge Fund, requested in 1998 in the Education Reform account.

(In thousands of dollars)

Office, Account, Program and Activity	Category Code	1997 Appropriation	1998 President's Budget	1999 Request	1999 Request Vs. 1998 Pr. Bud. Amount	Percent
<u>Education Research, Statistics, and Improvement (continued)</u>						
6. Fund for the Improvement of Education (ESEA X-A).....	D	40,000	40,000	150,000	110,000	275.0%
National tests (non-add).....	D	12,000	15,000	110,000	95,000	633.3%
7. Javits gifted and talented education (ESEA X-B).....	D	5,000	7,000	10,000	3,000	42.9%
8. Eisenhower regional mathematics and science education consortia (ESEA XIII-C).....	D	15,000	15,000	25,000	10,000	66.7%
9. 21st Century community learning centers (ESEA X-I).....	D	1,000	50,000	50,000	0	0.0%
10. National writing project (ESEA X-K).....	D	3,100	0	3,100	3,100	---
11. Civic education (ESEA section 10601).....	D	4,500	4,500	4,500	0	0.0%
12. International education exchange (Goals 2000 EPA title VI).....	D	5,000	5,000	5,000	0	0.0%
Total		398,126	510,693	747,110	236,417	46.3%
Outlays, Research.....		412,858	551,147	567,329	16,182	2.9%
Outlays, Libraries.....		167,721	86,273	44,282	(41,993)	-48.7%
TOTAL, OERI		398,126	510,693	747,110	236,417	46.3%

(in thousands of dollars)			1997	1998	1999	1999 Request Vs. 1998 Pr. Bud.	
Office, Account, Program and Activity	Category Code	Appropriation	Budget	Request	Amount	Percent	
DEPARTMENTAL MANAGEMENT							
Program Administration (DEOA, section 202).....	D	328,898 ¹	343,889 ¹	392,590	48,701	14.2%	
Outlays.....		321,503	339,606	365,453	25,647	7.5%	
Office for Civil Rights (DEOA, section 203).....	D	54,900	61,500	69,676	8,176	13.3%	
Outlays.....		56,972	59,586	66,215	6,629	11.1%	
Office of the Inspector General (DEOA, section 212).....	D	29,943	32,000	35,359	3,359	10.5%	
Outlays.....		30,881	31,358	33,794	2,436	7.8%	
Departmental Renovation (DEOA, section 202).....	D	0	0	22,500 ²	22,500	---	
Outlays.....		4,900	2,006	5,625	3,619	180.4%	
Total, Departmental Management.....		113,741	437,389	520,125	82,736	18.9%	
Contributions							
Outlays.....	M	127	119	0	(119)	-100.0%	
		171	100	123	23	23.0%	
Receipts							
1. Proprietary receipts.....	M	(61,581)	(61,180)	(50,000)	11,180	-18.3%	
Total.....		(61,581)	(61,180)	(50,000)	11,180	-18.3%	
Outlays.....		(61,581)	(61,180)	(50,000)	11,180	-18.3%	
Chicago Litigation outlays.....		4,443	8,034	3,000	(5,034)	-62.7%	
BUDGET AUTHORITY TOTAL, EDUCATION DEPARTMENT							
Budget Authority, Discretionary Funds.....	D	32,808,370	40,941,821 ¹	45,073,638 ¹	4,125,817	10.1%	
Budget Authority, Mandatory.....	M	26,311,919	29,349,749 ¹	32,959,397 ¹	3,609,648	12.3%	
		6,496,451	11,592,072	12,114,241	516,169	4.5%	
OUTLAYS TOTAL, EDUCATION DEPARTMENT							
Outlays, Discretionary Funds.....	D	30,080,581	33,594,638	36,944,673	3,350,035	10.0%	
Outlays, Mandatory.....	M	23,773,154	26,343,628	29,585,810	3,242,182	12.3%	
		6,307,427	7,251,010	7,358,863	107,853	1.5%	

¹ Adjusted for comparability. Includes \$2,943 thousand in 1997 and \$2,850 thousand in 1998 for Indian Education Federal administrative costs, which were provided under the Indian Education account.

² Excludes \$262 thousand transferred to the Institute of Museum and Library Services on July 20, 1997, for administrative costs of Library programs.

³ Funds will cover renovation costs of ED's satellite buildings.

⁴ Excludes \$1,298,386 thousand requested as an advance appropriation under the Education for the Disadvantaged account to become available on October 1 of fiscal years 1999 and 2000, respectively.

NOTE: Amounts for receipts reflect current estimate.

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TREATMENT OF INDIAN SCHOOL DISTRICTS UNDER THE ADMINISTRATION'S IMPACT AID POLICY: IMPLICATIONS FOR FY1999 BUDGET

The purpose of this analysis is to describe the impact of the Administration's current policies for the Impact Aid program, and to discuss the implications of those policies for FY1999 budget decisions.

Problem: The Administration's current budget and formula policies for Impact Aid, if enacted, would result in a major loss of Federal education funds for Indian children

Impact Aid is the largest program in the Department of Education (ED) that provides funds to educate Indians. Basic Support Payments will provide approximately \$320 million for Indian children in 1998¹; by comparison, estimated funding for Indians under Title I Grants to Local Educational Agencies, the Special Education State Grants (Part B) program, and the Indian Education program will be approximately \$193 million, \$83 million, and \$60 million, respectively. If the Administration continues, in FY1999, with its 1998 request level (\$584 million) for Basic Support Payments, newly available estimates from ED indicate that the funding per Indian student will drop from \$2,791 to \$1,840 (34 percent), compared to a decline of 12 percent for the overall program. If OMB approves ED's request of \$626 million for Basic Support Payments and the President's 1999 budget includes the same formula proposed in his 1998 budget, funding per Indian child will still drop, by an average of 29 percent even though the overall Basic Support Payments appropriation would drop by only 5 percent.

For several years, the Administration's broader policy has been to maintain (and, if possible, increase) funds to educate Indian children. The current Impact Aid policies are clearly at odds with this broader policy. There is little chance that such a discrepancy will not be noticed by the Indian community, which closely monitors Administration budget requests for Indian programs and will certainly notice if an Impact Aid reduction overwhelms small increases in other areas.

While school districts receive Basic Support Payments on the basis of their enrollments of children living on Indian lands, they do not have to use those payments solely to serve those

¹The Impact Aid program does not provide support directly for Indians. (That is, funds do not flow on the basis of ethnicity or tribal membership.) Rather, under the program, the Federal Government compensates LEAs for the burden of educating children who live on, or whose parents reside on, nontaxable Federal property, including certain Indian trust lands. For the purpose of brevity, the payments on behalf of children living on those Indian lands (most of whom are federally recognized Indians) may be referred to in this paper as "payments for Indian children" or "Indian payments."

children. As with other Basic Support Payments funds, those monies are available for the general operating expenses of recipient districts. The Impact Aid statute, however, requires that:

- Indian children counted under the program participate in education programs and activities on an equal basis with other children; and
- LEAs receiving payments for children living on Indian lands consult and involve parents of Indian children and Indian tribes in developing educational activities and programs.

These provisions help ensure that districts receiving payments for Indian children provide equitable services to those children, and ensure that the program is a significant component of the overall Federal effort in support of Indian education (not just a source of revenue to districts that happen to serve Indians).

Comparison of Current and Proposed Formula Provisions

Two basic features of the law -- (1) the **formula for determining LEAs' "maximum payments"** and (2) the **reduction methodology** that is used when appropriations are insufficient to make the maximum payments -- combine to determine how much each LEA receives under the Basic Support Payments program.

Current law -- Under the law, the Basic Support Payments formula calculates each LEA's maximum payment by determining the "**local contribution rate**" (LCR) the LEA is eligible to receive and multiplying this number by the number of **eligible weighted students** in the LEA.

- The **local contribution rate** used in the statutory formula is the highest of four calculations, each of which is considered to be an LCR: (1) one-half of the U.S. average per pupil expenditure (USAPPE) for education; (2) one-half of the State per-pupil expenditure (SPPE); (3) the LCR of comparable LEAs; and (4) the product of the SPPE and the "**local contribution percentage**"² (LCP) in the State.
- The count of **eligible weighted students** reflects the different weights assigned to different categories of federally connected students based on their educational need and/or the loss of educational revenue associated with their presence in the district. For example, military "a" children receive a weight of 1.0, children living on Indian lands receive a weight of 1.25, and children living in low-rent housing receive a weight of 0.1.

If appropriations are insufficient to make the maximum payments to all districts, the Department reduces payments using the so-called "**Learning Opportunity Threshold**." The LOT is the

²The local contribution percentage is the percentage of all public elementary and secondary education expenditures in the State from local and intermediate sources.

sum of (1) the number of federally affected students as a percentage of the LEA's average daily attendance (ADA) and (2) the maximum payment under the Basic Support Payments formula as a percentage of the LEA's total current expenditures, not to exceed 100 percent

Problems with the current provisions -- For several years (going back to the 1994 reauthorization, which established the current payment rules), the Administration has opposed both the provisions for determining maximum payments and the provisions for determining reductions, and has proposed alternative provisions in appropriations language. In brief, our objections to the provisions are as follows:

- Two of the methods that LEAs can select for determining their local contribution rate (the one-half USAPPE option and the one-half the SPPE option) do not accurately reflect the likely amount of funds the LEA would contribute if it were not federally affected. Although the statute refers to all four methods as local contribution rates, these two methods do not truly reflect the rate at which LEAs contribute local funds to education. Those provisions thus conflict with the purposes of the Impact Aid program. The third method (based on the LCR for comparable LEAs) is not as inequitable but is administratively cumbersome.
- The LOT reduction methodology is flawed because it shifts funds to LEAs that make a low level of fiscal effort in support of education; districts can even increase their Impact Aid payment by reducing their expenditures, which clearly contradicts the purpose of the program. Further, because it is based on the sum of two percentages, the LOT can provide a higher percentage of the maximum payment to districts that have lower percentages of federally connected than do other districts, even though logic (and the evidence) would argue that the most heavily affected districts have the greatest needs or at least that (as under the Administration's proposal) all districts should be treated equally.

Administration proposals -- For the past several years, the Administration has put forward proposals that would correct these problems with the current provisions. Briefly, the Administration's provisions would:

- Establish only one method for calculating the local contribution rate: the product of the SPPE and the State's LCP. This calculation produces a payment that does a much better job, than current law, of reflecting the financial impact on school districts of educating federally connected children.
- Jettison the LOT in favor of a much simpler, and more equitable, "ratable reduction" methodology, which would pay all LEAs the same percentage of their maximum payment.

Department staff continue to believe that these provisions, although they have not been accepted by Congress, would provide for a much simpler and more equitable method of distributing limited Impact Aid resources. However, the Administration developed its proposals, four years ago, in absence of a thorough analysis of their impact on payments on behalf of Indian children and on heavily Indian districts.

Implications for Indian Payments -- As noted earlier, the Administration's formula and budget proposals would very significantly reduce per-child payments on behalf of children living on Indian lands. This reduction would have particularly severe consequences for heavily Indian LEAs. For example, Shannon County in South Dakota, which counts 889 students living on Indian lands under the program, would have seen its payment cut from \$3 million in FY 1997 to \$2.5 million in 1998 had the Administration's proposals prevailed. Lame Deer High School District in Montana has 98 students living on Indian lands received \$243 thousand in 1997 and would have received \$202 thousand under the Administration's formula in 1998. (Both Shannon and Lame Deer are extremely poor LEAs.) Part of the problem clearly is attributable to the proposed budget levels; the Administration has not requested enough money for Basic Support Payments to make good on our commitment to maintaining funding on behalf of Indians and military "a" children. But much of the problem stems from the formula proposals. Specifically:

- *Our policies would permit only one method of determining the local contribution rate, and that method relies heavily on SPPE.* However, federally affected Indians are disproportionately located in States with relatively low SPPE. All districts in those States, including Indian districts, are negatively affected by the proposals.
- *The true LCR drives the Administration's formula more heavily than the statutory formula.* LEAs with federally affected Indian students are more likely than to be located in States with relatively low LCRs than are LEAs with federally affected military students.
- *The Administration's ratable reduction proposal does not favor heavily impacted LEAs.* Districts with federally affected Indian students are more likely to have a high concentration of federally affected students than districts with federally affected military students. Thus, methods for reducing payments that benefit districts with a relatively high proportion of federally affected students, which the Administration's formula does not, will benefit Indian students.

Solutions: Increased funding and a formula change are needed to maintain Indian payments at an acceptable level

Clearly the first part of a solution to this problem must be a budget level that provides adequate funding for the education of both Indian and military "a" children. The Department believes that its \$626 million request for Basic Support Payments would be sufficient, although barely so.

Some changes are also needed in the Administration's formula. If we were to retain those proposals, the cost of bringing the average payment per Indian student up to the level of the past five years may be prohibitive. (See attachment 1). For example, it would cost \$766 million to provide funding per Indian child at the inflation-adjusted 1994 level (\$2,414) and \$671 million to bring it to the 1994 level without adjusting for inflation (\$2,113). Both of these amounts are above ED's request of \$626 million.

What follows are a series of options on the maximum payment calculation and the reduction methodology, and commentary on how they would affect payments on behalf of Indian children. The average payment for Indian and military "a's" under each option appears in Attachment 2. The cost of fully funding the formula and, where applicable, the mechanism to reduce payments appears in Attachment 3.

Issue 1 -- Method of calculating maximum payments

The method of calculating maximum payments can be used to increase the average payments to Indians by reducing the penalty on LEAs for being located in a low SPPE State. Options B-F build upon Option A, the Administration's proposed formula over the past few years.

Option A Continue current policy -- calculate the maximum payment as the product of SPPE and the State's LCP

This option has been proposed by the Administration over the past few years, but Congress has declined to adopt it. Although it probably does the best job in terms of overall equity, it penalizes LEAs located in States with relatively low SPPE. An additional problem is that it would significantly reduce funds for Indians when compared to current law.

Option B Bind SPPE by 80 and 120 percent of USAPPE

This option constrains SPPE by applying the same upper and lower bounds used in Title I. But it does not appear to significantly increase the average payment for Indian students.

Option C Bind SPPE by 80 percent of USAPPE

This option may be strategically preferable to Option A because it does not readily identify high SPPE States as losers. However, it does not appear to significantly increase the average payment for Indian students.

Option D Calculate the maximum payment as the higher of (1) the product of SPPE and the State's LCP and (2) the comparable LCR

This option would allow LEAs to use two of the options available under current law (instead of only one). The benefits to using a comparable LCR as a choice are that (1) it will likely increase

the average payment per Indian and (2) it rewards LEAs that have a high level of fiscal effort, which the program should do since it is designed to replace local revenue. The drawbacks to allowing the comparable LCR as a choice are that (1) the effect of allowing the comparable LCR as a choice is difficult to model because we only have data on the comparable LCRs for the few LEAs that use the choice under current law and (2) administering this method consumes a large amount of program staff time. The increase in Indian payments under this option appears to be small.

Option E Calculate the maximum payment as the higher of (1) the product of SPPE and the State's LCP; (2) the comparable LCR; and (3) the product of the State's LCP and USAPPE

This option would enable LEAs to use USAPPE rather than SPPE in calculating their maximum payments. While USAPPE will tend not to reflect the actual revenue lost to LEAs as accurately as SPPE, this option would significantly increase Indian payments.

Option F Calculate the maximum payment using the higher of (1) the product of SPPE and the State's LCP and (2) the product of the State's LCP and USAPPE

This option is similar to Option E but it does not seem to increase the average payment per Indian as much because it does not include the use of a comparable district's local contribution rate as an alternative.

Issue 2 Method of reducing payments when funds are insufficient to pay maximum payments in full

Methods of reducing payments can be used to favor heavily impacted LEAs, which will favor federally affected Indian students since they tend to be concentrated. The Option 2 and 3 build upon Option 1 from the Administration's formula.

Option 1 Continue current policy: Use a standard ratable reduction

The Administration has proposed ratable reduction over the past several years as the most equitable and simple approach. Instead of using ratable reduction, Congress has elected to use LOT to reduce payments. Neither the Administration nor Congress has come close to fully funding their formulas for Basic Support Payments. Since LEAs with relatively high proportions of federally affected students are the most dependent on Basic Support Payments, the means of reducing payments should ideally have the least impact on LEAs with high proportions of federally affected students. Ratable reduction, however, has a neutral effect on heavily impacted LEAs relative to less impacted LEAs.

Option 2 Reduce payments from a base of the product of the maximum payment times the percentage of federally affected students in the district

Reducing payments based on the percentage of federally affected students greatly benefits heavily impacted LEAs and thereby increases Indian payments. However, it severely penalizes LEAs with relatively low percentages of federally affected students. For example, at an appropriation of \$626 million, Broward County Florida would receive \$127,899 under Option 1, \$101,180 under Option 3, but only \$542 under Option 2.

Option 3 Reduce payments from a base of 50 percent plus one-half of the percentage of federally affected students in the district

Reducing payments based on 50 percent plus one-half of the percentage of federally affected students would favor heavily impacted LEAs and thereby favor Indians, without doing grave damage to less impacted LEAs, and (2) would not require extensive changes in the current reduction methodology, which should increase the likelihood that Congress would adopt the change.

Conclusion

ED staff believe that a combination of the local contribution rate option E and reduction methodology 3 would do the best job of redistributing payments to LEAs that educate Indian children. (Staff have not yet shared this analysis with high-level ED officials.) The recommended options would provide average Indian payments of \$2,380 at ED's budget request level -- still a significant reduction from the \$2,791 per student projected for 1998 but markedly better than the \$1,972 level projected under the current budget and formula policies. The only options available that would provide more funds have serious problems. The formula under current law contains provisions that are inconsistent with the purpose of the program, and the two options analyzed that provide higher Indian payments use a method of reducing payments that severely penalizes LEAs with a relatively small percentage of federally affected students. While there would likely still be a decrease in funding per Indian "a" compared to the actual appropriation for 1998, this would be tolerable because it brings the funding per Indian "a" in line with the funding per Indian "a" prior to 1997.

Attachment 1 -- Indian and military funding per pupil under basic support payments, 1994 - 1998.

Year	Funding per Indian "a"	Funding per Military "a"	Appropriation
1994	\$2,113	\$1,347	\$736,574,000\1
1995	\$2,483	\$1,701	\$631,707,000
1996	\$2,116	\$1,384	\$581,707,000
1997\2	\$2,600	\$1,400	\$615,500,000
1998\3	\$2,800	\$1,500	\$662,000,000\4
1999\5	\$2,000	\$2,100	\$626,000,000\6

\1 combines the payment for Impact Aid "a" children with the payment for Impact Aid "b" children.

\2 funds shift dramatically toward Indian districts during 1997 because it is the first year that many districts no longer received their hold harmless payment, which protected their funding from 1994. The hold harmless particularly protected military LEAs, which are more likely than Indian LEAs to have "b" children who received a great deal of funds in 1994.

\3 uses the legislated formula rather than the Administration's proposed formula.

\4 predicted appropriation level.

\5 uses the formula the Administration proposed in fiscal year 1998.

\6 ED's fiscal year 1999 request.

Attachment 2

Funds per Indian and military child

Formula options	\$584 million		\$626,000,000		\$662,000,000	
	\$/Indian	\$/military	\$/Indian	\$/military	\$/Indian	\$/military
Current law	\$2,462	\$1,332	\$2,639	\$1,428	\$2,791	\$1,510
A1	\$1,840	\$1,958	\$1,972	\$2,098	\$2,086	\$2,219
A2	\$2,123	\$1,782	\$2,200	\$1,957	\$2,257	\$2,113
A3	\$2,052	\$1,826	\$2,145	\$1,991	\$2,217	\$2,137
B1	\$1,874	\$1,937	\$2,008	\$2,076	\$2,124	\$2,195
B2	\$2,138	\$1,773	\$2,213	\$1,949	\$2,265	\$2,108
B3	\$2,069	\$1,816	\$2,161	\$1,981	\$2,234	\$2,127
C1	\$1,850	\$1,952	\$1,983	\$2,092	\$2,097	\$2,212
C2	\$2,144	\$1,769	\$2,222	\$1,943	\$2,282	\$2,097
C3	\$2,069	\$1,816	\$2,164	\$1,980	\$2,238	\$2,125
D1	\$1,863	\$1,943	\$1,997	\$2,083	\$2,112	\$2,203
D2	\$2,192	\$1,739	\$2,270	\$1,914	\$2,331	\$2,067
D3	\$2,105	\$1,793	\$2,201	\$1,956	\$2,277	\$2,100
E1	\$1,947	\$1,891	\$2,087	\$2,028	\$2,207	\$2,144
E2	\$2,398	\$1,611	\$2,495	\$1,774	\$2,569	\$1,919
E3	\$2,245	\$1,706	\$2,380	\$1,846	\$2,474	\$1,978 (recommended)
F1	\$1,920	\$1,908	\$2,058	\$2,045	\$2,176	\$2,163
F2	\$2,339	\$1,648	\$2,431	\$1,814	\$2,504	\$1,960
F3	\$2,211	\$1,728	\$2,330	\$1,877	\$2,421	\$2,011

Formula options B-F and 2-3 build on the Administration's proposed formula (A1).

A -- SPPE * State's LCP

B -- binds SPPE by 80 and 120 percent of USAPPE

C -- binds SPPE by 80 percent of USAPPE

D -- Higher of (1) SPPE * State's LCP and (2) comparable LCR

E -- Higher of (1) SPPE * State's LCP; (2) comparable LCR; and (3) State LCP * USAPPE

F -- Higher of (1) SPPE * State's LCP and (2) State LCP * USAPPE

1 -- Standard ratable reduction

2 -- Reduce payment based on the percentage of federally affected students

3 -- Reduce payment based on 50 percent plus one-half of the percentage of federally affected students

Attachment 3

**Cost of fully funding variations on the Learning
Opportunity Threshold (LOT) used to reduce payments
and fully funding maximum payments**

Formula options	LOT	Maximum payment
Current law	\$679,042,397	\$1,405,551,480
A1	*	\$760,147,789
A2		\$760,147,789
A3		\$760,147,789
B1	*	\$741,895,675
B2		\$741,895,675
B3		\$741,895,675
C1	*	\$767,570,918
C2		\$767,570,918
C3		\$767,570,918
D1	*	\$782,665,234
D2		\$782,675,261
D3		\$782,665,234
E1	*	\$873,752,381
E2		\$873,752,381
E3		\$873,752,381 (recommended)
F1	*	\$857,600,214
F2		\$857,600,214
F3		\$857,600,214

Formula options B-F and 2-3 build on the Administration's proposed formula (A1).

A -- SPPE * State's LCP

B -- binds SPPE by 80 and 120 percent of USAPPE

C -- binds SPPE by 80 percent of USAPPE

D -- Higher of (1) SPPE * State's LCP and (2) comparable LCR

E -- Higher of (1) SPPE * State's LCP; (2) comparable LCR; and (3) State LCP * USAPPE

F -- Higher of (1) SPPE * State's LCP and (2) State LCP * USAPPE

1 -- Standard ratable reduction

2 -- Reduce payment based on the percentage of federally affected students

3 -- Reduce payment based on 50 percent plus one-half of the percentage of federally affected students

OFFICE OF MANAGEMENT AND BUDGET

HUMAN RESOURCES DIVISION

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11-26

TO:

Mike Cohen

FROM:

**BARRY WHITE
DEPUTY ASSOCIATE DIRECTOR**

COMMENTS:

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**Department of Education 1999 Budget
Notes of The Passback**

These are the notes of the OMB Director's decisions.

Overall Budget (\$ in millions)

1998 Enacted BA:	\$29,559
1999 Guidance:	\$28,981
1999 Passback:	\$29,586
1999 Presidential Priority Reserve:	\$ 1,866 (includes \$420 for new initiatives and \$1,446 for base programs)

The President has agreed that the process of deciding budget levels for the FY 1999 President's Budget will be different than in past years. Instead of passing back a single set of budget authority and outlay estimates for each agency -- composed of funding for both base programs and new initiatives -- the OMB passback includes two sets of estimates.

- o The first set of estimates will be OMB's assessment of what the agency requires for base program operations and previously-announced Presidential priorities over FY 1999-2003.
- The agency may discuss the composition of this passback level with OMB. The agency may appeal this level; however, all appeals for base program operations will compete against initiatives for funding from the Presidential Priority Reserve (see below). Thus, agencies are urged to discuss with their RMO financing additional spending for important base programs within this first passback level. Presidential priorities cannot be adversely affected by this process.
- Base programs levels (including previously announced Presidential priorities) will be considered final for agencies that do not appeal these levels. Base programs levels will remain open if agencies appeal, and those levels may be increased, decreased, or remain unchanged during the final portion of the budget process.

This level is reflected in the "Passback" column of the attached table and explained in the narrative below.

- c The second set of estimates is a list of candidates (and their associated funding levels) for the Presidential Priority Reserve. This list includes OMB's judgment of which of the initiatives submitted by the agencies or by others should be presented to the President for decision. The items on this list do **not** represent decisions on what will be included in the FY 1999 budget; rather, they are candidates that will be presented to the President for his decision. The combined cost of the items on the list of candidates greatly exceeds funding available in the Presidential Priority Reserve. Agencies may appeal to add additional items to the list or to increase the funding for items already on the list.

OMB will review the comprehensive list of candidates for the Presidential Priority Reserve, by programmatic category (e.g., anti-terrorism, health, research, etc.). Funding for agency appeals -- both for base programs and proposed new initiatives -- will compete with new initiatives already identified by OMB for funding from the Presidential Priority Reserve. OMB's "candidates" for the Priority Reserve in Education are reflected in the "Add candidates" column of the attached table.

Amounts are provided for FY 1998 Budget Authority at the account level, unless otherwise specified. The Department has the discretion to allocate across programs within an account total, except where funding levels for particular items are specified (i.e., Pell), without an appeal. Proposed redistribution between accounts has to be discussed with OMB.

For now, the out year policy will reflect inflationary increases for the Department's overall discretionary budget. These estimates may be adjusted later to reflect actions necessary to keep the government-wide totals each year within the caps.

Appeals are to be submitted in writing, addressed to the Director, and delivered to the Education Branch, no later than close of business on Thursday, December 4. This is a firm deadline, tied to the President's schedule.

Education Reform

- **Goals 2000: \$501 million, \$10 million above the 1998 level and \$84 million below the requested level. The increase is for State and local grants.**
- **School-to-Work: \$125 million. The identical amount is in DOL's budget. Finances the planned outyear phase-out path assumed in the request.**
- **Education Technology: The FY 1999 level, \$659 million, includes: \$500 million for the Technology Literacy Challenge Fund, consistent with the funding path provided for this program in the Balanced Budget Agreement; level funding from FY 1998 for the Technology Innovation Challenge Grants, Regional Technology in Education Consortia, Star Schools, and Ready to Learn Television; and \$2 million for the Telecommunications demonstration project for mathematics.**

Title I, Education for the Disadvantaged

- To reflect the elimination of Capital Expenses and America Reads funds, and the linking of Obey's comprehensive school reform to our alternative urban/rural initiative, the account total is \$7.965 billion, \$57 million below the 1998 level and \$599.5 below the 1999 request.
 - Grants to LEAs receives an increase of \$92 million over the 1998 level.
 - No funding is provided for Capital Expenses for Private Schools.
 - No new funding is provided in 1999 for the Obey comprehensive school reform program. However, OMB does want to provide three years of funding for the Obey program by structuring it as follows: 1) stretch the 1998 appropriation to fund two years of activity and 2) in the 1999 budget, request an advance appropriation of \$60 million for 2000. See discussion of the School Achievement Award Urban/Rural initiative for details.
 - Even Start is straightlined from the 1998 level minus the funds provided as a result of the America Reads negotiations (per the White House view that all funding above the 1997 level is connected to America Reads) which is no longer needed here given the direct funding for America Reads (see below).
 - All other programs are straightlined from the 1998 level.
 - \$35 million is provided for Head Start transition-to-school activities, an activity formerly funded under HHS/ACF which has not resulted in effective activities. ED and HHS should develop a plan for how these activities should be carried out to maximize effective movement of Head Start children into kindergarten or first grade.

Impact Aid

- The account total is \$696 million, \$112 million below the 1998 level and \$20 million below the 1999 request.

- Passback provides \$626 million, ED's request, for Basic Support Payments to implement ED's revised formula.
- \$40 million is provided for Payments to Children with Disabilities, the same as ED's original request
- \$20 million is provided for Heavily Impacted districts
- \$10 million is provided for Facilities Maintenance, \$7 million above the 1998 level and \$10 million below ED's request.
- no funds are provided for Payments for Federal Properties.

School Improvement

- The account total is \$1.463 billion, \$79 million below the 1998 level and \$739 million below ED's request.
- Eisenhower: \$310 million, a straightline from the 1998 level, minus the \$25 million provided as a result of the America Reads negotiations which is no longer needed here given the direct funding of American Reads (see below).
- Innovative Education Program Strategies: no funds are provided.
- Safe and Drug-Free Schools and Communities:

Passback provides a total of \$556 million for the Safe and Drug-Free Schools and Communities (SDFSC) activity, a straightline from the 1998 level. However, OMB shares ED's and ONDCP's concerns that there is still little evidence that LEAs are using Safe and Drug-Free Schools and Communities funds for effective programs despite ED's efforts to support research-based programs at the local level. Therefore the Passback FY 1999 policy would require that (a) ED transfer, as a reimbursable expense, specified amounts to other agency prevention programs; and (b) the remaining

SDFSC funds be used for competitive grants. ED is to work both with the receiving agencies and with ONDCP to establish a common agreement on program and research priorities and to ensure that the funds are used effectively and in coordination with SDFSC funds.

The funds will be distributed as outlined below and under the conditions described below:

- o \$331 million for SDFSC State grants. These grants are to be awarded competitively and in accord with ED's Principles of Effectiveness.
- o \$50 million for SDFSC National activities. At least \$20 million of these funds shall be for research and demonstrations to help develop and identify programs of proven effectiveness. ED may use remaining funds for other activities that helps establish a system to identify research-based programs and enforce the Principles of Effectiveness. Research projects supported by these funds shall be designed and implemented under an agreement with the National Institute on Drug Abuse and ONDCP.
- o \$27 million shall be for the School Coordinators initiative, as requested, to help ensure that programs implemented at the local level reflect ED's Principles of Effectiveness.
- o \$148 million to be transferred to HHS as a reimbursable amount for the following programs and under the following conditions:
 - o \$20 million to the HHS State Incentive Grant Program, under a joint agreement between ED and HHS, to provide funds to States for drug program coordination efforts to help increase coordination between State and local SDFSC projects, the school coordinators described above, and other community-based efforts to decrease drug use and incidents of violence among school-aged youth.
 - o \$128 million to SAMHSA's Substance Abuse Block Grant, earmarked in ED appropriations language for use in grants to States for prevention only. HHS will work jointly with ED and ONDCP to have States fund effective, research-based projects linked to SDFSC projects.

In summary, the passback to ED, HHS, and ONDCP provides for the following set-asides in FY 1999 appropriation language:

\$331 million SDFSC State grants

50 SDFSC National programs (up to \$20 million is for ED/HHS research and demos)

27 School Coordinator initiative

20 HHS State coordinators

128 SAMHSA prevention programs

\$556 million Total

- Education for Native Hawaiians: \$18 million, the same as the 1998 level and ED's request.
- Charter Schools: \$100 million, \$20 million above the 1998 level and \$20 million below ED's request, to help establish 3,000 new public charter schools by 2001.
- All other programs are provided the lower of the 1998 level or ED's request.
- Urban Initiative: ED's proposal for a new Urban Initiative in FY 1999 is not approved. OMB will instead recommend an alternative School District Achievement Awards program, with an advance appropriation of \$500 million for FY 2000. A description of this proposal is found at the end of this document.

America Reads

- The FY 1999 level is \$290 million, the same as the FY 1999 level for this program in the Balanced Budget Agreement.

Indian Education

- The FY 1999 level is \$60 million, the same as the 1998 level and \$15 million below ED's request.

Bilingual and Immigrant Education

- The FY 1999 level, \$354 million, is a straight line of the FY 1998 level.

Special Education

- The FY 1999 level, \$4,811 million, is a straight line of the FY 1998 level.

Vocational Rehabilitation

2656

- The FY 1999 level, ~~\$2,649~~ million, is the mandatory baseline amount for the account.
- ED should coordinate its continued research efforts on the employment of individuals with disabilities with research efforts of the Social Security Administration.

Special Institutions

- The FY 1999 level, \$129 million for Special Institutions, is a straight line of the FY 1998 level: \$8.2 million for the American Printing House for the Blind, \$44.1 million for the National Technical Institute for the Deaf, and \$81 million for Gallaudet.

Vocational and Adult Education

\$1,091 million for Vocational Education.

\$372 million for Adult Education, an \$11 million increase over the FY 1998 level.

Student Financial Assistance

\$9,277 million. It includes:

- ▶ **Pell Grants: \$7,779 million.** This funding level would support a \$3,100 maximum award policy and the FY 1998 income protection allowance levels of \$4,250/\$7,250 for independent students and \$2,200 for dependent students. In addition, this funding policy incorporates ED's proposals of establishing a true \$400 minimum award and imposing time limits on Pell eligibility.

OMB rejects ED's proposal to eliminate simplified need-analysis forms and automatic zero EFC calculations as a way of reducing costs. ED should work with OMB to simplify the current FAFSA forms and help the targeted students and families understand the forms and procedures.

OMB also rejects ED's proposal of restoring Pell eligibility for prisoners. Training at adult basic or secondary education levels is more appropriate for most of the prisoner population: ED's adult education funding supports such activities. Training and education for prisoners is a natural responsibility of prison authorities.

The IRS data matching proposal is included in OMB's Error Reduction Initiative. But OMB has not factored in the \$100 million savings from the proposal for FY 1999 because decisions on how to do this affect multiple agencies and a strategy is not yet developed. ED will be a part of the process of developing this strategy later.

OMB directs ED to propose eliminating high-default schools from the Pell grant program. Language similar to General Provision Section 512 of the FY 1996 Labor/HHS/ED Appropriations Acts must be included in the President's FY 1999 Budget.

- ▶ **OMB rejects ED's proposal to establish the SuperPell program.**
- ▶ **Work-Study: \$885 million,** the same amount as ED's Request. ED should continue to help schools expanding employment opportunities to fulfil the President's goal of creating one million work-study jobs by 2000 and recruiting 100,000 reading tutors by 1999.

- ▶ Supplemental Educational Opportunity Grants: \$583 million.
- ▶ Perkins Loans: Terminate Federal Capital Contributions; and \$30 million for Loan Cancellations;
- ▶ OMB Recommendations for New Initiatives: OMB recommends funding \$300 million for the Pre-College Mentoring Initiative that NEC is developing and \$20 million for an early information campaign accompanying the Mentoring Initiative. In lieu of funding ED's SuperPell and Institutional Retention proposals, OMB also recommends establishing a general research authority in the Higher Education Act to conduct field studies on student aid programs, initially funded at \$50 million to examine the impact of frontloading student aid grants on low-income college student persistence.

Higher Education

\$997 million. The total assumes the following:

- ▶ Funding the full request for Aid for Institutional Development, with an additional \$4 million for HSIs pursuant to a Fast Track commitment.
- ▶ \$530 million for TRIO.
- ▶ \$20 million for FIPSE, \$5.2 million below FY 1998 enacted level.
- ▶ \$46 million for International Education, Domestic programs, \$7 million below FY 1998 enacted level.
- ▶ \$30 million for the GAANN/NNGF proposal. Only continuation grants for Javits Fellowships would be funded. These would be funded through an adequate set-aside through GAAN or the new program.
- ▶ OMB will not include funding the proposed Institutional Retention Grant program in its items for the Presidential Priority Reserve.

► OMB assumes no FY 99 funding for the following programs:

Youth Offender Grants

Urban Community Service

National Early Intervention Scholarships and Partnerships

Mary McLeod Bethune Fine Arts Center

International Education: International Research and Studies Projects

International Education: Language Resource Centers

Institute for International Public Policy

Howard University

\$201 million, ED's initial budget request level, \$9 million below FY 98 enacted and \$16 million below the request.

Historically Black College and University Capital Financing Program

\$.096 million, full request level.

Education Research, Statistics, and Improvement

- The FY 1999 level, \$380.938 million, is a straight line of the FY 1998 level except that: (1) \$60 million was included for FIE, \$48.1 million less than the FY 1998 level; (2) the National Writing project, provided \$5 million in FY 1998, was terminated, as recommended in the President's FY 1998 budget; and (3) \$2.6 million was added to the \$59 million

FY 1998 funding level for Statistics, increasing it to \$61.6 million, in order to ensure that ED carries out its Early Childhood Longitudinal Study's birth-cohort data collection beginning in January 2000.

- A \$50 million advance appropriation should be included for expenses related to administering the national tests, in order to signal to the States that the funding will be available for these expenses.
- OMB, in consultation with OSTP, is including, for consideration in the President's Priority Reserve, a proposal for a \$50 million per year, five-year initiative to support a joint National Science Foundation/Department of Education research partnership in education technology. The program would be modeled on an existing NSF/EPA partnership, and would sponsor rigorously-designed experimental research regarding the best uses of education technology to raise educational achievement. The program funding would support as many as ten (or more) concurrent research projects. The parameters of the research and the research questions would be developed jointly by NSF/ED. Although the funding would reside at ED, NSF would manage the merit review process, as it has for the NSF/EPA partnership.

Student Loans -

- The Administration must be fully committed to modernizing loan delivery and management of both the FFEL and Direct Loan programs. This will involve:
 - establishing market incentives to promote efficiency in program delivery that can result in improved services and lower costs for students.
 - standardization of processes across the industry and the Department to ensure that schools and students have maximum flexibility to choose among loan providers.
 - new approaches to working with the FFEL industry to achieve modernization objectives.
- Proposals affecting guaranty agencies. The Department's proposals are accepted. ED should couple these proposals with concrete implementation strategies to demonstrate how the new guaranty agency structure will encourage operational improvements that eliminate unnecessary and inefficient overhead costs. These should include a proposal for a streamlined front-end process for electronic origination (e.g., using the ELM network) that eliminates unnecessary paperwork. ED should take a proactive leadership role in working with key lenders and guaranty agencies on this strategy.

- **Proposals affecting borrowers.** The following ED proposals are accepted: (1) capitalization of interest; and (2) payment of interest for borrowers performing community service. Elimination of bankruptcy discharges is tentatively approved, subject to further review in the A-19 legislative process. Reductions in origination fees proposed by the Department will be phased in over time. Fees will be reduced for all borrowers from 4 percent to 3 percent in FY 1999; fees for need-based loans will be reduced to 2 percent in FY 2002.
- **Proposals affecting lenders and secondary markets.** While the statute will include a maximum interest rate on loans, OMB proposes that the actual rate students pay under both FFEL and DL be set by the market. FFEL lenders should be encouraged to compete amongst themselves and pass savings on to students in the form of lower rates, as long as precautions are taken to ensure all students have access to loans. The direct loan rate should be established based on a market index. ED should immediately begin analysis of implementation issues, including how a market index would be determined, whether any constraints are needed on how frequently the rate could be adjusted, and whether it would be desirable to allow for differential rates based on risk factors. ED and OMB will work together, with Treasury assistance, to develop this proposal.

The requirement that lenders offer flexible repayment terms is accepted. The Administration will not propose to extend the Sallie Mae fee to securitized loans, and will not reduce the lender insurance payment, but will propose to cut the in-school interest rate by 0.6 percent.

- OMB, NEC, and Education will engage in further discussions of legislative strategy.

Mandatory Initiatives

School Construction

- Tentatively, \$1.9 billion in 1999 budget authority, to be outlaid in even increments over 5 years. Further discussions on the level are in progress with ED. This assumes a reproposal of last year's initiative, with any modifications that would be needed to accommodate a five year outlay stream. OMB is open to further discussion of program design modifications.

Departmental Management and Administration

Program Administration

- \$351 million, \$10 million over FY 1998 enacted.

Office for Civil Rights

- \$65 million, \$3.5 million over FY 1998 enacted.

Office of Inspector General

- \$30 million, straightlined from FY 1998 enacted.

College Housing and Academic Facilities Loans - (Admin. portion)

- \$1.165 million, full request.

Management Issues

Student Aid Management - This is one of the OMB Director's Priority Management Objectives, to be tracked and reported on to him monthly. The items discussed below have been reviewed by the Director but have not been brought to the attention of the ED/OMB Modernization Board. If the Department believes that moving ahead on any of these areas is not appropriate at this time, the Department should raise its concerns to the Modernization Board for discussion.

Through the Modernization Board, Education and OMB should agree on a clear set of objectives and a multi-year implementation plan with milestones. Beginning after the Budget is transmitted, the Director will require monthly reports on progress. The Director wishes to meet with the Secretary on a quarterly basis to discuss problems and progress.

The Department's request for \$20 million in additional funds for modernization initiatives is not approved. Serious consideration cannot be given to such a request until ED demonstrates that it has the capacity to manage its programs

efficiently by adopting modern business practices and re-engineering its processes. Among the areas ED should give attention to are:

- **Just-in-time disbursement.** With implementation of just-in-time accounting, FTE and contractor staff now devoted to monitoring advances and reconciliation could be reallocated, and student level transactions could be monitored and analyzed to identify errors and potential fraud. ED should move aggressively to implement this disbursement system in both the Pell and Direct Loan programs in a coordinated manner. OMB will use apportioning authority to support this objective. ED should brief OMB on its implementation plans no later than February 15, 1998.
- **Better use of internet.** ED should develop a strategy for phasing out use of the Title IV WAN and shifting to internet communications. OMB does not believe ED's previously cited security considerations are serious enough to warrant ED's heavy reliance on this costly legacy system. NPR and OMB/OIRA will assist ED in addressing security issues. ED should also give high priority to making changes (e.g., electronic signature, less stringent level of security for encryption) that would enable it to broaden use of electronic applications.
- **Electronic lender origination and reporting.** ED should partner with the lending industry to take full advantage of the efficiencies offered by electronic origination and reporting in standardized formats. ED should examine options for re-engineering data flow between lenders, guaranty agencies, and the Department, including having lenders report loan level data directly to ED's systems.
- **Establishing common processes and data standards for the direct and guaranteed loan programs.** The Department should give high priority to eliminating customized processes that now limit the Department's ability to access existing commercial service providers. Working with the lending industry to establish common processes and data standards can have the multiple benefits of (1) improving ED's ability to secure high quality services at low cost; (2) enabling exchange of data in a manner that minimizes potential for error; and (3) enhancing the ability of schools and students to select loan providers that offer the greatest benefits.

The modernization objectives for loan reauthorization parallel those for the Department's own management of both programs. By January 15, the Department should be prepared to discuss its plans with NEC and OMB for how ED will partner with the lending industry to harness technological advances to improve loan delivery and management of the student aid programs.

- o Financial Management: In addition to the student aid management issues discussed above, ED needs to continue to put a high priority on its debt collection efforts and compliance with the Debt Collection Improvement Act.
- o GPRA Program Performance Indicators: ED provided a good amount of performance information in the budget justifications. However, the Department needs to establish more direct connections between performance indicators set forth in the Strategic Plan and the individual program plans, and the individual program budget requests. In addition, ED needs to refine many of its performance indicators, which lack adequate linkage to Departmental programs.
- o Year 2000 Computer Problem

The Department has begun making progress in addressing its Year 2000 problem through the development of a management plan. However, because Education is a Tier 1 agency (i.e., an agency reported to Congress by OMB as having serious problems), significant management support is necessary to ensure success in fixing the year 2000 problem. This management support should include a review of and necessary revisions to the responsibilities of the current CFO/CIO offices within ED. This review should include an examination of the duties, qualifications and position of CIOs within comparable organizations to ED.

For all tier 1 agencies, OMB is apportioning FY 1998 information technology funding and denying new development funding for FY 1999 so as to assure that agencies make adequate progress on fixing the Year 2000 problem a high priority. ED should take action to ensure that its new investments in information technology are consistent with this priority for addressing the Year 2000 problem. To assure adequate priority is given to Year 2000 funding needs relative to other information technology investments, \$4 million is specifically provided in the Program Administration Account for Year 2000 activities, earmarked in appropriation language.

Urban/Rural High Poverty Area Educational Achievement Awards

Premise: High poverty school districts, in which minorities are disproportionately represented, urban or rural, may have the greatest difficulty raising educational achievement, despite the significant sums of Federal monies for this purpose which they receive. There are examples of high-poverty districts that have high-performing, high-achieving schools. Reinforcing the importance of raising educational achievement through small near term awards building toward a substantial money award for proven success could provide the impetus needed in more high poverty districts to use resources more effectively and reach the goal.

Proposal Summary:

- A. School District Achievement Awards. The FY 1999 Budget would propose an advance appropriation in FY 1999 for use in FY 2000 of \$500 million, with equal amounts in each outyear, to provide awards to high achieving eligible districts.
- B. Funds to meet needs now. To give eligible districts new resources now so that they can better compete successfully for awards in FY 2000, in FY 1998 the Education Department would use the funds appropriated for "Obey" comprehensive school reform projects to make grants covering a two year period to competitively-chosen applications from high poverty, high need districts, so that those districts can implement research-based models of proven effectiveness in helping poor and minority children reach high standards and raise their achievement levels. Winners would get a "running start" toward competing successfully for Achievement Awards.
- C. Partnering Awards for Districts that are already high-poverty and high-achieving. \$25 million, would be sought each year beginning in FY 1999 for high-poverty, high-performance districts if they will serve as technical assistance partners to districts that hope to compete for the achievement awards. (An FY 1998 round might be available from re-directed school reform or other ED funds.) This aspect would also keep these "success story" places from feeling that they were left out.

Design elements:

- Eligible districts for school reform grants and for Achievement Awards would be those in each State that are in the highest quintile in terms of percentage of poverty, and, of those districts, ones that are in the lowest quintile in terms of scores on State assessments. [this needs refinement with real data to see who is captured]
- Achievement Awards. Awards would be competitive grants to 50-100 eligible districts (or more), ranging from about \$3-15 million each, scaled to the size of the district. Awards would be made based on the most substantial or most significant demonstrated progress made since 1995 (the year of implementation of Title I reforms and Goals 2000) in raising student achievement. There would be rigorous non-Federal peer review panels to recommend the Award winners.
- Allowable uses of Achievement Awards. Subject only to the requirement to use the funds to further school improvement and continue progress in raising student achievement, districts would have complete flexibility in how they use the Achievement Awards they win.
- Achievement Award duration: succeeding cycles. Award winners would be eligible to receive payments for three years, with years 2 and 3 in declining amounts. (A match is possible but isn't necessary). There would be a new round of Achievement Awards each year with each year's new \$500 million covering both the declining amounts for years 2 and 3 continuation Awards, and the first year of new Awards.
- The uses of FY 1998 school reform funds could range across the known spectrum of successful techniques, including hiring better qualified teachers and administrators, expedited removal of low performing teachers and administrators, implementing curriculum based on high standards, involving parents in accountability and assessment systems, and the like. The focus will be on things known to raise student achievement.
- Ensure integration with existing Federal school improvement funds. School reform applicants would have to make clear how the new resources will complement and build upon Title I and IDEA resources in the district, and where applicable, Eisenhower, Goals, technology challenge grant, Even Start, and perhaps other Federal resources in the district.
- States would concur with school reform grant applications, and would have to attest to how grant application further progress toward the State's Goals 2000 plan. States should also concur with Achievement Award applications. States could have to commit to not reducing their level of effort for school reform grant or Achievement Award winners.

- Future school reform funds. No FY 1999 funds would sought for school reform grants, but funds would be sought in FY 2000 and each succeeding year for successive rounds of two year grants to continue the process of helping districts compete for the succeeding rounds of Achievement Awards.

NOTE: The statutory structure of school reform funds in the appropriation language paragraphs clearly allows the above approach, but it is very different from the detailed report language. Negotiations with Obey and others would be necessary. Since it assures continued support for the program and makes it a key to larger successful programs, the approach should be saleable.

- Social promotion. The President is interested in moving against social promotion. A condition of consideration for both school reform grants and Achievement Awards could be demonstrated progress toward eliminating social promotions on a schedule consistent with achieving success in meeting high standards.