

Fiscal Year 2004 Budget
Summary and Background Information

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The time for excuse-making has come to an end. With the No Child Left Behind Act, we have committed the Nation to higher standards for every single public school. And we've committed the resources to help the students achieve those standards. We affirm the right of parents to have better information about the schools, and to make crucial decisions about their children's future. Accountability for results is no longer just a hope of parents. Accountability for results is the law of the land.

*President George W. Bush
January 8, 2003*

I. SUMMARY OF THE 2004 BUDGET

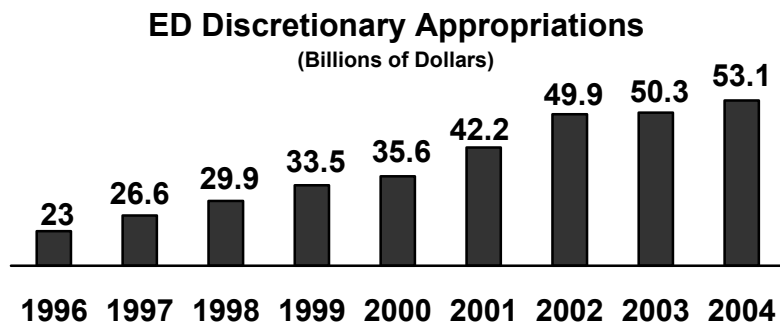
One year after President George W. Bush signed into law the *No Child Left Behind Act of 2001 (NCLB Act)*, State officials, administrators, and teachers across the country are hard at work making changes designed to help ensure that by 2013-2014, every student who attends an American school will be proficient in reading and mathematics. This far-reaching, bipartisan reauthorization of the Elementary and Secondary Education Act (ESEA) is based on accountability for results, choice, proven educational methods, and flexibility and local control in Federal education programs.

In response to the NCLB Act, States are strengthening their accountability systems by setting tough annual progress objectives and expanding the assessments that will be used to measure that progress. School districts are emphasizing efforts to improve low-performing schools while providing new options for parents of students attending schools that fail to improve, such as the opportunity to transfer to a better performing school or to use Federal funds to obtain supplemental educational services from the provider of their choice.

Schools are using assessment data to identify areas where instruction must be improved, and adopting proven educational practices to make the changes needed to raise student achievement. Parents are learning more than ever before about how well schools are educating their children from the State and local "report cards" required by the NCLB Act, and are using this information to demand improvement from their schools and options for their children.

President Bush and the Congress have provided significant resources to leverage the improved State and local accountability called for in the NCLB Act. In the first year of implementation, for example, ESEA funding jumped by more than \$4.3 billion, or 24 percent, over the level provided for the final year of the old law. In addition, the new law included funding for activities, such as the new State Assessment Grants, that were essentially "unfunded mandates" under the old law. This reflected the

President's commitment to provide more resources for education in exchange for stronger accountability for results and on condition that Federal funds be used to support proven educational methods. The President's 2004 budget for education reflects this continuing commitment by providing additional resources to help



Note: 2003 and 2004 reflect President's request levels.

States, school districts, and schools implement the NCLB Act and improve educational opportunities for all students.

Consistent with the traditionally limited Federal role in the American system of education, this investment is focused squarely on meeting the needs of students from economically disadvantaged and minority backgrounds. These are students who have been left behind for too long, and President Bush has made meeting their educational needs at the K-12 level and beyond a cornerstone of his Administration.

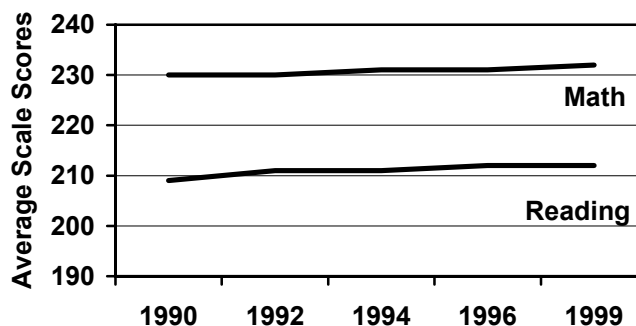
Total Department of Education Appropriations
(in billions of dollars)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Discretionary	\$49.9	\$50.3	\$53.1
Mandatory	<u>6.2</u>	<u>10.1</u>	<u>8.2</u>
Total	56.2	60.4	61.4

The President is requesting \$53.1 billion in discretionary appropriations for the Department of Education in fiscal year 2004, an increase of \$2.8 billion or 5.6 percent over the 2003 President's request. The 2004 request, together with the 2003 President's budget, builds on the substantial Federal investment in education over the past six years, with discretionary appropriations rising from \$23 billion in fiscal year 1996 to \$49.9 billion in fiscal year 2002, an increase of 117 percent.

Unfortunately, there is ample evidence that simply spending more money on education will not improve student achievement or close achievement gaps between poor and minority students and other students. For example, long-term trend data from the National Assessment of Educational Progress (NAEP) for 9-year-olds show that reading and math achievement has been nearly flat over the past decade. Results from the 2000 NAEP reading assessment confirmed that the reading skills of the Nation's 4th graders have remained unchanged for 8 years, with 37 percent of those tested scoring below Basic.

NAEP Reading and Math Scores
(9-year olds)



For this reason, President Bush has focused new education investments on programs with a demonstrated record of success in improving educational outcomes, or on programs that have been fundamentally reformed by the No Child Left Behind Act. The President also has targeted new resources to programs that help to close the achievement gaps that persist among racial, ethnic, and socioeconomic groups across the country.

The 2004 budget request for the Department of Education includes the following significant increases: \$1 billion for Title I Grants to Local Educational Agencies, \$1 billion for Special

Education Grants to States, \$1.9 billion for Pell Grants, \$50 million for Reading First State Grants, and \$25 million for a proposed Choice Incentive Fund.

These and other increases are offset in part by reductions that likewise reflect the President's priorities for the Department, including the elimination of categorical programs and low-priority activities in favor of funding through the flexible State grant programs created by the NCLB Act. In addition, the Department used findings from the government-wide Program Assessment Rating Tool, or PART, to redirect funds from ineffective programs to more effective activities, as well as to identify reforms to help address program weaknesses. Increases for 2004 also are offset in part by the completion of one-time projects.

In addition to the discretionary priorities described above, the request includes funding for mandatory programs, such as Vocational Rehabilitation State Grants and the student loan programs. Mandatory costs fluctuate from year to year due to changes in inflation, interest rates, and other factors. For 2004, new student loans provided under the Federal Family Education Loans and Federal Direct Loans programs will grow from \$44.3 billion to \$47.6 billion, an increase of \$3.3 billion or 7.4 percent.

The Department's 2004 request is complemented by significant tax-related investments in education, such as a proposed refundable tax credit of 50 percent of the first \$5,000 in tuition, fees and transportation costs incurred when parents transfer their child from a failing public school to another public or private school. The Administration also is proposing to expand from \$250 to \$400 the above-the-line deduction for qualified out-of-pocket classroom expenses incurred by teachers. Other existing tax-related benefits include education savings accounts (Coverdell IRAs) that permit up to \$2,000 in annual contributions and tax-free withdrawals to pay educational expenses from kindergarten through college, tax-free withdrawals from qualified State tuition savings plans, up to \$4,000 in above-the-line deductions for higher education expenses, and the HOPE and Lifetime Learning tax credits for postsecondary education tuition and fees.

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

SUPPORTING STATE AND LOCAL IMPLEMENTATION OF THE NCLB ACT

In the year following the enactment of the NCLB Act, the Department of Education published comprehensive regulations and guidance to help States, school districts, and schools make the new law a reality in American classrooms. States and school districts began implementing the public school choice and supplemental educational services requirements during the 2002-2003 school year. Now the Department is working to help States develop accountability plans that meet the demanding requirements of the NCLB Act, with five States obtaining approval of their plans early in January 2003. As President Bush said on the first anniversary of signing the NCLB Act into law, "We can say that the work of reform is well begun." The 2004 budget request will help ensure that this work does not falter, but continues until "every public school in America is a place of high expectations and a place of achievement." The request includes the following:

- \$12.4 billion for Title I Grants to Local Educational Agencies, an increase of \$1 billion or 9 percent over the 2003 request, to give States and school districts additional resources to turn around low-performing schools, improve teacher quality, and ensure that no child is trapped in a failing school. If enacted, the request would result in a \$3.6 billion increase, or 41 percent, in Title I Grants to LEAs funding since the passage of the NCLB Act.
- \$1.05 billion for Reading First State Grants, an increase of \$50 million or 5 percent over the 2003 request, to expand the nationwide effort to support comprehensive reading instruction for children in grades K-3. The request would help school districts and schools provide professional development in reading instruction for teachers and administrators, adopt and use reading diagnostic assessments for students in kindergarten through third grade to determine where they need help, implement reading curricula that are based on recent findings of the 2000 National Reading Panel report, and provide reading interventions for young grade-school children reading below grade level.
- \$100 million for Early Reading First, an increase of \$25 million or 33 percent for the pre-school component of the Reading First initiative. This program funds competitive grants to develop and support the school readiness of preschool-aged children in high-poverty communities.
- \$100 million for a new mentoring initiative that would support the development, expansion, and strengthening of exemplary school-based mentoring programs that meet the needs of at-risk middle school students. The initiative would partner with the USA Freedom Corps to encourage citizen service to help improve public education outcomes.
- \$185 million for Research and Dissemination, an increase of \$10 million that would build on the significant increase proposed for 2003 to expand efforts to develop proven, research-based practices for improving student achievement and disseminate those practices to States and school districts across the country. Research efforts would focus on improving teacher quality, reducing student behavior problems, and more effective math and reading instruction.
- \$390 million for State Assessment Grants to help States develop and implement—by the 2005-2006 school year—the annual reading and math assessments in grades 3 through 8 that are integral to the strong State accountability systems required by the NCLB Act. This request is particularly important because the Title I requirement for States to develop and administer the new assessments is contingent on continued Federal financial support for this purpose.
- \$665 million for English Language Acquisition to support flexible, performance-based formula grants to help ensure that limited English proficient (LEP) students learn English and meet the same high academic standards as all other students. The NCLB Act replaced a complex series of categorical grants to school districts and institutions of higher education with a flexible program that will enable States to design and implement statewide strategies, grounded in scientifically based research, for meeting the educational needs of LEP and immigrant students.

EXPANDING OPTIONS FOR PARENTS

A key achievement of the No Child Left Behind Act was to give the parents of students in low-performing schools the opportunity to transfer their children to a better-performing school. In fact, the Title I regulations require school districts to give parents a choice of more than one school, so that parents can exercise a real choice that best meets the educational needs of their children. However, in many school districts—particularly small rural districts but also in larger districts with many low-performing schools—there are too few options for parents seeking a quality education for their children. To help overcome this problem, the 2004 request includes the following proposals designed to ensure that parents have meaningful choices:

- A new refundable tax credit for parents transferring a child from a low-performing public school would allow a credit of 50 percent of the first \$5,000 in tuition, fees, and transportation costs incurred when a student's regular school is failing and he or she transfers to another public or private school. Eligible students would be those who would normally attend a public school that did not make adequate yearly progress, as defined under the Elementary and Secondary Education Act, during the prior academic year.
- \$75 million for a new Choice Incentive Fund that would provide competitive awards to States, school districts, and community-based nonprofit organizations to provide parents the opportunity to transfer their children to a higher-performing public, private, or charter school. A major objective would be to fund applicants proposing to provide large numbers of students with expanded choice opportunities.
- \$25 million for Voluntary Public School Choice grants to give families better education options by encouraging States and school districts to establish or expand public school choice programs across a State or across districts. Grants would support planning, transportation, tuition transfer payments, and efforts to increase the capacity of schools to accept students exercising a choice option.
- \$220 million for Charter Schools Grants, which would support approximately 1,820 new and existing charter schools. The \$20 million increase would initiate a new Per-Pupil Facilities Aid program, which will provide funds to States to assist charter schools in obtaining facilities. Federal funds will match funds for State programs that make payments, on a per-pupil basis, to fund charter schools facilities.
- \$100 million for the second year of the Credit Enhancement for Charter School Facilities program proposed for 2003, which would assist charter schools in acquiring, leasing, and renovating school facilities. A major obstacle to the creation of charter schools is their limited ability to obtain suitable academic facilities. This new program would support competitive grants to public and nonprofit entities to help charter schools finance their facilities through such means as providing loan guarantees, insuring debt, and other activities to encourage private lending.

INCREASING FLEXIBILITY AND REDUCING BUREAUCRACY

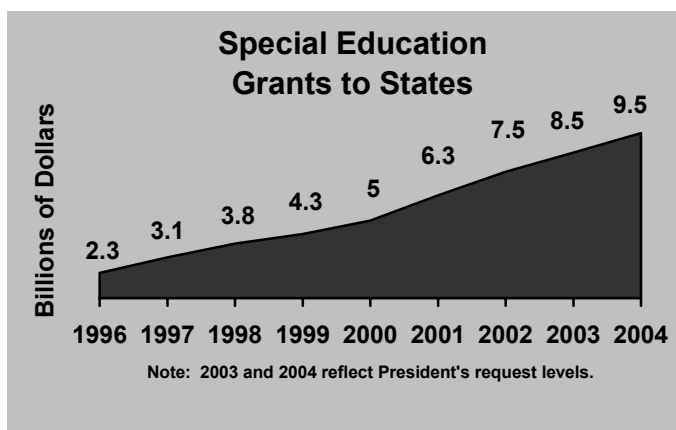
The NCLB Act provides unprecedented flexibility for States and local educational agencies (LEAs) to combine resources from selected State formula grant programs to pursue their own strategies for raising student achievement and ensuring that no child is left behind. For

example, States and LEAs may transfer up to 50 percent of the funding they receive under four major formula grant programs to any one of the programs, or to Title I. The covered programs are Improving Teacher Quality State Grants, Educational Technology, Innovative Programs, and Safe and Drug-Free Schools and Communities. The new law also includes competitive flexibility demonstration programs that will permit up to 7 States and 150 LEAs to consolidate State formula grant funds in exchange for entering into performance agreements. Consolidated funds could be used for any educational purpose authorized under the ESEA. The President's 2004 budget funds the following programs that support this new flexibility:

- \$2.85 billion for Improving Teacher Quality State Grants, which gives States and LEAs flexibility to select the research-based strategies that best meet their particular needs for improved teaching that will help them raise student achievement in the core academic subjects. In return for this flexibility, LEAs are required to demonstrate annual progress in ensuring that all teachers teaching in core academic subjects within the State are highly qualified.
- \$700.5 million for Educational Technology State Grants to support State and local efforts, particularly in high-poverty districts, to improve student achievement through the effective integration of technology into classroom instruction. Funds may be used, for example, to train teachers to use technology, to develop courses in information technology, and to purchase technology-based curricula.
- \$422 million for Safe and Drug-Free Schools and Communities State Grants, which fund a variety of activities to foster a safe and drug-free learning environment and support academic achievement.
- \$385 million for State Grants for Innovative Programs, the successor to Title VI and the most flexible of the Department's State formula grant programs, to help States and school districts implement innovative strategies, including expanded school choice options, and other reforms to improve student achievement. Innovative Programs funds may be used by States, for example, to support charter schools or pay for urgent school renovations, as well as to augment funding available for supplemental educational services for students attending schools identified for improvement, corrective action, or restructuring under Title I.

SPECIAL EDUCATION AND VOCATIONAL REHABILITATION

President Bush has demonstrated a strong commitment to improving educational opportunities for children with disabilities, both by requesting significant annual increases for Special Education Grants to States and in his determination to apply the same rigorous accountability demanded by the NCLB Act to the upcoming reauthorization of the Individuals with Disabilities Education Act (IDEA). Drawing on the principles of the NCLB Act, as well as from the



recommendations of his Commission on Excellence in Special Education, the President will work with Congress to make changes to IDEA designed to strengthen accountability and improve student outcomes, improve identification practices and promote early intervention, and reduce administrative and paperwork requirements.

The President also is committed to the wide-ranging reform of the Federal government's overlapping training and employment programs proposed in the 2003 budget request. This multi-year reform effort targets resources to programs with documented effectiveness, and eliminates funding for ineffective, duplicative, or overlapping programs. The 2004 request assumes enactment of the proposed consolidation of three secondary vocational rehabilitation programs in this account (Supported Employment State Grants, Projects with Industry, and the Migrant and Seasonal Farmworkers program) within the Vocational Rehabilitation State Grants program.

The 2004 request for these activities includes the following:

- \$9.5 billion for Special Education Grants to States, an increase of \$1 billion or nearly 12 percent over the 2003 request, would provide an estimated \$1,426 for each child with a disability. At the request level, the Federal contribution would equal about 19 percent of the national average per pupil expenditure for all children—the highest level of Federal support ever provided for children with disabilities. If enacted, the request would result in a \$3.2 billion or 50 percent increase in Grants to States under President Bush.
- \$2.7 billion for Vocational Rehabilitation State Grants would help State VR agencies increase the participation of individuals with disabilities in the labor force. The request is the estimated amount needed to satisfy the statutory requirement to increase funding for the program by at least the percentage change in the CPIU for the 12-month period completed in October 2002, assuming enactment of the fiscal year 2003 President's request.

VOCATIONAL AND ADULT EDUCATION

Decades of Federal investment in vocational and adult education programs have produced little in the way of measurable benefits either in improved vocational outcomes or significant improvement in reading and math skills that can lead to job placements. President Bush believes that the Nation can no longer afford, nor should tolerate the human costs of, educational investment that does not produce measurable results. For this reason, the Administration will be proposing fundamental changes to vocational and adult education programs during the upcoming reauthorization of both activities. For vocational education, this means a stronger emphasis on accountability and flexibility, while Federal resources for adult education will be targeted on educational approaches that have proven effective in increasing reading and math skills. The following requests will support the Administration's strategy in this area:

- \$1 billion for a new Secondary and Technical Education State Grants program would create a coordinated high school and technical education improvement program in place of the current Vocational Education State Grants program. The new program would build on the NCLB Act by requiring States and LEAs to focus more intensively on improving student outcomes, such as academic achievement, and ensuring that students are being taught the necessary skills to make successful transitions from high school to college and college to the workforce. States would use formula allocations to make competitive grants to local

educational agencies and community and technical colleges and carry out State-level activities. In addition, States would have the flexibility to transfer program funds to support education-related activities under the ESEA Title I Grants to Local Educational Agencies program.

- \$584 million for Adult Basic and Literacy Education State Grants would support a stronger focus on building skills in basic reading, math, and English acquisition for adults who need to improve their literacy or who want to earn their high school diploma or its recognized equivalent (the GED). Proposed amendments to the Adult Education and Family Literacy Act would strengthen accountability, require State standards for adult literacy activities leading to high school-level proficiency, and train teachers in the use of research-validated instructional practices in reading, math and English fluency.

POSTSECONDARY EDUCATION

The Administration's 2004 request would expand overall student aid available for postsecondary education to more than \$62 billion, an increase of \$3.1 billion, or 5 percent, over the President's 2003 request. The number of recipients of grant, loan, and work-study assistance would grow by 386,000 to 9.2 million students and parents, reflecting both increased aid levels and growth in postsecondary enrollment, which is expected to jump some 20 percent between 1998 and 2010. The 2004 request includes the following proposals to help ensure equal access to quality postsecondary education opportunities for all Americans:

- A \$1.9 billion increase for the Pell Grant program, for an all-time high total of \$12.7 billion, to retire a shortfall related to the 2002-2003 award year while maintaining a \$4,000 maximum award for over 4.8 million students.
- The request assumes that the significant surge in the Pell Grant applicant growth rate over the past few years will begin to level off in 2003-04 and return to levels consistently seen prior to 2001-02. However, if applicant growth rates remain at unusually high levels, projected Pell Grant program costs would significantly increase above the budget estimates.
- The request assumes Internal Revenue Service matching of student aid application income data with applicant tax data would reduce Pell Grant overawards and save an estimated \$638 million in 2003 and 2004. These savings would significantly reduce existing funding shortfalls in the Pell Grant program.
- Raising to \$17,500, up from \$5,000, the amount of student loans that may be forgiven for highly qualified math, science, and special education teachers serving low-income communities. Schools in these communities often are forced to hire uncertified teachers or assign teachers who are teaching "out-of-field." This proposal would help these schools recruit and retain highly qualified math, science, and special education teachers.
- \$385 million for the Aid for Institutional Development (HEA Title III) programs, an increase of \$11 million, demonstrates the Administration's commitment to assisting institutions that enroll a large proportion of minority and disadvantaged students, including Historically Black Colleges and Universities and Historically Black Graduate Institutions, in order to continue efforts to close achievement and attainment gaps between minority students and other students.

- \$94 million for Developing Hispanic-serving Institutions, an increase of \$4.5 million, would expand and enhance support to postsecondary education institutions that serve large percentages of Hispanic students. This program is part of the Department efforts to increase academic achievement, high school graduation, postsecondary participation, and life-long learning among Hispanic Americans.
- \$102.5 million for the International Education and Foreign Language Studies (IEFLS) programs to help meet the Nation's security and economic needs through the development of expertise in foreign languages and area and international studies. The increased complexity of the post-Cold War world and the events surrounding the September 11 terrorist attacks on the United States underscore the importance of maintaining and expanding American understanding of other peoples and their languages.
- \$802.5 million for the Federal TRIO Programs and \$285 million for Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), which provide educational outreach and support services to help more than 2.2 million disadvantaged students to enter and complete college.

DEPARTMENT MANAGEMENT

The Department continues to implement its *Blueprint for Management Excellence*, a long-term action plan for improving Department management that incorporates key features of the *President's Management Agenda*. The *Blueprint* sets priorities for management improvement designed to facilitate effective monitoring of Department programs, eliminate financial management deficiencies, and prevent fraud, waste, and abuse of taxpayer dollars. These priorities include (1) developing and maintaining financial integrity and tighter internal controls; (2) modernizing and reducing the high-risk status of the student financial assistance programs; (3) improving management of human capital; (4) managing information technology to meet customer needs; and (5) establishing an "accountability for results" culture within the Department.

The 2004 budget for salaries and expenses would support the following management improvements:

- Continued implementation of the Department's One-ED project, which will apply a Strategic Investment Process to all Department functions to produce an integrated 5-year human capital, strategic-sourcing, and restructuring plan. One-ED is critical to Department efforts to fulfill the President's Management Agenda by making the best possible use of available resources.
- A new Performance-Based Data Management Initiative, launched in 2003, will focus elementary and secondary education program management and reporting on student achievement. The initiative will support internet-based collection of timely data on student achievement and educational outcomes, reduction of existing reporting burdens on States and school districts, and expansion of the use of educational results to identify performance trends and inform management, budget, and policy decisions.

- Ongoing modernization of student aid systems aimed at developing an integrated, user-friendly system that ensures financial integrity while allowing simplified access by students, schools, lenders, and guaranty agencies. Key activities in 2004 will include streamlining application, processing, origination, and disbursement processes to improve customer satisfaction and reduce costs; updating “web portals” used by the Department’s customers to access student aid information and conduct business; and improving the integration of Department technology-based systems.
- A government-wide assessment, coordinated by the Department’s Inspector General, of the quality of audits conducted under the Single Audit Act. The assessment will determine whether the Department and other agencies can rely on single audits to support Federal program expenditures and identify erroneous payments.

II. THE 2004 EDUCATION BUDGET BY PROGRAM AREA

A. ELEMENTARY AND SECONDARY EDUCATION

Overview

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

First, the new law greatly strengthens accountability for results in Federal elementary and secondary education programs. States must set challenging standards in reading and mathematics and develop statewide annual adequate yearly progress (AYP) objectives that will result in all groups of students achieving proficiency within 12 years. These objectives must be met by all groups of students, disaggregated by poverty, race and ethnicity, disability, and limited English proficiency. States must conduct annual reading and math assessments for all students in grades 3-8, and States, school districts, and schools must report annually on their progress in helping all groups of students to reach proficiency. Biennial State participation in the State-level version of the National Assessment of Educational Progress will provide benchmarks for gauging the rigor of State standards and assessments.

School districts and schools that do not make AYP will, over time, be subject to improvement, corrective action, and restructuring measures aimed at getting them back on course to meet State standards. To ensure that no student is trapped in a chronically failing school, districts must provide such students with an option to transfer to a better public school or, if schools fail to improve, to obtain supplemental educational services from a public- or private-sector provider. Schools that meet or exceed AYP objectives or close achievement gaps will be eligible for State Academic Achievement Awards.

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

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

And fourth, the NCLB Act will expand choices for parents, particularly for parents of students in low-performing schools. Parents of students in Title I schools identified for improvement (failing to meet State adequate yearly progress objectives for 2 consecutive years) now have the option to transfer their children to a better-performing public school, which may include a public charter school. If their school continues to fail to meet State standards for a third year, parents would be permitted to use Title I dollars to obtain supplemental educational services from the State-approved public- or private-sector provider of their choice (including faith-based organizations). NCLB also includes provisions to help expand the number of public charter schools available for parents seeking educational options for their children.

The President's 2004 budget for elementary and secondary education provides significant resources in support of these reform principles. Highlights include:

- \$12.4 billion for Title I Grants to Local Educational Agencies (LEAs), an increase of \$1.0 billion, or 9 percent, to help States, school districts, and schools carry out the reforms called for by the NCLB Act. The increased funding would be allocated through the Targeted Grants formula to focus resources on those high-poverty districts and schools facing the greatest challenge in helping all students meet challenging State academic standards.
- \$2.85 billion for Improving Teacher Quality State Grants to give States and LEAs the resources and flexibility to select and implement research-based strategies that best meet their particular needs for developing a high-quality teaching force and improving student achievement. In return for this flexibility, LEAs are required to demonstrate annual progress in ensuring that all teachers teaching in core academic subjects within the State are highly qualified.
- \$1.05 billion for Reading First State Grants, an increase of \$50 million, or 5 percent, for this nationwide effort to support comprehensive reading instruction, grounded in scientifically based reading research, for children in grades K-3. State grant awards finance professional development in reading instruction for teachers and administrators, the adoption and use of reading diagnostics to determine where K-3 students need help, and improved reading curricula grounded in scientifically based research.
- \$390 million for State Assessment Grants to help States develop and implement the expanded annual assessments in grades 3 through 8 that are integral to the strong State accountability systems required by the 2002 reauthorization of ESEA programs.
- \$420 million to expand choices for parents and students, including \$220 million for Charter Schools Grants; \$100 million for the Credit Enhancement for Charter School Facilities program to assist charter schools in acquiring, leasing, and renovating school facilities; \$75 million for a new Choice Incentive Fund to support efforts to provide parents, particularly low-income parents, with expanded opportunities for transferring their children to a higher-performing school; and \$25 million for Voluntary Public School Choice grants to enable States and school districts to establish or expand public school choice programs across a State or across districts.
- \$385 million for the highly flexible State Grants for Innovative Programs to help States and school districts implement innovative strategies, including expanded school choice options, and other reforms for improving student achievement. For example, Innovative Programs

funds could be used by State and LEAs to pay for supplemental educational services in schools identified for improvement, corrective action, or restructuring under Title I.

- \$700.5 million for Educational Technology State Grants to support State and local efforts, particularly in high-poverty districts, to improve student achievement through the effective integration of technology into classroom instruction. Funds may be used, for example, to train teachers to use technology, to develop courses in information technology, and to purchase technology-based curricula.
- \$694.3 million for the Safe and Drug-Free Schools and Communities program, including \$100 million for a new mentoring initiative, to fund a variety of activities that foster a safe and drug-free learning environment and support academic achievement.

Title I Grants to Local Educational Agencies

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$10,350.0	\$11,350.0	\$12,350.0

Title I of the Elementary and Secondary Education Act (ESEA) authorizes supplemental programs to enable educationally disadvantaged children, particularly those attending schools in high-poverty areas, to meet the same challenging State academic standards as other children. For example, Title I supports more individualized instruction, fundamental changes in the school to improve teaching and learning, and preschool education. Children of migrant agricultural workers and students in State institutions for neglected and delinquent children and youth also receive Title I services.

The 2004 request provides \$12.4 billion, a \$1 billion increase, for Title I Grants to Local Educational Agencies (LEAs). Grants to LEAs is the largest Title I program and will serve an estimated 16.6 million students in more than 47,000 schools in 2004. In accordance with the authorizing statute, the request would allocate all of the increased funds through the Targeted Grants formula, which focuses greater resources on the highest-poverty schools and students. If enacted, the request would result in a \$3.6 billion increase, or 41 percent, in Title I Grants to LEAs funding since the passage of the No Child Left Behind Act of 2001 (NCLB Act).

The NCLB Act reauthorized the ESEA to incorporate Title I reforms proposed by President Bush, particularly in the areas of assessment, accountability, and school improvement. The new law ensures that States will develop standards in reading and math, and assessments linked to those standards for all students in grades 3-8. LEAs and schools must use Title I funds for activities that scientifically based research suggests will be most effective in helping all students meet these State standards.

States also must develop annual adequate yearly progress (AYP) objectives that will result in all groups of students achieving proficiency in reading and math within 12 years. These objectives must be met by all groups of students, disaggregated by poverty, race and ethnicity, disability, and limited English proficiency. Biennial State participation in the State-level version of the National Assessment of Educational Progress will provide benchmarks for gauging the rigor of State standards and assessments.

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

The new law also ensures that Title I schools identified for improvement (after not making AYP for two consecutive years) will develop improvement plans incorporating strategies from scientifically based research. Schools that do not improve would be subject to increasingly tough corrective actions—such as replacing school staff or significantly decreasing management authority at the school level—and could ultimately face restructuring, which involves a fundamental change in governance, such as a State takeover or placement under private management. To help States, districts, and schools carry out needed improvements, the NCLB Act significantly increases the statutory reservation of Part A allocations that States must use for school improvement.

The new law authorizes State Academic Achievement Awards to schools that significantly close achievement gaps or exceed AYP standards for two or more consecutive years, as well as awards to teachers in such schools. However, States that fail to put in place systems of standards, assessments, and accountability may—and in some cases must—have a portion of their Federal administrative funds withheld by the Secretary.

The 2004 budget includes a separate \$9.5 million request for Title I Evaluation to support studies of State and local efforts to implement the NCLB Act, identify effective educational interventions and examine student outcomes in Title I schools, and provide technical assistance to States and school districts.

State Assessment Grants

	<u>2002</u>	2003 <u>Request</u>	2004 <u>Request</u>
BA in millions.....	\$387.0	\$387.0	\$390.0

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

Under the NCLB Act, States will select and design their own assessments, so long as they are aligned with State academic achievement standards. The new assessments must be in place by the 2005-2006 school year. The 2004 request would provide \$390 million for Grants for State Assessments, the same as the statutory 2004 “trigger amount.” Failure to provide the requested amount could result in delay of State efforts to develop and implement the new assessments in reading and mathematics for all students in grades 3 through 8—one of the Administration’s highest priorities and a linchpin of the stronger accountability for student achievement promised by the NCLB Act.

The request does not include additional funding for Grants for Enhanced Assessment Instruments. Competitions conducted in fiscal year 2002 and planned for 2003 will result in one-time awards that do not entail continuation costs.

Reading First
(BA in millions)

	<u>2002</u>	2003 <u>Request</u>	2004 <u>Request</u>
Reading First State Grants.....	\$900.0	\$1,000.0	\$1,050.0
Early Reading First.....	<u>75.0</u>	<u>75.0</u>	<u>100.0</u>
Total.....	975.0	1,075.0	1,150.0

President Bush made the implementation of the Reading First initiative one of his highest priorities for education because of compelling evidence that far too many young people are struggling through school without having mastered reading, the most essential and basic skill. On the 2000 National Assessment of Educational Progress, 60 percent of all fourth graders in high-poverty schools scored below the "basic" reading level. Research shows that students who fail to read well by fourth grade have a greater likelihood of dropping out and a lifetime of diminished success. For these reasons, providing consistent support for reading success from the earliest age has critically important benefits. These include helping improve reading gains, reducing the number of children who fall behind in reading, providing additional help to children who need it, and reducing the number of children referred to special education programs based on low reading scores.

The request includes \$1.15 billion for the two components of Reading First. The Reading First State Grants program is a comprehensive, nationwide effort to implement the findings of high-quality scientifically based reading research on school reading instruction. This high-quality instruction will help the Nation's schools reach the President's goal of ensuring that every child can read at grade level or above by the end of third grade. In his original *No Child Left Behind* education blueprint, the President committed to providing \$5 billion for Reading First over a 5-year period. The Administration's fiscal year 2004 request will keep the Federal Government on track toward meeting that goal.

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

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

Even Start

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$250.0	\$200.0	\$175.0

Even Start aims to improve educational opportunities of children and their parents in low-income areas by integrating early childhood education, adult education, and parenting education into “family literacy” programs. The request includes \$175 million to continue local projects funded in prior fiscal years and for national technical assistance and evaluation activities.

Even Start’s performance on evaluations supports the decrease in the request level. The Department has completed two four-year national evaluations of the Even Start program. These evaluations concluded that, although children and adults participating in Even Start generally made gains in literacy skills, the gains were not significantly greater than those of non-participants. Interim findings from the third national evaluation confirm the conclusions from the earlier evaluations.

Literacy Through School Libraries

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$12.5	\$12.5	\$27.5

This program helps LEAs improve student literacy skills by providing students with increased access to up-to-date school library materials and professionally certified school library media specialists. The request would expand the number of grants from 75 to 165, in recognition that school libraries can play a strategic role in making information available to all students, training students and teachers about how to obtain and make use of information, and increasing access for low-income students to technology and information. The request also supports the goal of helping all children to read well.

Reading Is Fundamental/Inexpensive Book Distribution

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$24.0	\$24.0	\$24.0

This program is administered through a contract with Reading is Fundamental, Inc. (RIF), a nonprofit organization affiliated with the Smithsonian Institution. RIF allocates funds to local community associations that select and distribute inexpensive books to children free-of-charge. RIF currently reaches about 4.8 million children through 23,000 projects.

Ready-to-Learn Television

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$22.0	\$22.0	\$22.0

The program supports the development and distribution of educational video and related materials for preschool children, elementary school children, and their parents in order to facilitate student academic achievement. Funding has supported the development of 2 highly acclaimed children’s shows, *Between the Lions* and *Dragon Tales*, along with a bilingual newsletter that provides suggestions for books and learning activities related to PBS children’s programs. Activities supported through Ready-to-Learn play an important role in helping to ensure that young children are prepared to start school.

Improving Teacher Quality State Grants

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$2,850.0	\$2,850.0	\$2,850.0

This program gives States and school districts a flexible source of funding with which to meet their particular needs in strengthening the skills and knowledge of teachers and administrators, so that they can improve student achievement in the core academic subjects. In return for this flexibility, States will be held accountable for ensuring that all children are taught by effective teachers and for improving student achievement.

In addition to using funds for professional development and class size reduction, school districts may use funds to recruit and retain teachers and principals, merit pay, mentoring, and other activities. States may support other activities to improve teacher quality, including changes to teacher certification or licensure requirements, alternative certification, tenure reform, merit-based teacher performance systems, and differential and bonus pay for teachers in high-need subject areas.

Early Childhood Educator Professional Development Grants

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$15.0	\$15.0	\$15.0

These grants support training for preschool and other early childhood educators to help ensure that young children enter school ready to learn to read. The program focuses on professional development, especially in the area of teaching pre-reading skills to young children, for early childhood educators and caregivers working in high-poverty communities.

Mathematics and Science Partnerships

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$12.5	\$12.5	\$12.5

This program is designed to improve academic achievement in mathematics and science by promoting strong teaching skills for elementary and secondary school teachers. Grants to partnerships of State educational agencies, higher education institutions, and school districts support activities to develop rigorous mathematics and science curricula, distance learning programs, and incentives to recruit college graduates with degrees in math and science into the teaching profession. For 2004, grants will focus on intensive summer institutes for teachers at the elementary and middle-school levels.

Troops-to-Teachers

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$18.0	\$20.0	\$25.0

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

Transition to Teaching

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$35.0	\$39.4	\$49.4

This program addresses the national challenge of training and recruiting more than 2 million teachers over the next 10 years—due to the retirements of long-time teachers, high attrition rates among new teachers, and booming enrollments—by supporting alternatives to traditional teacher certification routes and other approaches for recruiting, training, and placing mid-career professional and recent colleges graduates. With the increase, the program will be able to fund about 134 grants, including 25-30 new projects.

Teaching of Traditional American History

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$100.0	\$50.0	\$100.0

This program makes competitive grants to school districts to promote the teaching of traditional American history in elementary and secondary schools as a separate academic subject. The increase, which would double the number of grants to 360, recognizes the need to create and expand efforts to raise the level of student knowledge in this core academic area in order to prepare future generations of students become responsible citizens who vote and who fully participate in our democratic traditions.

Educational Technology State Grants

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$700.5	\$700.5	\$700.5

While upgraded infrastructure now permits most teachers to access technology in their classrooms, few teachers have the knowledge, skills, and curricula needed to use technology effectively to improve student achievement. The 2004 request for this program supports State, district, and school efforts to integrate technology into the classroom. States receive formula grants, then allocate half of the funds to districts by formula and the remainder competitively to high-need districts, or consortia that include such a district, in partnership with an entity having expertise in integrating technology into the curriculum. Districts use their funds for such activities as training teachers to integrate technology into the curriculum and serve as technology experts in their schools, developing and implementing high-quality information technology courses, and purchasing effective technology-based curricula.

21st Century Community Learning Centers

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$1,000.0	\$1,000.0	\$600.0

This program helps communities establish or expand community learning centers that provide extended learning opportunities for students and related services to their families. The decrease in the request acknowledges that the program needs some time to address disappointing initial findings from a rigorous evaluation of the 21st Century Community Learning Centers program. The evaluation indicates that the centers funded in the program’s first three years are not providing substantial academic content and do not appear to have a positive impact on student behavior.

The entire request will be available for formula grants to States, since the continuation costs for projects initiated under the antecedent competitive grant program conclude in 2003. From their formula grants, States make competitive awards of at least \$50,000 each to school districts, community-based organizations, faith-based organizations, and other public or private entities for projects that would serve primarily students who attend schools eligible to operate a Title I schoolwide program. States give priority to projects serving students who attend schools identified for improvement or corrective action under Title I, and projects emphasize activities that prepare students to meet State and local student performance standards in core academic subjects. The request would enable districts to provide after-school learning opportunities—particularly for children who attend high-poverty or low-performing schools—to more than 800,000 students.

State Grants for Innovative Programs

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$385.0	\$385.0	\$385.0

This program provides flexible funding to State and local educational agencies for promising, evidence-based education reforms that meet the educational needs of all students. School districts may use funds to reduce class size, provide professional development, pay for Title I supplemental services, support smaller learning communities, and other activities.

Charter School Grants

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$200.0	\$200.0	\$220.0

This program increases public school choice options by supporting the planning, development, and initial implementation of public charter schools. A total of 38 States and the District of Columbia have charter school laws that exempt such schools from most education rules and regulations in exchange for greater accountability for improving student performance. The number of charter schools nationwide has grown from 250 to more than 2,700 in the past few years.

Of the total request, \$200 million would support about 1,820 new and existing charter schools and enhanced dissemination activities at schools with a demonstrated history of success. The \$20 million increase would initiate a new Per-Pupil Facilities Aid program, which will provide funds to States to assist charter schools in obtaining facilities. Federal funds will match funds for State programs that make payments, on a per-pupil basis, to fund charter schools facilities.

Credit Enhancement for Charter School Facilities

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	—	\$100.0	\$100.0

Expanding the number of charter schools is a key Administration strategy for increasing the options available to parents seeking the best educational opportunities for their children. A major obstacle to the creation of charter schools in many communities is the limited ability to obtain suitable academic facilities. The new Credit Enhancement for Charter School Facilities program would help overcome this problem by providing \$100 million in grants to public and nonprofit entities to leverage funds to help charter schools purchase, construct, renovate, or lease academic facilities.

Choice Incentive Fund

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	—	\$50.0	\$75.0

The Administration is requesting additional funding for this proposed initiative to provide the parents of students who attend low-performing schools with expanded opportunities for transferring their children to a higher-performing public, charter, or private school. The Department would make competitive awards to States, local educational agencies, and community-based nonprofit organizations with a proven record of securing educational opportunities for children. In making awards, priority would be given to applicants that, among other things, would provide large numbers of students with expanded choice opportunities. In addition, the Department would reserve a portion of program funds for school choice programs in the District of Columbia.

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

Voluntary Public School Choice

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$25.0	\$25.0	\$25.0

This program supports efforts to establish intradistrict and interdistrict public school choice programs to provide parents, particularly parents whose children attend low-performing public schools, with greater choice for their children’s education. Grant funds support planning and implementation costs associated with new programs, tuition transfer payments to public schools that students choose to attend, and efforts to expand the capacity of schools to meet the demand for choice.

Magnet Schools Assistance

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$110.0	\$110.0	\$110.0

The request would support approximately 50 new awards and 2 continuation grants to local educational agencies to operate magnet schools that are part of a court-ordered or federally approved desegregation plan to eliminate, reduce, or prevent minority group isolation in elementary and secondary schools. Magnet schools address their desegregation goals by providing a distinctive educational program that attracts a diverse student population.

Safe and Drug-Free Schools and Communities

	<u>2002</u>	2003 <u>Request</u>	2004 <u>Request</u>
State Grants	\$472.0	\$472.0	\$422.0
National Programs.....	<u>274.7</u>	<u>172.2</u>	<u>272.2</u>
Total.....	746.8	644.3	694.3

Teaching and learning to the high standards demanded by the NCLB Act requires that our schools are safe and our students are drug-free. For 2004, the request includes \$694.3 million for the Safe and Drug-Free Schools and Communities (SDFSC) program, including \$422 million for State Grants and \$272 million for National Programs. The \$50 million decrease proposed for SDFSC State Grants recognizes weaknesses in the SDFSC State Grant program that need to be addressed, such as the lack of specific, measurable objectives for the program and the means to determine whether they are being achieved. In the coming year, the Department will develop a new strategy for measuring the performance of SDFSC State Grants that will help assess the effects of the overall program and make better use of performance data to improve State and local programming decisions.

For SDFSC National Programs the request proposes a \$100 million increase to fund the Administration's new mentoring initiative in conjunction with the USA Freedom Corps. This initiative would support the development, expansion, and strengthening of exemplary school-based mentoring programs that meet the needs of at-risk middle school students, while using citizen service to further engage Americans in public education. Funds requested under SDFSC National Programs also would support a variety of Federal Activities to improve school safety and security and to prevent the illegal use of drugs by students; provide continued resources for Project SERV (School Emergency Response to Violence) to ensure that funds are available for the Department to provide crisis response services to local educational agencies if called upon to do so; and fully fund the final year of continuation costs for drug prevention and school safety coordinators under the National Coordinator program, which, by the end of 2004, will have completed its mission as a demonstration activity.

Character Education

	<u>2002</u>	2003 <u>Request</u>	2004 <u>Request</u>
BA in millions.....	\$25.0	\$25.0	\$25.0

This program makes competitive awards to States and school districts for such activities as developing character education curricula, implementing model character education programs that involve parents and community members, including private and nonprofit organizations, and training teachers to incorporate character-building lessons and activities into the classroom.

Programs must be integrated into classroom instruction, consistent with State academic content standards, and coordinated with other State education reforms. Elements of character include such items as caring, civic virtue and citizenship, justice, respect, responsibility, trustworthiness, and giving.

Civic Education Programs

(BA in millions)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
We the People.....	\$15.5	—	\$15.5
Cooperative Education Exchange	<u>11.5</u>	<u>—</u>	<u>11.5</u>
Total.....	27.0	—	27.0

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

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

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

Physical Education Initiative

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	—	—	\$10.0

This new initiative, funded under the authority of the Fund for the Improvement of Education, would help build capacity nationally for long-term improvements in physical education. Grants to school districts would support the demonstration of high-quality, research-based approaches for incorporating regular physical activity into students' everyday lives and promoting lifelong personal fitness activities and healthy habits tied to State standards in physical education.

Each grant would include a rigorous evaluation component designed to assess outcomes, including student success in increasing knowledge of, and forming positive attitudes about, physical fitness, as well as attaining increased levels of fitness. Results of this demonstration activity would be widely disseminated to State and local educational agencies and community-based organizations that work with youth.

Fund for the Improvement of Education

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$384.0	\$35.0	\$35.0

The Fund for the Improvement of Education (FIE) provides authority for the Secretary to support nationally significant programs to improve the quality of elementary and secondary education at the State and local levels and help all students meet challenging State academic content standards and student achievement standards. The request would support national recognition activities, dissemination efforts such as ED Pubs, and a small number of nationally significant programs that show promise for improving American education, including projects such as the *Reach Out and Read* program. The 2002 total included \$269.9 million for one-time projects and \$75 million for Comprehensive School Reform.

Advanced Placement

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$22.0	\$22.0	\$22.0

The request level-funds Advanced Placement (AP) programs, which the NCLB Act transferred from the Higher Education Act to Title I of the ESEA. The program makes grants to State educational agencies to pay test fees for low-income students taking approximately 100,000 AP tests. The program also supports State and local efforts to make pre-advanced placement and advanced placement courses more widely available to low-income students. These courses proved greater opportunity to low-income students to achieve to high standards in English, mathematics, science, and other core subjects. Participation in middle-school pre-advanced placement classes prepares students for advanced placement classes at the high school level.

English Language Acquisition

(BA in millions)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Language Acquisition State grants.....	\$411.6	\$466.4	\$538.1
National Activities.....	43.8	43.2	43.2
Competitive Grant Continuations	<u>209.6</u>	<u>155.4</u>	<u>83.7</u>
Total.....	665.0	665.0	665.0

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

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

States must develop annual measurable achievement objectives for LEP students that measure their success in achieving English language proficiency and meeting challenging State academic content and achievement standards. If a school district fails to make progress toward meeting these objectives for 2 consecutive years, the State must require the district to develop and implement an improvement plan. If the district fails to meet the State's annual achievement objectives after 4 consecutive years, the State must require the district to take corrective action to include approaches more likely to bring about meaningful change in a school. These approaches may include comprehensive implementation of a new curriculum and method of instruction or replacing educational personnel responsible for the LEA's failure to meet the objectives. The State may also terminate assistance to the district.

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

Under the reauthorized statute, the Department must fund continuation grants to certain projects that were originally funded under the antecedent statute. Instructional services grantees funded under Subpart 1 of Title VII as it existed prior to enactment of the No Child Left Behind Act and professional development grantees under subpart 3 receive continuation awards consistent with their original grant terms. In 2004, funds for continuations would decline by more than \$71 million as compared to 2003.

Title I State Agency Programs
(BA in millions)

	<u>2002</u>	2003 <u>Request</u>	2004 <u>Request</u>
Migrant Education	\$396.0	\$396.0	\$396.0
Neglected and Delinquent	<u>48.0</u>	<u>48.0</u>	<u>48.0</u>
Total	444.0	444.0	444.0

The budget provides \$396 million for Migrant Education to help nearly 750,000 children of migrant agricultural workers meet State academic standards. Migrant grants help States identify migrant children, pay the higher costs often associated with serving those children, and employ methods such as distance-learning to reach migrant farmworker communities. The request also includes \$48 million for the Title I Neglected and

Delinquent Neglected and Delinquent (N&D) program to provide educational services to children and youth in State-operated institutions.

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

	<u>2002</u>	2003 <u>Request</u>	2004 <u>Request</u>
High School Equivalency Program.....	\$23.0	\$23.0	\$13.0
College Assistance Migrant Program.....	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>
Total.....	38.0	38.0	28.0

The High School Equivalency Program (HEP) funds projects to help low-income migrant and seasonal farm workers gain high school diplomas or equivalency certificates. The College Assistance Migrant Program (CAMP) provides stipends and special services such as tutoring and counseling to migrant students who are in their first year of college. The 2004 request provides sufficient funding for approximately 67 HEP and CAMP continuation grants. In addition, about 10 new CAMP projects will be initiated with funds released by projects that conclude in 2003. The low quality of HEP applications over the past few years supports the request to continue existing HEP projects only.

Education for Homeless Children and Youth

	<u>2002</u>	2003 <u>Request</u>	2004 <u>Request</u>
BA in millions.....	\$50.0	\$50.0	\$50.0

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

Since this program began in 1988, nearly all States have revised their laws, regulations, and policies to improve educational access for homeless students. States have typically eased residency requirements and improved transportation and immunization policies to ensure greater access for homeless students. Nevertheless, homeless children and youth continue to be at significant risk of educational failure and the \$50 million request would maintain support for State and local activities designed to reduce that risk.

Indian Education
(BA in millions)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Grants to LEAs	\$97.1	\$97.1	\$97.1
Special Programs for Indian Children.....	20.0	20.0	20.0
National Activities	<u>3.2</u>	<u>5.2</u>	<u>5.2</u>
 Total.....	 120.3	 122.3	 122.3

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

Grants to Local Educational Agencies provide funds to public and BIA-supported schools for activities to improve the educational achievement of Indian students. Special Programs for Indian Children includes \$9 million to continue the American Indian Teacher Corps, which will support training for 1,000 Indian teachers over a five-year period to take positions in schools that serve concentrations of Indian children. Also, the program includes \$11 million for demonstration grants to improve educational opportunities for Indian children in areas such as early childhood education, dropout prevention, and school-to-work programs.

Finally, the request provides \$5.2 million to implement a comprehensive research agenda that responds to the national need for better research, evaluation, and data collection on the educational status of Indians. This agenda focuses on filling gaps in national information on the educational status and needs of Indians, and on identifying educational practices that are effective with Indian students.

Education for Native Hawaiians
(BA in millions)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Family-Based Education Centers.....	\$12.1	\$5.7	\$3.7
Curriculum Development, Teacher Training, and Recruitment	7.1	2.4	1.0
Gifted and Talented.....	1.1	—	—
Higher Education.....	3.5	3.5	3.5
Special Education.....	3.1	3.1	3.1
Community-Based Centers	2.1	0.4	0.4
College Preparation.....	1.0	1.2	1.2
Native Hawaiian Education Councils.....	0.5	0.5	0.5
Other Activities	<u>—</u>	<u>1.5</u>	<u>4.9</u>
 Total.....	 30.5	 18.3	 18.3

The Education for Native Hawaiians program provides supplemental education services and activities for Native Hawaiians. The request includes sufficient funding to continue program grants and services to the Hawaiian Natives, many of whom perform below national norms on achievement tests of basic skills in reading, science, math, and social science. Other Department elementary and secondary education programs, particularly the State formula grant programs, also support improved achievement for Native Hawaiians.

Alaska Native Education Equity
(BA in millions)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Mandated awards.....	\$7.0	\$7.0	\$7.0
New Activities	8.3	—	—
Continuation awards.....	<u>8.7</u>	<u>7.2</u>	<u>7.2</u>
Total.....	24.0	14.2	14.2

The Alaska Native Education Equity program provides educational services to meet the special needs of Native Alaskan children. Program grants focus on meeting the special needs of Alaska Native students in order to enhance their academic performance. Other Department elementary and secondary education programs, particularly the State formula grant programs, also support improved achievement for Alaska Native students.

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

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$7.3	\$7.3	\$7.3

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

Impact Aid
(BA in millions)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Payments for Federally Connected Children:			
Basic Support Payments	\$982.5	\$982.5	\$867.5
Payments for Children with Disabilities	50.0	50.0	40.0
Facilities Maintenance	8.0	8.0	8.0
Construction	48.0	45.0	45.0
Payments for Federal Property	<u>55.0</u>	<u>55.0</u>	<u>55.0</u>
Total.....	1,143.5	1,140.5	1,015.5

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

The 2004 budget request would place priority on children for whom the Federal government has primary responsibility, namely children living on Indian lands and children who live on Federal property and who have a parent on active duty in the uniformed services. For Basic Support Payments, the request of \$867.5 million would provide payments on behalf of those categories of children. The average per-child payments for these categories of children (the so-called “a” children) would increase 3.5 percent. No payments would be made for the so-called “b” children (who live on or have a parent working on Federal property, but not both).

Payments for Children with Disabilities provides additional support for certain federally connected children who are eligible for services under the Individuals with Disabilities Education Act. The \$40 million request is \$10 million less than the 2002 amount but would increase the average per-child payment by 2.4 percent because the Department would make payments only on behalf of children living on Indian lands and those who both live on Federal property and have a parent on active military duty.

The Department of Education owns and maintains 41 school facilities that serve large numbers of military dependents. The \$8 million requested for Facilities Maintenance will fund essential repair and maintenance of these facilities and allow the Department to continue to transfer these schools to local school districts.

School districts also generally pay for most of their school construction costs using their own resources and rely on property taxes to finance these costs. The \$45 million proposed for Construction would provide both formula and competitive grants to school districts. Formula grants assist districts with large proportions of military dependent students and students residing on Indian lands. Competitive grants focus on helping LEAs make emergency renovations and modernization changes.

The \$55 million request for Payments for Federal Property would provide payments to districts that generally have lost 10 percent or more of their taxable property to the Federal Government.

B. SPECIAL EDUCATION AND REHABILITATIVE SERVICES

Overview

The Administration is committed to working to ensure that all Americans have the opportunity to learn and develop skills, engage in productive work, choose where to live, and participate in community life. The 2004 budget supports the President's *New Freedom Initiative* to help people with disabilities lead independent lives. Funds are requested for programs that can improve educational, employment, and independent living outcomes for people with disabilities.

The \$10.7 billion request for Special Education programs includes support for programs to improve educational and early intervention outcomes for children with disabilities. For the Grants to States program, the President is requesting his third consecutive \$1 billion increase, for a total of \$9.5 billion. This level of funding would provide an estimated average of \$1,426 per student for almost 6.6 million children ages 3 through 21. This is the highest level of Federal support ever provided for children with disabilities. The budget also includes an increase of \$10 million for the Grants for Infants and Families program, from \$437 million to \$447 million, to improve services for children from birth through age 2. Funding for the Preschool Grants program, which supplements Grants to States funding for children ages 3 through 5, would be maintained at the \$390 million level requested for 2003.

The \$324.6 million request for National Activities would support a variety of research, demonstration, technical assistance, dissemination, training, and other activities that assist States, local educational agencies, parents, and others in improving results for children with disabilities. The budget proposes level funding for each of these activities, with the exception of the State Improvement program, which would be reduced from \$51.7 million to \$44 million.

For Rehabilitation Services and Disability Research, the budget provides \$3.0 billion to support comprehensive and coordinated programs of vocational rehabilitation and independent living for individuals with disabilities through research, training, demonstration, technical assistance, evaluation, and direct service programs. The request includes \$2.7 billion for Vocational Rehabilitation State Grants to help 243,000 individuals with disabilities obtain, retain, or maintain employment. The 2004 request assumes enactment of the 2003 proposal to consolidate overlapping employment and training programs in this account within the Vocational Rehabilitation State Grants program, and would maintain funding for most other discretionary programs at the 2003 request level. One exception is a \$7 million increase for the Demonstration and Training program to support Transition Mentoring Grants, which would use peer mentors with disabilities who have succeeded educationally or professionally to improve transition services to students with disabilities served by the VR State Grant program.

The request would not provide additional funding for programs authorized under the Assistive Technology (AT) Act. Funding for the Title I AT State grant program and its accompanying technical assistance program would be eliminated, \$2.7 million for Title I protection and advocacy activities would be shifted to the Protection and Advocacy for Individual Rights program, and additional requests for the Title III Alternative Financing program and its technical assistance program would be postponed until current multi-year funds are spent and future funding needs are determined.

Special Education State Grants

Grants to States

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$7,528.5	\$8,528.5	\$9,528.5
Children ages 3 through 21 Number served (thousands).....	6,483	6,580	6,672

The Grants to States program makes formula grants that help States pay the excess costs of providing special education and related services to children with disabilities aged 3 through 21 years. The request would provide an average of \$1,426 for nearly 6.6 million children with disabilities. At this level of funding, the Federal contribution would equal about 19 percent of the national average per pupil expenditure for all children. The budget also would provide \$16 million for studies to assess progress in implementing the Individuals with Disabilities Education Act.

Preschool Grants

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$390.0	\$390.0	\$390.0

This program provides formula grants to help States make a free appropriate public education available to all children with disabilities ages 3 through 5. The Preschool Grants program supplements funds provided under the Grants to States program and helps to ensure that young children with disabilities are ready to learn when they enter school. The request would provide approximately \$602 per child for approximately 648,200 children.

Grants for Infants and Families

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$417.0	\$437.0	\$447.0

This program makes formula grants to help States implement statewide systems of early intervention services for all eligible children with disabilities from birth through age 2 and their families. The proposed \$10 million increase would assist States in meeting the rising costs of administering their systems and serving larger numbers of infants and toddlers with disabilities. These systems help States and local agencies identify and serve children with disabilities early in life when interventions can be most effective in improving educational outcomes. The budget provides support to 57 State agencies serving approximately 272,800 infants and toddlers with disabilities and their families.

Special Education National Activities

Special Education National Activities programs support State efforts to improve early intervention services and educational results for children with disabilities. The total request for National Activities is \$324.6 million.

State Improvement

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$51.7	\$51.7	\$44.0

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

At least 75 percent of the funds provided to each State are reserved for professional development. The remaining funds are used to carry out State strategies for improving educational results, including efforts to hold school districts and schools accountable for the educational progress of children with disabilities, providing high-quality technical assistance to school districts and schools, and changing State policies and procedures to address systemic barriers to improving results for students with disabilities. The \$44 million request would support approximately 42 continuation awards.

Research and Innovation

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$78.4	\$78.4	\$78.4

Research and Innovation activities develop new knowledge through research, apply knowledge to create useful practices through demonstrations, and make knowledge available through outreach and other dissemination activities. The request includes about \$17.3 million for new projects and \$60.2 million for continuations.

Technical Assistance and Dissemination

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$53.5	\$53.5	\$53.5

This program provides technical assistance and disseminates materials based on knowledge gained through research and practice. The request includes continued support for a \$7.0 million initiative to provide grants to help States address their technical assistance needs. About \$7.7 million would be available for new projects and \$45.8 million for continuation awards.

Personnel Preparation

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$90.0	\$90.0	\$90.0

This program helps ensure that there are adequate numbers of personnel with the skills and knowledge necessary to help children with disabilities succeed educationally. Program activities focus on both meeting the demand for personnel to serve children with disabilities and improving the quality of these personnel, with particular emphasis on incorporating knowledge gained from research and practice into training programs. Funds are used to prepare personnel to serve children with low- and high-incidence disabilities, train leadership personnel, and support projects of national significance, such as developing models for teacher preparation. The request would provide \$13.8 million for new awards and \$75.3 million for continuation awards.

Parent Information Centers

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$26.0	\$26.0	\$26.0

Parent Information Centers provide parents with the training and information they need to work with professionals in meeting the early intervention and special education needs of their children with disabilities. The request would support new and continuation awards for about 99 centers as well as technical assistance to the centers.

Technology and Media Services

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$37.7	\$32.7	\$32.7

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

Rehabilitation Services and Disability Research

Vocational Rehabilitation (VR) State Grants

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$2,481.4	\$2,616.3	\$2,668.7

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

A wide range of services is provided each year to about 1.2 million individuals with disabilities, including vocational evaluation, counseling and guidance, work adjustment, diagnosis and treatment of physical and mental impairments, education and vocational training, job placement, and post-employment services. If States are unable to serve all eligible individuals with disabilities who apply, they must give priority to individuals with the most significant disabilities. Services are provided according to an individualized plan for employment. In 2001, the VR program helped over 233,000 individuals with disabilities achieve employment outcomes, with over 87.6 percent entering the competitive labor market or becoming self-employed. Approximately 87 percent of the individuals who achieved employment have significant disabilities.

The \$2.7 billion request, an increase of \$52.3 million or 2.0 percent, would help State VR agencies increase the participation of individuals with disabilities in the labor force. With the fiscal year 2003 budget, the Administration launched a wide-ranging reform of the Federal government's overlapping training and employment programs. The multi-year reform effort targets resources to programs with documented effectiveness, and eliminates funding for ineffective, duplicative, and overlapping programs. Consistent with this crosscutting reform, the 2003 President's budget request consolidated funding for three secondary vocational rehabilitation programs in this account (Supported Employment State Grants, Projects with Industry (PWI), and the Migrant and Seasonal Farmworkers program) within the Vocational Rehabilitation State Grants program. The 2004 request assumes enactment of the proposed consolidation. The total also includes \$27.6 million for grants to Indian tribes.

Vocational Rehabilitation Incentive Grants

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	—	\$30.0	—

The 2003 President's request proposed \$30 million for a new Vocational Rehabilitation Incentive Grants program to improve State performance under the Vocational Rehabilitation State Grants program. The Administration is not requesting additional funds for VR Incentive Grants in fiscal year 2004. The funds requested in fiscal year 2003 for this new program would be available for grants to States through September 30, 2004. This level of funding is sufficient for the start-up of this new program and will provide the Department with the flexibility to obligate funds over the two-year period in response to State interest.

Client Assistance State Grants

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$11.9	\$11.9	\$11.9

This program makes formula grants to States for activities to inform and advise clients of benefits available to them under the Rehabilitation Act and to assist them in their relationships with service providers, including remedies to ensure the protection of their rights under the Act. The request will provide advocacy services to approximately 56,800 individuals with disabilities.

Training

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$39.6	\$42.6	\$42.6

This program makes grants to State and public or other nonprofit agencies and organizations, including institutions of higher education, to help ensure that personnel with adequate skills are available to provide rehabilitation services to persons with disabilities. The request would provide \$34.6 million to continue activities that began in previous fiscal years and \$7.1 million for new awards.

Demonstration and Training Programs

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$21.2	\$17.5	\$24.5

Demonstration and Training programs support projects that expand and improve the provision of rehabilitation and other services authorized under the Rehabilitation Act, or that further the purposes and policies of the Act. The program also supports activities that increase the provision, extent, availability, scope, and quality of rehabilitation services under the Act, including related research and evaluation activities. The request includes \$7 million in new funding for transition mentoring projects that would enhance the capacity of State VR agencies to support transitioning students in pursuing careers that offer quality employment consistent with their abilities, interests, and informed choice.

Protection and Advocacy of Individual Rights

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$15.2	\$15.2	\$17.9

This program supports systems in each State to protect and advocate for the legal and human rights of individuals with disabilities. These systems pursue legal and administrative remedies

to ensure the protection of the rights of individuals with disabilities under Federal law and provide information on and referrals to programs and services for individuals with disabilities. The \$2.7 million increase for 2004 would help offset the elimination of funding for the Protection and Advocacy for Assistive Technology program previously funded under Title I of the Assistive Technology Act (AT Act), since similar services may be provided under the PAIR program.

Independent Living
(BA in millions)

	<u>2002</u>	2003 <u>Request</u>	2004 <u>Request</u>
Independent Living State Grants.....	\$22.3	\$22.3	\$22.3
Centers for Independent Living	62.5	69.5	69.5
Services for Older Blind Individuals.....	<u>25.0</u>	<u>25.0</u>	<u>25.0</u>
Total.....	109.8	116.8	116.8

These programs provide services to individuals with disabilities to maximize their independence and productivity and to help integrate them into the mainstream of American society. The State Grants program awards formula grants to States to expand and improve independent living services and to support the operation of centers for independent living. The Centers for Independent Living program makes competitive grants to support a network of consumer-controlled, nonresidential, community-based centers that provide a broad range of independent living services. Services for Older Blind Individuals assists individuals aged 55 or older whose severe visual impairment makes competitive employment difficult to obtain, but for whom independent living goals are feasible. At the requested level, program funds would support services to clients directly through 349 Centers for Independent Living and support State efforts through grants to 81 designated state units under the State Grants program and 56 grantees under the Services for Older Blind Individuals program.

Program Improvement

	<u>2002</u>	2003 <u>Request</u>	2004 <u>Request</u>
BA in millions.....	\$0.9	\$0.9	\$0.9

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

Evaluation

	<u>2002</u>	2003 <u>Request</u>	2004 <u>Request</u>
BA in millions.....	\$1.0	\$1.0	\$1.0

These funds are used to evaluate the impact and effectiveness of programs authorized by the Rehabilitation Act of 1973. The request would enable the Department to continue support for two studies initiated in previous years, provide technical support for enhancing the VR program standards and indicators, and begin one new study.

Helen Keller National Center for Deaf-Blind Youths and Adults

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$8.7	\$8.7	\$8.7

This program serves individuals who are deaf-blind, their families, and service providers through a national headquarters Center with a residential training and rehabilitation facility; a network of 10 regional field offices that provide referral, counseling, and technical assistance; and an incentive grant program for public and private agencies that serve individuals with deaf-blindness. At the request level, the Center would provide direct services for approximately 90 adult clients and 12 high school students at its residential training and rehabilitation program; serve 1,400 individuals, 450 families, and 1,000 agencies through its regional field offices; and award 1 new incentive grant.

National Institute on Disability and Rehabilitation Research (NIDRR)

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$110.0	\$110.0	\$110.0

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

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

Assistive Technology
(BA in millions)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Title I	\$24.3	\$15.7	—
Title III	<u>36.6</u>	<u>15.2</u>	<u>—</u>
 Total.....	 60.9	 30.9	 —

The Assistive Technology Act (AT Act) supports grants to States to increase access to and funding for assistive technology devices and services for individuals with disabilities of all ages. Title I of the AT Act authorizes the Assistive Technology State Grant program, protection and advocacy (P&A) services related to assistive technology, and technical assistance activities. Title III of the AT Act authorizes the Alternative Financing Program (AFP). The Administration's request would eliminate funding for Title I because the program has achieved its primary purpose. The 2003 request for the AT State Grant program will have funded all States for at least 10 years and 31 States for at least 13 years. P&A services for assistive technology are authorized and can be provided by the P&A systems funded through the Protection and Advocacy of Individual Rights program.

The 2004 request does not include additional funding for the Title III AFP program, but the Administration will consider future funding needs, possibly in 2005, when available funds have been expended and many more States are operating AFPs.

Access to Telework Fund

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$20.0	—	—

This New Freedom Initiative program seeks to increase employment opportunities for individuals with disabilities by providing greater access to computers and other equipment individuals need to work from home if they choose. To accomplish this goal, the Fund will provide Federal matching funds through discretionary grants to States that will finance loans for individuals with disabilities to purchase computers and other equipment so that they can telework from home. Additional funds are not requested in fiscal year 2004 because the \$20 million appropriated in fiscal year 2002, and available through fiscal year 2003, has not yet been expended.

Special Institutions for Persons with Disabilities
(BA in millions)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
American Printing House for the Blind (APH)	\$14.0	\$14.0	\$14.0
National Technical Institute for the Deaf (NTID)	55.4	52.0	50.8
Gallaudet University	<u>96.9</u>	<u>94.4</u>	<u>94.4</u>
Total.....	166.3	160.5	159.2

The American Printing House for the Blind provides special education materials for students who are visually impaired, offers advisory services for consumers, and conducts applied research. At the request level, APH would provide free educational materials to approximately 58,500 persons with visual impairments at an average per student allotment of \$185.13, implement a number of initiatives to improve its technical assistance and outreach services, and conduct a wide variety of continuing and new research projects.

The National Technical Institute for the Deaf provides postsecondary technical education and training for students who are deaf and graduate education and interpreter training for persons who are deaf or hearing. NTID also conducts research and provides training related to the education and employment of individuals who are deaf. The request would provide \$49.4 million for operations, \$367,000 for construction projects to upgrade academic and dormitory facilities, and \$1 million for the Endowment Grant program. In 2004, NTID would provide education and training to approximately 1,080 undergraduate and technical students, 75 graduate students, and 100 interpreters for persons who are deaf.

Gallaudet University offers undergraduate and continuing education programs for persons who are deaf and graduate programs for persons who are deaf or hearing. The request includes \$93.4 million for operations and \$1 million for the Endowment Grant program. Gallaudet also maintains and operates the Kendall Demonstration Elementary School and Model Secondary School for the Deaf. In 2004, the University would serve approximately 1,320 undergraduate and professional studies students, 700 graduate students, and 365 elementary and secondary education students.

C. VOCATIONAL AND ADULT EDUCATION

Overview

Programs in the Vocational and Adult Education account, as they are currently configured, provide formula grants to States to further State and community efforts to improve vocational education programs and adult education and literacy systems. With the exception of two literacy programs for incarcerated youth and adults, all programs in this account are subject to reauthorization in 2004.

The fiscal year 2004 budget request of \$1.591 billion for this account supports the Administration’s reauthorization strategy to reshape the Federal investment in education for the workforce and intensify the focus on adult literacy skills. A proposed new Secondary and Technical Education program would shift from providing traditional vocational education to an entirely new focus on supporting academic achievement at the high school level and on providing high-quality technical education at the community college level that is coordinated with local high schools. It would also promote stronger accountability for results by linking grantee funding to success in achieving student outcomes. Funding in this account would provide States, local educational agencies, community colleges, and schools with the resources to strengthen academic and technical education at the secondary and postsecondary levels. Also, proposed amendments to the adult education programs would strengthen local accountability for improved instruction in reading, mathematics, and English literacy.

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

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Secondary and Technical Education			
State Grants	—	—	\$1,000.0
Vocational Education State Grants	\$1,180.0	\$1,180.0	—
Tech-Prep Education State Grants	108.0	108.0	—
Tech-Prep Demonstration	5.0	—	—
National Programs.....	12.0	12.0	—
Occupational and Employment Information .	<u>9.5</u>	<u>—</u>	<u>—</u>
 Total.....	 1,314.5	 1,300.0	 1,000.0

The Administration’s reauthorization strategy would create a coordinated high school and technical education improvement program, Secondary and Technical Education State Grants, to replace of the current Vocational Education State Grants. The \$1 billion request for this new program would support and extend the achievement and accountability goals of Title I of the Elementary and Secondary Education Act (ESEA) by requiring States and school districts to focus more intensively on improving student outcomes, such as academic achievement, and ensuring that students are being taught the necessary skills to make successful transitions from high school to college and college to the workforce. States would use formula allocations to make competitive grants to local educational agencies and community and technical colleges and to carry out State-level activities. In addition, to help facilitate coordination with ESEA Title I and enhance flexibility in how Federal funds are used to achieve positive student outcomes, States would have the option to transfer funds to support education-related activities under the Title I Grants to Local Educational Agencies program.

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

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

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Adult Basic and Literacy Education			
State Grants	—	—	\$584.3
Adult Education State Grants	\$575.0	\$575.0	—
National Institute for Literacy	6.6	6.6	6.7
National Leadership Activities	<u>9.5</u>	<u>9.5</u>	<u>—</u>
 Total.....	 591.1	 591.1	 591.0

The Administration plans to propose amendments for the reauthorization of the Adult Education and Family Literacy Act to increase the focus on building stronger skills in basic reading, math, and English acquisition for adults who need to strengthen weak literacy skills or want to earn their high school diploma or its recognized equivalent (the GED). Among other things, proposed amendments would revise current accountability provisions, add a new State requirement for developing and implementing educational standards for adult literacy activities leading to high school-level proficiency, require that teachers be trained in the use of research-validated instructional practices in reading, math and English fluency, and strengthen provisions for employer partnerships and for the participation of community- and faith-based organizations in the program.

The request includes \$6.7 million for the National Institute for Literacy, with the expectation that new authorizing legislation would continue support for its communication, capacity-building, and policy analysis activities. No funds are requested under the current, separate National Leadership Activities authority. The reauthorization strategy will address national activities, including technical assistance and evaluation, as part of the proposed State Grants program.

D. STUDENT FINANCIAL ASSISTANCE

Overview

The 2004 budget reflects President Bush's commitment to equal access to a quality postsecondary education for all Americans. The request would increase funding for the Pell Grant program, the foundation of Federal need-based student financial assistance, by nearly \$1.9 billion, and more than triple loan forgiveness benefits for highly qualified math, science, and special education teachers in schools serving low-income populations.

Following are the highlights of the Administration's 2004 budget:

- A \$1.9 billion increase for the Pell Grant program, for an all-time high total of \$12.7 billion, to retire a shortfall related to the 2002-2003 award year while maintaining a \$4,000 maximum award for over 4.8 million students.
- The request assumes that the significant surge in the Pell Grant applicant growth rate over the past few years will begin to level off in 2003-04 and return to levels consistently seen prior to 2001-02. However, if applicant growth rates remain at unusually high levels, projected Pell Grant program costs would significantly increase above the budget estimates.
- The budget assumes Internal Revenue Service matching of student aid application income data with applicant tax data would reduce Pell Grant overawards and save an estimated \$638 million in 2003 and 2004. These savings would significantly reduce existing funding shortfalls in the Pell Grant program.
- Student financial aid available would expand to \$62.3 billion, excluding the consolidation of existing student loans, an increase of \$3.1 billion or 5 percent over the level supported in the 2003 President's Budget. The number of recipients of grant, loan, and work-study assistance would grow by 386,000 to 9.2 million students and parents.
- Loan forgiveness for highly qualified math, science, and special education teachers serving low-income communities would be expanded from \$5,000 to a maximum of \$17,500. Schools in these communities often are forced to hire uncertified teachers or assign teachers who are teaching "out-of-field." This proposal would help these schools recruit and retain highly qualified math, science, and special education teachers.
- To improve accountability and ensure the efficient, cost-effective delivery of over \$80 billion in Federal student aid, the Administration is proposing to consolidate nearly \$950 million in administrative funding, currently split among 3 separate accounts, into a new discretionary Student Aid Administration account. Most of these funds support payments to private-sector contractors or guaranty agencies that help administer the student loan programs.

Student Aid Summary Tables

<u>Budget Authority (\$ in millions)</u>	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
Pell Grants ¹	\$11,314.0	\$10,863.0	\$12,715.0
Supplemental Grants.....	725.0	725.0	725.0
Work-Study.....	1,011.0	1,011.0	1,011.0
Perkins Loans.....	167.5	167.5	67.5
Leveraging Educational Assistance			
Partnerships ²	67.0	—	—
Loan Forgiveness for Child Care Providers ..	1.0	1.0	—
Federal Family Education Loans ³	4,311.7	3,421.8	6,272.1
Federal Direct Loans ⁴	<u>-721.9</u>	<u>4,102.8</u>	<u>-865.9</u>
Total.....	16,863.3	20,292.1	19,924.7

¹ Amount for 2002 includes proposed supplemental appropriation of \$1.0 billion.

² Includes \$37 million in 2002 for Special LEAP.

³ Budget authority requested for FFEL does not include the liquidating account.

⁴ For Direct Loans, the value of estimated future repayments and collections on defaults will exceed estimated default costs and in-school interest subsidies. Therefore, no new BA is required. The 2003 figure is positive because of a \$4.6 billion upward re-estimate largely attributable to revised interest rate estimates for prior cohorts.

Aid Available to Students (\$ in millions)¹

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
Pell Grants.....	\$11,600	\$11,460	\$11,385
Campus-based Programs:			
Supplemental Grants.....	918	918	918
Work-Study.....	1,218	1,218	1,218
Perkins Loans.....	<u>1,265</u>	<u>1,265</u>	<u>1,137</u>
Subtotal, Campus-based programs.....	3,401	3,401	3,273
Leveraging Educational Assistance			
Partnerships ²	171	—	—
Loan Forgiveness for Child Care Providers...	1	1	—
Federal Family Education Loans.....	28,606	31,536	33,945
Federal Direct Loans.....	11,689	12,763	13,636
Consolidation Loans ³	<u>31,538</u>	<u>24,411</u>	<u>19,097</u>
Total.....	87,006	83,572	81,336

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

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

³ New FFEL and Direct Loans issued to consolidate existing loans.

Number of Student Aid Awards
(in thousands)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Pell Grants.....	4,812	4,866	4,873
Campus-based programs:			
Supplemental Grants.....	1,189	1,189	1,189
Work-Study.....	1,073	1,073	1,073
Perkins Loans.....	<u>707</u>	<u>707</u>	<u>635</u>
Subtotal, Campus-based programs.....	2,969	2,969	2,897
Leveraging Educational Assistance			
Partnerships ¹	171	—	—
Loan Forgiveness for Day Care Providers ² ...	—	—	—
Federal Family Education Loans.....	7,274	7,919	8,415
Federal Direct Loans.....	2,908	3,086	3,259
Consolidation Loans.....	<u>1,090</u>	<u>911</u>	<u>713</u>
<u>Total awards.....</u>	19,224	19,751	20,157

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

² Due to the limited funding level available for this demonstration program in 2002 and 2003, recipients are projected to total fewer than 100. No funding is requested in 2004.

Number of Postsecondary Students Aided by Department Programs

Unduplicated Count (in thousands) ..	8,385	8,855	9,241
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Tax Benefits for Postsecondary Students and Their Families

In addition to Department of Education grant, loan, and work-study programs, significant support for postsecondary students and their families is available through tax credits and deductions for higher education expenses, including tuition and fees. For example, in 2004 students and families will save an estimated \$2.9 billion under the HOPE tax credit, which allows a credit of up to \$1,500 for tuition and fees during the first 2 years of postsecondary education; \$3.0 billion under the Lifetime Learning tax credit, which allows a credit of up to \$2,000 for undergraduate and graduate tuition and fees; \$2.9 billion under a new above-the-line deduction of up to \$4,000 annually in higher education expenses; and \$660 million in above-the-line deductions for interest paid on postsecondary student loans.

Pell Grants

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$11,314.0 ¹	\$10,863.0	\$12,715.0
Program costs (\$ in millions).....	11,624.0	11,484.0	11,410.0
Aid available (\$ in millions).....	11,600.3	11,459.6	11,385.3
Recipients (in thousands).....	4,812	4,866	4,873
Maximum grant.....	\$4,000	\$4,000	\$4,000
Average grant.....	\$2,411	\$2,355	\$2,336

¹ Includes supplemental appropriation of \$1.0 billion.

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

The Administration requests \$12.7 billion to support Pell Grants in 2004. In recent years, the number of Pell Grant applicants and recipients has grown much faster than historical trends would predict (as has college enrollment overall). Specifically, from 2000 to 2002, the number of Pell recipients increased by nearly 25 percent, compared with 5 percent growth from 1997 to 1999. After never growing by more than 2.6 percent for any award year from 1995-96 to 2000-01, the number of valid Pell Grant applicants grew by 8.6 percent in 2001-02 and a projected 10.2 percent in 2002-03 (see table). These increases primarily result from an influx of independent students (generally, independent students are older and do not depend on parents or guardians to pay for college).

Federal Pell Grant Applicant Growth

<u>Award Year</u>	<u>Valid Applicants</u>	<u>Difference</u>	<u>% Change</u>
1995-96	7,935,336	158,167	2.0%
1996-97	8,064,889	129,553	1.6%
1997-98	8,216,685	151,796	1.9%
1998-99	8,309,645	92,960	1.1%
1999-00	8,527,162	217,517	2.6%
2000-01	8,716,124	188,962	2.2%
2001-02	9,467,997	751,873	8.6%
2002-03	10,434,106	966,109	10.2%
2003-04	10,643,080	208,974	2.0%
2004-05	10,802,309	159,229	1.5%

Sources: Award Year 1999-00 Pell Grant End-of-Year Report and Final Management/Operations-02 Reports.

Notes: Award Year 2002-03 is an estimate based on current trends as of 12/1/02, with an estimated 90 percent of total applicants processed). Award Years 2003-04 and 2004-05 are estimates.

As a result of this unexpected growth, as well as a \$700 increase in the maximum grant from 2000 to 2002, Pell Grant appropriations for the past few years have been insufficient to fully cover annual program costs. Funding for 2004 is requested to retire the shortfall related to the 2002-2003 award year while maintaining a \$4,000 maximum award for the growing numbers of students eligible for Pell Grants for undergraduate education and job training. (This request assumes a small portion of 2004-2005 program costs would be funded from the 2005 appropriation.)

The Budget assumes that the significant surge in the applicant growth rate that began with the 2001-02 award year will begin to level off in 2003-04 and return to levels consistently seen prior to 2001-02. It is important to note, however, that if applicant growth rates continue at their unusually high levels, projected Pell Grant program costs would significantly increase above the budget estimates. As shown in the following table, if applicant growth stayed at 10 percent over award years 2003-04 and 2004-05, programs cost would increase by more than \$1.4 billion.

Estimated Cost Alternatives of Pell Grant Applicant Growth Rates

Pell Grant Valid Applicant Growth Rates					
AY 2003-04	0.00%	3.50%	5.00%	7.00%	10.00%
AY 2004-05	0.00%	3.50%	5.00%	7.00%	10.00%
Est. Cost Effect AY 2003-04:	-\$75M	+\$325M	+\$450M	+\$645M	+\$925M
Est. Cost Effect AY 2004-05:	-\$175M	+\$165M	+\$225M	+\$335M	+\$565M
Est. Two-Year Cost Effect:	-\$250M	+\$490M	+\$675M	+\$980M	+\$1,490M

Note: Cost effects are based on current law policies. The cost effect for award year 2003-04 is compared to the current estimated program cost of \$11.6 billion for award year 2002-03.

Campus-Based Programs

The Supplemental Educational Opportunity Grant, Work-Study, and Perkins Loan programs are collectively referred to as the “campus-based” programs; grants in these programs are made directly to participating institutions, which have considerable flexibility to package awards to best meet the needs of their students.

Supplemental Educational Opportunity Grants

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$725.0	\$725.0	\$725.0
Aid available (in millions).....	918	918	918
Recipients (in thousands).....	1,189	1,189	1,189
Average award	\$772	\$772	\$772

The Supplemental Educational Opportunity Grant (SEOG) program provides grant assistance of up to \$4,000 per academic year to undergraduate students with demonstrated financial need. The \$725 million request would leverage \$193 million in institutional matching funds to make available a total of approximately \$918 million in grants to an estimated 1.2 million recipients.

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

Work-Study

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
BA in millions.....	\$1,011.0	\$1,011.0	\$1,011.0
Aid available (\$ in millions).....	1,218	1,218	1,218
Recipients (in thousands).....	1,073	1,073	1,073
Average award	\$1,135	\$1,135	\$1,135

The Work-Study program provides grants to participating institutions to pay up to 75 percent of the wages of needy undergraduate and graduate students working part-time to help pay their college costs. The school or other eligible employer provides the remaining 25 percent of the student’s wages. Funds are allocated to institutions according to a statutory formula, and individual award amounts to students are determined at the discretion of institutional financial aid administrators. At the request level, over 1 million students would receive more than \$1 billion in award year 2004-05.

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

Perkins Loans

(BA in millions)

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
Federal Capital Contributions.....	\$100.0	\$100.0	—
Loan Cancellation Payments.....	67.5	67.5	67.5
Loan volume (\$ in millions).....	1,265	1,265	1,137
Number of borrowers (in thousands).....	707	707	635
Average loan	\$1,790	\$1,790	\$1,790

The Perkins Loan program provides long-term, low-interest loans to undergraduate and graduate students with demonstrated financial need at 2,000 institutions. Total assets of over

\$7 billion represent nearly 40 years of Federal capital contributions, institutional matching funds, repayments on previous loans, and reimbursements for cancellations.

The request includes no funding for new Perkins Loan Federal Capital Contributions. These funds are no longer necessary, as repayments of existing Perkins Loans into Federal revolving funds held at institutions will continue to support more than \$1 billion in new Perkins Loans each year. In addition, given the existence of the Federal Family Education Loan and Ford Direct Student Loan programs, as well as the current interest rate environment, additional Federal capital contributions are not needed to assure the availability of affordable loan aid.

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

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

Federal Family Education Loans and Direct Loans

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Federal Family Education Loans			
New Loan Subsidies (BA)	\$4,311.7	\$6,401.6	\$6,272.1
Re-estimate of Prior Loans ¹	<u>—</u>	<u>2,979.9</u>	<u>—</u>
Total, FFEL Program BA	4,311.7	3,421.8	6,272.1
 Direct Loans			
New Loan Subsidy (BA) ²	-721.9	-488.1	-865.9
Re-estimate of Prior Loans ¹	<u>—</u>	<u>4,590.9</u>	<u>—</u>
Total, New Budget Authority	-721.9	4,102.8	-865.9
 Total, Student Loans (BA)	3,589.8	7,524.6	5,406.2

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

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

New loan volume (in millions)

	<u>2002</u>	<u>2003 Request</u>	<u>2004 Request</u>
Federal Family Education Loans			
New loans	\$28,606	\$31,536	\$33,945
Consolidation loans	<u>22,693</u>	<u>16,986</u>	<u>12,999</u>
Subtotal, FFEL.....	51,299	48,522	46,944
Direct Loans			
New loans	11,689	12,763	13,636
Consolidation loans	<u>8,845</u>	<u>7,425</u>	<u>6,098</u>
Subtotal, Direct Loans	20,534	20,188	19,734
Total.....	71,833	68,710	66,678

Number of loans (in thousands)

Federal Family Education Loans			
New loans	7,274	7,919	8,415
Consolidation loans	<u>726</u>	<u>572</u>	<u>436</u>
Subtotal, FFEL.....	8,000	8,491	8,851
Direct Loans			
New loans.....	2,908	3,086	3,259
Consolidation Loans.....	<u>364</u>	<u>339</u>	<u>277</u>
Subtotal, Direct Loans	3,272	3,425	3,536
Total.....	11,272	11,916	12,387

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

The FFEL program makes loan capital available to students and their families through some 3,500 private lenders. There are 36 active State and private nonprofit guaranty agencies which administer the Federal guarantee protecting FFEL lenders against losses related to borrower default. These agencies also collect on defaulted loans and provide other services to lenders. The FFEL program accounts for about 70 percent of student loan volume.

The Direct Loan program was created by the Student Loan Reform Act of 1993. Under this program, the Federal Government uses Treasury funds to provide loan capital directly to schools, which then disburse loan funds to students. The Direct Loan program began operation in academic year 1994-95 and now accounts for about 30 percent of new student loan volume.

Basic Loan Program Components

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

- Stafford Loans are subsidized, low-interest loans based on financial need. The Federal Government pays the interest while the student is in school and during certain grace and deferment periods. The interest rate varies annually and is capped at 8.25 percent. For July 1, 2002 through June 30, 2003, the rate for borrowers in repayment has been set at 4.06 percent.
- Unsubsidized Stafford Loans are offered at the same low rates as subsidized Stafford Loans, but the Federal Government does not pay interest for the student during in-school, grace, and deferment periods.
- PLUS Loans are available to parents of dependent undergraduate students at slightly higher rates than Stafford or Unsubsidized Stafford Loans, and the Federal Government does not pay interest during in-school, grace, and deferment periods. The interest rate varies annually and is capped at 9 percent. The 2002-2003 rate is 4.86 percent.
- Consolidation Loans allow borrowers with multiple student loans who meet certain criteria to combine their obligations and extend their repayment schedules. The rate for both FFEL and Direct Consolidation Loans is based on the weighted average of loans consolidated rounded up to the nearest 1/8th of a percent.

In recent years, a combination of historically low interest rates and aggressive marketing have resulted in dramatic increases in Consolidation loan volume, which grew from \$12 billion in fiscal year 2000 to \$32 billion in fiscal year 2002. Higher interest rates and a diminished pool of potential consolidators in future years are expected to reduce Consolidation loan volume to \$19 billion in 2004.

The 2004 Request

For 2004, the Administration is proposing to expand loan forgiveness for mathematics, science, and special education teachers. Currently, teachers in qualified low-income schools who were new borrowers as of October 1998 and teach for five consecutive years are eligible for up to \$5,000 in loan forgiveness. The Administration proposes to substantially increase the amount of forgiveness up to \$17,500 for math, science, or special education teachers who meet the definition of highly qualified included in the No Child Left Behind Act and serve in high-need schools. This proposal is estimated to cost about \$199 million in additional subsidy for new loans made in fiscal year 2004, plus approximately \$147 million for prior cohorts. Over the next 10 years, the policy will cost an estimated \$696 million.

Student Aid Program Management

The Administration proposes to centralize its request for \$947.0 million to administer the Federal student aid programs within a unified new discretionary Student Aid Administration account. The current student aid administration budget structure—split among multiple mandatory, discretionary, and subsidy accounts—hinders the increased accountability for reducing costs and improving financial controls that are at the foundation of the Secretary's Blueprint for Management Excellence.

The 2004 request represents a \$15.0 million, or 1.6 percent, increase over the amount supporting student aid administrative activities in 2003. The largest portions of this increase are \$6.8 million for growth in central support costs such as enhanced security and the relocation of

a number of regional offices; \$4 million to support increases in personnel compensation associated with the 2.0 percent cost-of-living adjustment scheduled for January 2004; and \$3.0 million for improvements to the Department's financial management system.

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

The Administration is in the process of developing an activity-based budget formulation process for the unified Student Aid Administration account. Such a process would allocate the Department's student aid management expenses to specific business processes to more accurately determine the cost of individual activities or programs, budget administrative funds to each business process, set cost reduction targets, and easily compare actual performance to budget targets.

E. HIGHER EDUCATION PROGRAMS

Overview

New data from the National Center for Education Statistics predict that college enrollments will continue increasing to record highs during the first decade of this century. The current enrollment is expected to increase 13 percent by the year 2012, to a total of 17.7 million students. To meet this growing need, our fiscal year 2004 budget requests \$2.2 billion to strengthen support for a range of programs that complement the efforts of the No Child Left Behind Act by supporting institutional development, providing opportunities for students to gain international expertise and training as language and area specialists, strengthening student services, and designing innovations to improve the quality and availability of postsecondary education.

The majority of Higher Education programs serve to enhance the quality of and access to postsecondary education, contributing to Goal 5 of the Department's Strategic Plan. These programs strengthen the quality of institutions of higher education; provide financial aid to increase access to college; and strengthen the programs and services that prepare students for and support them during college. As the reauthorization of the Higher Education Act nears and the Nation's attention turns towards ensuring that every child develops the knowledge and skills to be successful in the 21st century, it is critical for the Administration to demonstrate a strong commitment toward educating the future workers of America.

Therefore, the 2004 request provides an increase of 5 percent for programs to strengthen institutions of higher education that serve high proportions of minority and disadvantaged students, including Historically Black Colleges and Universities, Historically Black Graduate Institutions, Hispanic-serving Institutions, and Tribally Controlled Colleges and Universities.

The request also provides \$102.5 million for the International Education and Foreign Language Studies (IEFLS) programs to continue support for programs designed to meet the Nation's security and economic needs through the development of national capacity in foreign languages and area and international studies. The increased complexity of the post-Cold War world and the events of the September 11, 2001 terrorist attacks on the United States underscore the importance of maintaining and expanding American international expertise in world areas, economies, and foreign languages.

The request includes \$802.5 million for the Federal TRIO Programs and \$285 million for Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) to provide educational outreach and support services that will help more than 2.2 million disadvantaged students to enter and complete college. The budget also would provide \$82 million for merit- and need-based scholarships and fellowships to postsecondary students under the Byrd Honors Scholarships, Javits Fellowships, and Graduate Assistance in Areas of National Need (GAANN) programs.

Finally, a \$39.1 million request for the Fund for the Improvement of Postsecondary Education (FIPSE) would support a wide-range of projects to reform and improve postsecondary education, while \$90 million for Teacher Quality Enhancement would continue support for projects to reform and improve teacher preparation programs and certification requirements.

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

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Strengthening Institutions (Part A)	\$73.6	\$76.3	\$76.3
Strengthening Tribally Controlled Colleges and Universities (Part A)	17.5	18.1	19.0
Strengthening Alaska Native and Native Hawaiian-serving Institutions (Part A)	6.5	6.7	4.0
Strengthening Historically Black Colleges and Universities (Part B)	206.0	213.4	224.1
Strengthening Historically Black Graduate Institutions (Part B)	49.0	50.8	53.3
Minority Science and Engineering Improvement (Part E)	<u>8.5</u>	<u>8.5</u>	<u>8.5</u>
Total.....	361.1	373.8	385.2

The 2004 request for Title III demonstrates the Administration's strong commitment to ensuring access to high quality postsecondary education for the Nation's minority and disadvantaged students. Title III funding would help provide equal educational opportunity and strong academic programs for such students and help achieve greater financial stability for the institutions that serve these students.

Developing Hispanic-serving Institutions

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$86.0	\$89.1	\$93.6

The 2004 request would expand and enhance the academic quality, institutional management, fiscal stability, and self-sufficiency of the colleges and universities that enroll large percentages of Hispanic students. Hispanic Americans are the largest ethnic group in the United States, yet continue to lag behind their non-Hispanic peers in overall educational achievement. This request demonstrates the Administration's commitment to ensuring that Hispanic students have access to high quality postsecondary education and to closing the gaps between Hispanic and majority students in academic achievement, high school graduation, postsecondary enrollment, and life-long learning.

International Education and Foreign Language Studies
(BA in millions)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Domestic programs	\$85.2	\$88.0	\$88.0
Overseas programs.....	11.8	13.0	13.0
Institute for International Public Policy	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>
Total.....	98.5	102.5	102.5

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

Fund for the Improvement of Postsecondary Education (FIPSE)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$180.9	\$39.1	\$39.1

FIPSE supports exemplary, locally developed projects that are models for innovative reform and improvement in postsecondary education. The 2004 request would fund 163 new and continuing projects under the Comprehensive Program in a variety of priority areas. Additionally, the request would continue support for the international consortia programs and 27 projects previously funded under the Demonstration Projects to Ensure Quality Higher Education for Students with Disabilities program. The 2002 total included \$149.7 million for one-time projects.

Tribally Controlled Postsecondary Vocational and Technical Institutions

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$6.5	\$6.5	\$6.5

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

Federal TRIO Programs
(BA in millions)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Student Support Services.....	\$262.8 ¹	\$259.0	\$259.0
Upward Bound.....	264.2	268.4	268.4
Upward Bound Math/Science.....	31.8	31.8	31.8
Talent Search.....	143.5 ¹	142.3	142.3
Educational Opportunity Centers.....	48.0 ¹	47.4	47.4
McNair Postbaccalaureate Achievement.....	38.4 ¹	36.8	36.8
Staff Training.....	6.8	6.8	6.8
Dissemination Partnership Projects.....	3.4	5.5	5.5
Evaluation.....	0.8	1.7	1.5
Administration/Peer Review.....	<u>2.8</u>	<u>2.8</u>	<u>3.0</u>
 Total.....	 802.5	 802.5	 802.5

¹ Includes funding for technology supplements.

The Federal TRIO Programs fund postsecondary education outreach and student support services for disadvantaged individuals to help them enter and complete postsecondary education programs. The 2004 request would support a new competition in the Staff Training program and maintain current service levels in the other programs. Over the last few years, significant investments have been made to increase the intensity of services and the number of projects in the Talent Search, Educational Opportunity Centers, Student Support Services, Upward Bound, and Upward Bound Math/Science programs. The request would maintain these and other investments to improve program effectiveness, including targeting higher-risk students and providing work-study opportunities through Upward Bound and providing grant aid to the most needy Student Support Services participants. The combined TRIO programs would serve a total of 872,000 disadvantaged students.

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

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
State Grants.....	\$91.0	\$91.4	\$91.4
Partnership Grants.....	192.3	192.4	192.4
21st Century Scholar Certificates.....	0.1	0.2	0.2
Evaluation.....	<u>1.6</u>	<u>1.0</u>	<u>1.0</u>
 Total.....	 285.0	 285.0	 285.0

GEAR UP provides mentoring, tutoring, academic and career counseling, and college scholarships to low-income elementary and secondary school students to give them the skills and encouragement they need to successfully pursue postsecondary education. The 2004 request would maintain support for all continuing projects including a 6th and final year for projects first funded in 1999. GEAR UP's unique cohort approach, partnerships, and matching requirements complement the Federal TRIO programs and merit a continued investment until

information on program effectiveness is available. GEAR UP projects would serve a total of 1.4 million low-income students at the 2004 request level.

Scholarships and Fellowships

(BA in millions)

	<u>2002</u>	2003 <u>Request</u>	2004 <u>Request</u>
Byrd Honors Scholarships.....	\$41.0	\$41.0	\$41.0
Javits Fellowships	10.0	10.0	10.0
Graduate Assistance in Areas of National Need (GAANN)	31.0	31.0	31.0

Byrd Honors Scholarships provide merit-based support in the amount of \$1,500, through formula grants to States, to undergraduate students who demonstrate outstanding academic achievement. The 2004 request would provide awards for 27,334 scholars, including 6,548 new scholars.

Javits Fellowships provide up to 4 years of support to students of superior ability and high financial need who are pursuing doctoral degrees, or the highest terminal degree, in the arts, humanities, and social sciences. The 2004 request would support 271 fellowships in academic year 2005-2006, including 60 new fellows.

GAANN provides fellowships, through grants to postsecondary institutions, to graduate students with superior ability and financial need studying in areas of national need. Participating graduate schools must provide assurances that they will seek talented students from traditionally underrepresented backgrounds. The 2004 request would support 845 fellowships, including 336 new fellowships.

Child Care Access Means Parents in School

	<u>2002</u>	2003 <u>Request</u>	2004 <u>Request</u>
BA in millions.....	\$22.0	\$15.0	\$15.0

This program supports the participation of low-income parents in the postsecondary education system by providing campus-based childcare services. Grants made to institutions of higher education must be used to supplement childcare services or start a new program, not to supplant funds for current childcare services. The program gives priority to institutions that leverage local or institutional resources and employ a sliding fee scale. Funds would be used for the continuation of grants first funded in fiscal years 2001 and 2002. No funds are requested for new awards.

Teacher Quality Enhancement
(BA in millions)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
State Grants	\$40.5	\$32.6	\$31.8
Partnership Grants	40.5	48.9	49.8
Recruitment Grants	8.9	8.4	8.3
Peer Review	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Total.....	90.0	90.0	90.0

The Teacher Quality Enhancement program helps improve the recruitment, preparation, licensing, and support of new teachers. State Grants may be used to reform teacher licensing and certification requirements, hold institutions of higher education accountable for high-quality teacher preparation, expand alternative pathways to teaching, and increase support for new teachers. Partnership Grants support a wide range of reforms and improvements in teacher preparation programs. Recruitment Grants help reduce shortages of qualified teachers in high-need school districts through scholarships, support services, and recruitment efforts. The 2004 request would allow the Department to maintain support for 53 existing State, Partnership, and Recruitment projects and would fund 24 new Partnership Grants.

GPRA Data/HEA Program Evaluation

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$1.0	\$1.0	\$1.0

The 2004 request would allow the Department to continue program evaluations and data collections for measuring program performance. In particular, funds would continue support for the evaluation of the Teacher Quality Enhancement program and collecting data for the State teacher quality accountability reports required by Title II of the Higher Education Act.

Academic Facilities
(BA in millions)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Interest Subsidy Grants.....	\$5.0	\$3.0	\$2.0
CHAFL Federal Administration.....	0.8	0.8	0.8
HBCU Capital Financing Federal Administration.....	0.2	0.2	0.2

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

Howard University
(BA in millions)

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
Howard University Hospital	\$30.4	\$30.4	\$30.4
General Support	<u>207.1</u>	<u>207.1</u>	<u>207.1</u>
Total.....	237.5	237.5	237.5

The 2004 request would maintain support for Howard University's academic programs, research programs, endowment program, construction activities, and the Howard University Hospital. The request reflects continued support for maintaining and improving the quality and financial strength of an institution that has played a continuing role in providing access to postsecondary educational opportunities for African Americans.

National Security Education Trust Fund

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	—	—	\$8.0

The 2004 request proposes to transfer the National Security Education Trust Fund from the Department of Defense to the Department of Education. The National Security Education Act of 1991 established the National Security Education Program (NSEP) for undergraduate scholarships, graduate fellowships, and grants to educational institutions in critical area studies, foreign languages, and other international fields. This program enhances the quality of U.S. educational programs in these fields by making it possible for more American students to study abroad, and will develop a larger pool of potential U.S. Government employees with knowledge of particular cultures, languages, and governments. All expenditures for the NSEP are derived from the National Security Education Trust Fund created by a one-time appropriation in 1991.

F. INSTITUTE OF EDUCATION SCIENCES

Overview

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

For 2004, the Administration is seeking \$375.9 million for Education Research, Statistics, and Assessment. This request would support new programs of research, development, and dissemination in areas where our knowledge of learning and instruction is inadequate. The request also would maintain the Administration’s commitment to supporting high quality statistics and assessment programs.

Research, Development, and Dissemination

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$121.8	\$175.0	\$185.0

The budget would provide \$185 million for education research, development, and dissemination sponsored by the Institute, including research designed to address gaps in our scientific knowledge on how to increase teacher quality, how schools can reduce behavior problems and help children develop character, and how to teach reading and mathematics more effectively. Research in these areas is critical to the successful implementation of the No Child Left Behind Act. Other important research programs will help educators identify the most effective preschool curricula for getting children ready for school, and for helping children whose first language is not English develop English-language skills.

The Institute is also funding research to bridge the gap between scientific research on the brain and teaching and learning in classroom settings. Other research projects will identify conditions that foster the use of research findings by teachers, school administrators, and policymakers and an interagency initiative to fund large-scale implementations of promising educational practices and technologies. The request also continues support for the national research and development centers, field-initiated research, and Small Business Innovation Research grants.

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

Statistics

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$85.0	\$95.0	\$95.0

The request includes \$95 million for Statistics to support the collection, analysis, and dissemination of education-related statistics in response both to legislative requirements and to the particular needs of data providers, data users, and educational researchers. The Department's statistics programs—administered by the Institute through the National Center for Education Statistics (NCES)—provide general statistics about trends in education, collect data to monitor reform and measure educational progress, and inform the Institute's research agenda. The request also supports NCES efforts to meet the statistical needs of the future through new technologies, training, data development and analysis, and methodological studies that will enable more efficient data collection and produce information that is more useful for parents, teachers, administrators, and policymakers.

Assessment

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
BA in millions.....	\$111.6	\$95.4	\$95.9

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

III. PROGRAMS PROPOSED FOR ELIMINATION

The 2004 request continues the practice of the Bush Administration—also consistent with previous administrations over the past two decades—of proposing to eliminate or consolidate funding for programs that have achieved their original purpose, that duplicate other programs, that may be carried out with flexible State formula grant funds, or that involve activities that are better or more appropriately supported through State, local, or private resources. In addition, the government-wide Program Assessment Rating Tool, or PART, helps target funding to Department of Education programs that generate positive results for students and that meet strong accountability standards. For 2004, PART findings were used to redirect funds from ineffective programs to more effective activities, as well as to identify reforms to help address program weaknesses.

The following table shows the combined total of programs proposed for elimination in the President’s 2003 and 2004 budget requests. Termination of these 45 programs frees up more than \$1.5 billion—based on amounts appropriated for fiscal year 2002—for reallocation to more effective, higher priority activities. Following the table is a brief summary of each program and the rationale for its elimination.

Program Terminations

<u>Program</u> (BA in millions)	<u>2002</u>
Adult Education National Leadership Activities	\$9.5
Advanced Credentialing	10.0
Alcohol Abuse Reduction	25.0
Arts in Education	30.0
B.J. Stupak Olympic Scholarships	1.0
Close Up Fellowships.....	1.5
Community Technology Centers.....	32.5
Comprehensive Regional Assistance Centers.....	28.0
Comprehensive School Reform	235.0
Demonstration Projects to Ensure Quality Higher Education for Students with Disabilities	7.0
Dropout Prevention Programs.....	10.0
Eisenhower National Clearinghouse for Math and Science Education	5.0
Eisenhower Regional Math and Science Education Consortia	15.0
Elementary and Secondary School Counseling.....	32.5
Exchanges with Historic Whaling and Trading Partners	5.0
Federal Perkins Loans: Capital Contributions.....	100.0
Foreign Language Assistance.....	14.0
Javits Gifted and Talented Education.....	11.3
Leveraging Educational Assistance Partnerships	67.0
Literacy Programs for Prisoners.....	5.0
Loan Forgiveness for Child Care Providers	1.0
Migrant and Seasonal Farmworkers	2.4
National Writing Project.....	14.0
Occupational and Employment Information	9.5
Parental Assistance Information Centers.....	40.0
Physical Education Program	50.0

Program Terminations, continued (2002 BA in millions):

Preparing Tomorrow’s Teachers to Use Technology	\$62.5
Projects With Industry	22.1
Ready to Teach	12.0
Recreational Programs.....	2.6
Regional Educational Laboratories	67.5
Regional Technology in Education Consortia	10.0
Rural Education.....	162.5
School Leadership.....	10.0
Smaller Learning Communities	142.2
Star Schools.....	27.5
State Grants for Community Service for Expelled or Suspended Students	50.0
State Grants for Incarcerated Youth Offenders.....	17.0
Supported Employment State Grants.....	38.2
Tech-Prep Demonstration	5.0
Tech-Prep Education State Grants	108.0
Thurgood Marshall Legal Educational Opportunity Program	4.0
Underground Railroad Program	2.0
Vocational Education National Programs.....	12.0
Women’s Educational Equity.....	<u>3.0</u>
 Total.....	 \$1,519.0

Program Descriptions
(figures reflect 2002 BA in millions)

Adult Education National Leadership Activities	\$9.5
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These activities, including evaluation, dissemination and technical assistance, will be addressed as part of the Administration’s reauthorization strategy for adult basic and literacy education.

Advanced Credentialing	\$10.0
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Supports teachers seeking advanced certification or advanced credentialing, activities that receive ample funding through larger, more flexible programs such as Improving Teacher Quality State Grants.

Alcohol Abuse Reduction	\$25.0
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Supports innovative and effective programs to reduce alcohol abuse in secondary schools that may be funded through flexible Safe and Drug-Free Schools State Grants and State Grants for Innovative Programs.

Arts in Education	\$30.0
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Makes non-competitive awards to Very Special Arts and the John F. Kennedy Center for the Performing Arts as well as competitive awards for national demonstrations and Federal leadership activities to encourage the integration of the arts into the school curriculum. Consistent with Administration policy of terminating small categorical programs with limited impact in order to fund higher priorities.

Program Eliminations, continued (2002 BA in millions):

B.J. Stupak Olympic Scholarships \$1.0

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

Close Up Fellowships..... \$1.5

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

Community Technology Centers \$32.5

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

Comprehensive Regional Assistance Centers \$28.0

Supports 15 university-based or nonprofit centers that offer technical assistance to States, school districts, and schools. The NCLB Act provides flexible funding to pay for such assistance.

Comprehensive School Reform \$235.0

This program largely duplicates activities that are readily carried out under the Title I Grants to LEAs program. For example, the NCLB Act lowered the poverty threshold for Title I schoolwide projects to 40 percent, thus permitting some 5,000 additional schools to use Title I funds to carry out the types of whole-school reforms supported by the CSR program. More than 26,000 Title I schools already operate schoolwide projects and thus enjoy the opportunity to conduct comprehensive reform efforts. In addition, comprehensive reform is encouraged as part of school improvement efforts undertaken by Title I schools that fail to make adequate yearly progress toward State standards for at least 2 consecutive years.

Demonstration Projects to Ensure Quality Higher Education
for Students with Disabilities \$7.0

Funds technical assistance and professional development activities for faculty and administrators in institutions of higher education in order to improve the quality of education for students with disabilities. Such activities can be funded under FIPSE and the Research and Innovation program in the Special Education account.

Dropout Prevention Programs..... \$10.0

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

Eisenhower National Clearinghouse for Math and Science Education \$5.0

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

Eisenhower Regional Math and Science Education Consortia \$15.0

Disseminates exemplary mathematics and science education instructional materials and provides technical assistance in the use of improved teaching methods and assessment for use in grades K-12. The NCLB Act provides flexible funding to States, districts, and schools to pay for such assistance.

Program Eliminations, continued (2002 BA in millions):

Elementary and Secondary School Counseling \$32.5

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

Exchanges with Historic Whaling and Trading Partners \$5.0

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

Federal Perkins Loans: Capital Contributions \$100.0

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

Foreign Language Assistance \$14.0

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

Javits Gifted and Talented Education \$11.3

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

Leveraging Educational Assistance Partnerships \$67.0

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

Literacy Programs for Prisoners \$5.0

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

Loan Forgiveness for Child Care Providers \$1.0

This demonstration program encourages qualified child care providers to work in low-income communities by forgiving a portion of their FFEL or Direct Loan obligation. The program is too small to have a significant impact and is administratively burdensome.

Migrant and Seasonal Farmworkers \$2.4

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

Program Eliminations, continued (2002 BA in millions):

National Writing Project..... \$14.0

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

Occupational and Employment Information \$9.5

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

Parental Assistance Information Centers \$40.0

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

Physical Education Program \$50.0

Grants are used primarily to purchase equipment for physical education programs—an activity more appropriately funded through State, local, or private resources.

Preparing Tomorrow's Teachers to Use Technology \$62.5

State and local entities may use Educational Technology State Grants and Improving Teacher Quality State Grants to carry out activities supported under this program, which prepares prospective teachers to use technology to improve student achievement and instructional programs.

Projects With Industry \$22.1

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

Ready to Teach \$12.0

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

Recreational Programs..... \$2.6

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

Regional Educational Laboratories \$67.5

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

Program Eliminations, continued (2002 BA in millions):

Regional Technology in Education Consortia \$10.0

Supports technical assistance and professional development in the effective use of educational technology; States, districts, and schools can purchase such technical assistance through flexible funding sources authorized by the NCLB Act, such as the ESEA Title I Grants to LEAs program.

Rural Education \$162.5

Larger State formula grant programs provide ample resources for a wide range of activities designed to improve student achievement in rural areas. In addition, rural school districts may take advantage of new ESEA flexibility provisions to combine funding received from various State formula grant programs and use the consolidated funds for virtually any ESEA-authorized purpose.

School Leadership \$10.0

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

Smaller Learning Communities \$142.2

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

Star Schools \$27.5

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

State Grants for Community Service for Expelled or Suspended Students \$50.0

Community service programs for expelled or suspended from school may be supported through other, larger ESEA programs such as Safe and Drug-Free Schools State Grants and State Grants for Innovative Programs.

State Grants for Incarcerated Youth Offenders \$17.0

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

Supported Employment State Grants \$38.2

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

Tech-Prep Demonstration \$5.0

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

Program Eliminations, continued (2002 BA in millions):

Tech-Prep Education State Grants \$108.0

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

Thurgood Marshall Legal Educational Opportunity Program \$4.0

This program, which provides minority, low-income, or disadvantaged college students with the information, preparation, and financial assistance needed to gain access to and complete law school, largely duplicates assistance available through the Department's postsecondary student financial aid programs.

Underground Railroad Program \$2.0

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

Vocational Education National Programs..... \$12.0

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

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

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

IV. DEPARTMENTAL MANAGEMENT

	<u>2002</u>	<u>2003</u> <u>Request</u>	<u>2004</u> <u>Request</u>
<u>Discretionary funds</u>			
(BA in millions)			
Program Administration	\$365.5 ¹	\$411.8	\$434.5
Office for Civil Rights	79.7	86.3	91.3
Office of the Inspector General	38.6	41.0	48.1
Student Aid Administration.....	105.8 ²	737.0 ³	752.0 ³
Other ⁴	<u>14.0</u>	<u>13.1</u>	<u>16.1</u>
Total, Discretionary S&E	603.6	1,289.2	1,342.0
<u>Mandatory funds</u>			
(BA in millions)			
Student Loan Administration:			
HEA Section 458 ⁵	<u>600.0</u> ⁵	—	—
Total Federal Administration	1,203.6	1,289.2	1,342.0
<u>Full-time equivalent employment (FTE) ⁶</u>			
Program Administration	2,342 ⁷	2,462	2,462
Office for Civil Rights	698	714	714
Office of the Inspector General	276	285	285
Student Aid Administration.....	1,188 ⁸	1,115	1,115
Other ⁴	<u>37</u>	<u>44</u>	<u>49</u>
Total	4,541	4,620	4,625

¹ Adjusted for comparability. Excludes \$57.001 million in 2002 used to administer student aid programs, which are consolidated with FFEL and FDSL Federal administration costs and requested in fiscal years 2003 and 2004 under the proposed Student Aid Administration account.

² Adjusted for comparability. Includes funds from the Program Administration and FFEL accounts used to administer student aid programs, which are consolidated with the FDSL Federal Administration costs and requested in fiscal years 2003 and 2004 under the proposed Student Aid Administration account.

³ Excludes \$195 million for payments to guaranty agencies.

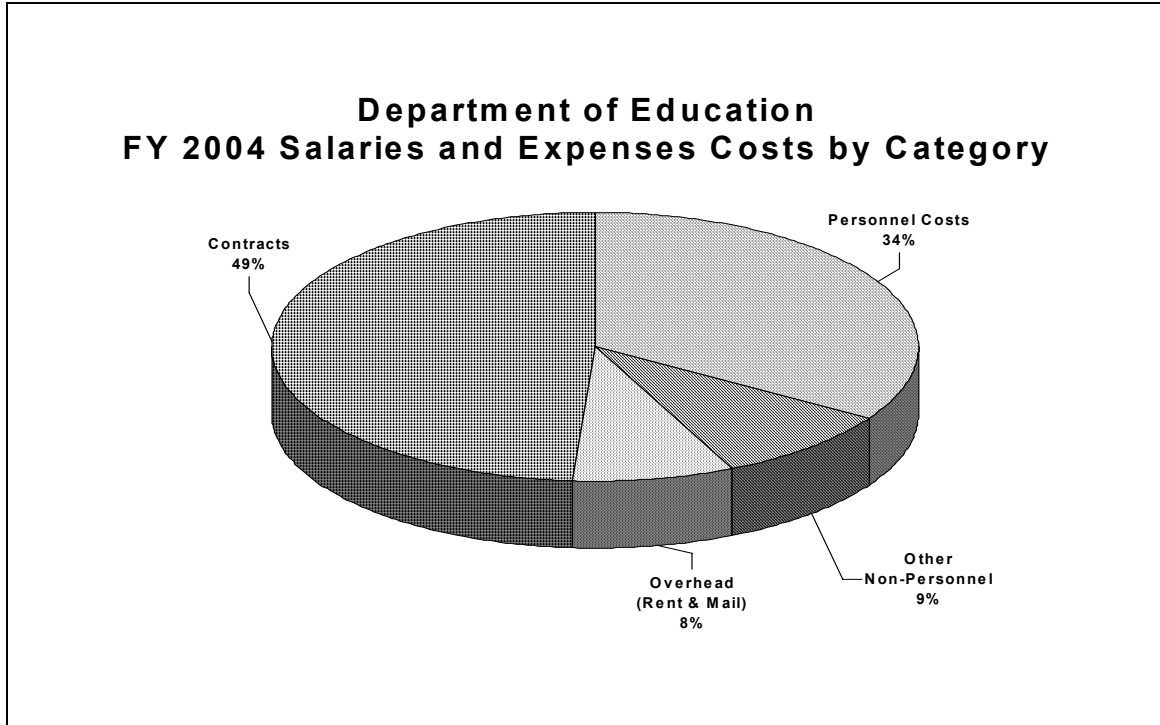
⁴ Includes small Federal Credit accounts and S&E activities in program accounts. Excludes Occupational and Employment Information grants and National Education Security Trust Funds grants, scholarships, and fellowships.

⁵ Excludes \$180 million in 2002 for payments to guaranty agencies.

⁶ Actual FTE usage in 2002; maximum target for 2002 and 2003.

⁷ Adjusted for comparability. Excludes FTE to administer student aid programs, which are consolidated with FFEL and FDSL Federal administration FTE requested in fiscal year 2003 and 2004 under the proposed Student Aid Administration account.

⁸ Adjusted for comparability. Includes FTE to administer student aid programs, which are consolidated with FFEL and FDSL Federal administration and Program Administration FTE requested in fiscal year 2003 under the proposed Student Aid Administration account.



Overview

The 2004 budget request for Salaries and Expenses (S&E) will pay the costs of the staff, overhead, contracts, and other activities needed to administer and monitor the Department's educational assistance programs and provide over \$80 billion in grants and loans each year to more than 8 million postsecondary students.

The Department is requesting \$1.34 billion for its discretionary S&E budget in 2004, an increase of \$53 million over the 2003 President's request. Included in the request is \$459 million for salaries and benefits, which reflects the 2 percent proposed government-wide pay raise and 261 paid days in 2004, and historically based increases for employee benefits.

The non-personnel costs for the administrative accounts cover such items as travel, rent, mail, telephones, utilities, printing, information technology (IT), contractual services, equipment, supplies, and other Departmental services. The total request for non-personnel activities in 2004 is \$883 million.

Department administrative costs continue to constitute a small fraction of the total education budget. For example, even with the increase requested for 2004, the discretionary administrative budget would be approximately 2 percent of the Department's total discretionary budget.

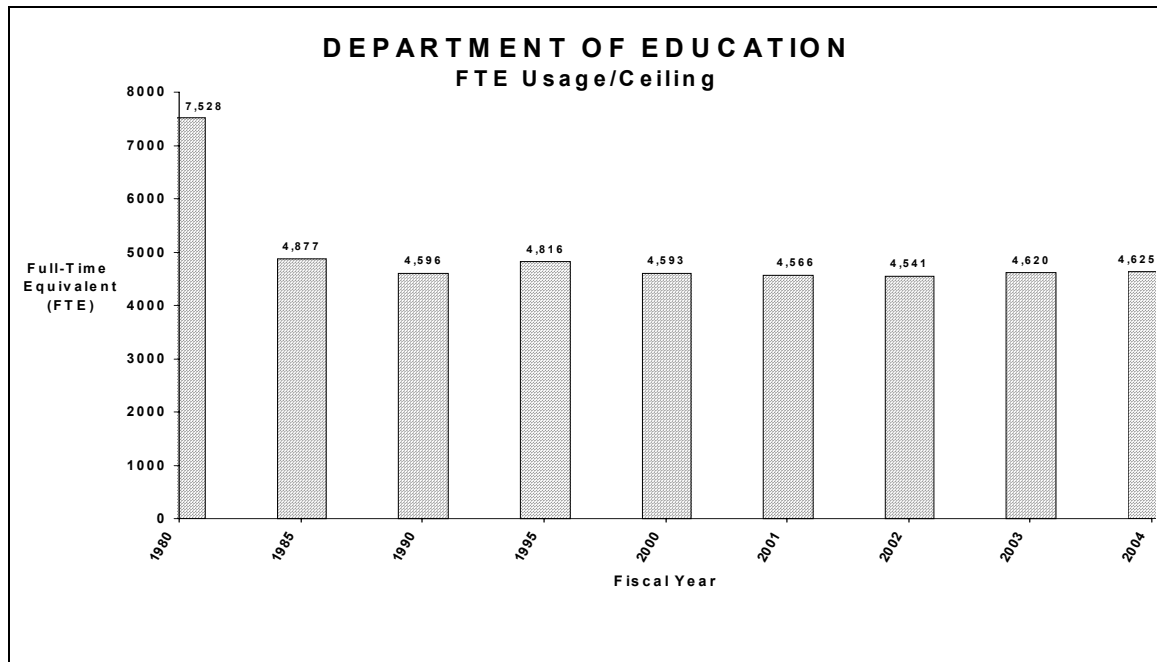
The 2004 budget request for salaries and expenses supports Department initiatives designed to improve government performance through the goals outlined in the President's Management Agenda and the implementation of the No Child Left Behind Act signed into law in January 2002.

To carry out the President's Management Agenda, the Department has developed and is currently implementing its *Blueprint for Management Excellence (Blueprint)*, which establishes a

roadmap for management improvements related to accountability and performance that will make the Department an example of excellence for other government organizations. The 2004 S&E budget request places a heavy emphasis on the following five high priority items included in the *Blueprint*:

- Developing and maintaining financial integrity and management and internal controls;
- Modernizing the student financial assistance programs and reducing their high-risk status;
- Expanding strategies for using human capital;
- Building a culture of accountability within the Department, including performance-based budgeting; and
- Managing Information technology systems to improve business and communications processes.

Department Employment



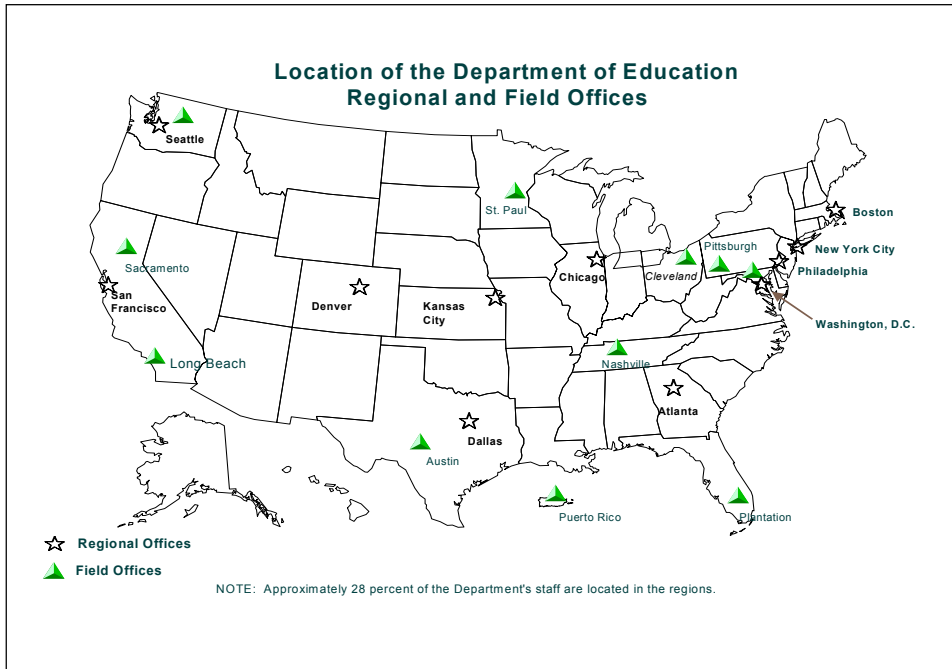
The 2004 staffing request of 4,625 FTE is nearly 40 percent below the level of 7,528 FTE when the Department was created in 1980. The staffing request represents no significant change from the planned 2003 level, although internal staff reorganizations have been implemented to improve the management of the Department and to carry out the President's education reform agenda.

The budget request reflects the creation of two new offices in 2003. The Office of Innovation and Improvement will provide information on the development of promising educational interventions, including reforms that expand parental choice and information. It will oversee competitive grant programs that support the trial of innovations in the education system and will broadly disseminate the lessons learned from these trials. The Office of Safe and Drug-Free

Schools is responsible for programs and policies relating to security and prevention of violence, alcohol and drug abuse, and for administering citizenship and civics education programs. It will administer a variety of grant programs dealing with these issues.

The Department has maintained operations in spite of reduced staffing levels in part by relying heavily on automation and private contractors to handle such functions as awarding grants, processing student aid applications, and providing grants and loans to more than 8 million college students. Already the smallest of the Cabinet agencies, the Department minimizes administrative tasks and privatizes functions that can be handled more efficiently by outside contractors. A prime illustration is the use of contracts to operate the Direct Student Loan program.

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



Program Administration

The 2004 request includes \$434.5 million, an increase of \$22.7 million from the 2003 President's request, for the Program Administration account, which funds administrative support for most programs and offices in the Department. The request includes \$252.3 million for the 2,462 FTE requested, and \$182.2 million for non-pay costs. The non-pay request includes \$13.6 million to relocate approximately 1,300 people and the Department's Data Center located in Washington, D.C. between office buildings and \$10 million to continue implementation of the Performance Based Data Management Initiative, which will collect timely data on student achievement and educational outcomes. Other non-pay costs include rent, travel, data collection, evaluations, computer hardware and software support for the staff, and other administrative activities.

Student Aid Administration

In fiscal year 2004 the Department of Education will provide over \$80 billion in Federal student aid grants and loans to over 8 million students and parents. In awarding this aid, the Department and its contractors will interact on a daily basis with over 6,000 schools; 3,500 lenders; 36 guaranty agencies; and dozens of accrediting agencies, participants in the secondary market for student loans, and other organizations. Ensuring the smooth operation of the complex array of financial transactions involving these numerous participants in the student financial aid programs—and safeguarding the interests of both students and Federal taxpayers—is perennially the Department's greatest management challenge and its highest administrative priority. Primary responsibility for administering the Federal student financial assistance programs rests with the Office of Federal Student Aid and the Office of Postsecondary Education.

Funding for student aid management has been provided in previous years through 3 separate accounts: the discretionary Program Administration and Federal Family Education Loan Program (FFEL) accounts and the mandatory Federal Direct Student Loan Program (HEA Section 458). For 2004, the Administration is proposing a continuation of the policy first proposed in 2003 to consolidate these separate funding streams into a new discretionary Student Aid Administration account that would represent more than 55 percent of the Department's total administrative budget. The request would provide \$752 million to administer student aid programs in 2004, an increase of \$15 million over the 2003 President's request.

Management Improvement and Government Reform

To carry out the President's Management Agenda, the Department has developed and is currently implementing its *Blueprint for Management Excellence*, which establishes a roadmap for management improvements and mechanisms related to accountability and performance that will make the Department an example of excellence for other government organizations. The Salaries and Expenses (S&E) budget request places a heavy emphasis on the following five high priority items included in the *Blueprint*.

Improving Financial Integrity/Management and Internal Controls

Financial integrity

Financial integrity requires accurate and relevant financial reporting systems and processes in order to provide policy makers and managers with timely and accurate financial information. In addition, revenues and expenditures must be properly accounted for and reported on so that that reports and data produced by financial management systems will provide reliable information to managers making program and asset-related decisions.

- Clean audit opinion.
- Provide program managers with financial data needed to manage effectively.
- Earn Certificate of Excellence for Accountability Reporting.

Management and internal controls

Management and internal controls will be adopted and enhanced to reduce the risk of errors and permit effective monitoring of programs and processes. Management controls will ensure that programs achieve their intended results and are protected from waste, fraud, and mismanagement. Internal controls will help ensure effective and efficient Department operations as well as reliable financial reporting.

- Substantially reduce external and internal accountability risks.
- Assess the performance of programs and determine the actions to take to improve performance where indicated.

Modernizing and Reducing the High-Risk Status of Student Aid Programs

The Department will improve its financial and management information systems to support the effective management of the student aid programs, following specific criteria provided by the General Accounting Office for reducing student aid risk and removing the programs from the high-risk list. These improvements will ensure that relevant, timely information is available to manage day-to-day operations and provide accountability.

- Minimize defaults and improve collections.
- Integrate student financial aid information systems.
- Reduce vulnerability to fraud, waste, error, and mismanagement.

Expanding Strategies for Using Human Capital

The Department's human capital strategy will achieve the goals of the President's Management Agenda by streamlining operations in order to bring work closer to its customers: taxpayers, States, school districts, and schools. This will be accomplished by increasing competitive sourcing and improving decision-making.

- Meet or exceed OMB goals for competitive outsourcing.
- Give managers tools and flexibility to hire top-notch talent.
- Ensure that employees have the skills to do their jobs.

Managing Information Technology to Meet the Needs of ED Customers

In order to meet the President's Management Agenda goals of an expanded electronic government, the Department will improve the management of its IT investments, protect the integrity and confidentiality of data, improve data management, and increase the use of technology in serving customers.

- Maximize online conduct of business with customers.
- Perform procurement and program data reporting online.

Achieving an "Accountability for Results" Culture

The Department will place a heavy emphasis on monitoring results and measuring progress as it performs its mission. The recipients of Department funds, Department employees, and Department contractors will be held responsible for their performance in relation to achieving the goals and objectives of the Department. The Department will work with grantees and contractors to develop performance standards that will yield results called for in the long-range strategic plan. Internally, measurement of employee performance will be linked to how well goals are being met.

- ED programs and services will focus on results and meet Administration goals.
- ED will set the standard for performance accountability among Federal agencies.
- ED will be the national benchmark for management excellence.

The Performance Based Data Management Initiative is designed to develop a system for measuring student achievement by: 1) providing an integrated, Web-based collection of timely data on student achievement and educational outcomes; 2) eliminating existing reporting burdens that divert State and local school resources from their educational mission; and 3) assisting in analysis of data on educational results to identify performance trends and inform management, budget and policy decisions. Implementation of the system will help lay the groundwork for shifting the Department's emphasis from focusing on compliance with procedural requirements to a focus on actual student achievement. In 2004, \$10 million is requested for continuing the development of this project.

Office for Civil Rights

The Department's Office for Civil Rights (OCR) investigates discrimination complaints, conducts compliance reviews, monitors corrective action plans, and provides technical assistance on civil rights issues. The 2004 request for OCR is \$91.3 million, an increase of \$5 million over the 2003 President's request. About \$64.6 million of the OCR budget is for staff pay and benefits for its 714 FTE; the remaining \$26.7 million covers overhead costs as well as computer equipment, data analysis and reporting activities, travel, staff training, and other contractual services. The request includes \$1 million to increase enforcement of Title IX of the Education Amendments of 1972, and to provide education and technical assistance to help schools comply with Title IX. Title IX protects people from discrimination based on sex in education programs or activities that receive Federal financial assistance.

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

Office of the Inspector General

The Office of the Inspector General (OIG) conducts audits and investigations of the Department's programs and activities to help ensure accountability for taxpayer-provided funds and to identify management improvements. The 2004 request for the OIG is \$48.1 million, an increase of \$7.1 million over the 2003 President's request. Approximately 61 percent of this amount, or \$29.2 million, is for personnel compensation and benefits to support a staffing level of 285 FTE.

The request includes \$4.25 million to assess the quality of single audits government-wide, and to provide a baseline for monitoring single audit quality. The Department, and many other agencies, rely on these independent audits of grantees produced under the Single Audit Act. The study would statistically measure audit quality to determine whether Federal agencies can rely on single audits to support Federal program expenditures and identify erroneous payments. These are critical issues for the President's Management Agenda. Results will be shared with the President's Council on Integrity and Efficiency, which is composed of agency Inspectors General. Because the Department is one of the leading users of single audits, funds for this government-wide project are being requested in ED.

Almost half of the remaining \$18.9 million in non-personnel costs is for OIG's administrative and overhead services, such as rent, postage/fees, telecommunications, payroll processing, and information technology services contracts. Two other non-personnel costs are travel and contracts. The OIG relies on contract support for review of information technology and to obtain an independent audit of the Department's financial statements.

The requested budgetary resources will allow the OIG to engage in the types of activities that will enable the Office to reach these goals and at the same time provide support to the Department in its mission to ensure equal access to education and promote educational excellence throughout the Nation. The office continues to focus the majority of its efforts and resources on Federal Student Aid.

APPENDICES

Tables:

- Total Expenditures for Education in the United States
- Detailed Budget Table by Program

Total Expenditures for Education in U.S. ¹
(dollars in billions)

Source of Funds by Level	<u>2001-2002</u>		<u>2002-2003</u> ²	
	Dollars	Percent	Dollars	Percent
Elementary and Secondary				
Federal ³	\$37.5	8.3%	\$39.7	8.4%
State.....	206.9	45.6	214.3	45.5
Local.....	168.0	37.0	175.0	37.2
All Other.....	<u>41.3</u>	<u>9.1</u>	<u>41.8</u>	<u>8.9</u>
Subtotal, Elementary and Secondary.....	453.7	100.0	470.8	100.0
Postsecondary				
Federal ³	35.1	12.1	36.1	12.1
State.....	66.8	22.9	67.8	22.7
Local.....	7.8	2.7	7.9	2.7
All Other ⁴	<u>181.5</u>	<u>62.3</u>	<u>186.9</u>	<u>62.6</u>
Subtotal, Postsecondary.....	291.1	100.0	298.7	100.0
All Levels				
Federal ³	72.6	9.8	75.8	9.9
State.....	273.7	36.7	282.1	36.7
Local.....	175.7	23.6	182.9	23.8
All Other ⁴	<u>222.8</u>	<u>29.9</u>	<u>228.7</u>	<u>29.7</u>
Total, All Levels.....	744.8	100.0	769.5	100.0

Source: U.S. Department of Education, National Center for Education Statistics, "Common Core of Data" and "Financial Statistics of Institutions of Higher Education," surveys and unpublished data. (This table was prepared January 2003.)

¹ Data revised from previously published figures.

² Projected.

³ Includes expenditures of all Federal agencies.

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

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

Because of rounding, detail does not add to totals.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION (OESE)						
Education for the Disadvantaged						
1. Grants to local educational agencies (ESEA I-A):						
(a) LEA grants formulas:						
(1) Basic grants (section 1124)						
Annual appropriation	D	3,161,699	4,161,699 ¹	5,161,699 ¹	1,000,000	24.0%
Advance for succeeding fiscal year	D	4,011,272	3,011,272	2,011,272	(1,000,000)	-33.2%
Subtotal		7,172,971	7,172,971	7,172,971	0	0.0%
(2) Concentration grants (section 1124A)						
Annual appropriation	D	0	0	0	0	---
Advance for succeeding fiscal year	D	1,365,031	1,365,031	1,365,031	0	0.0%
Subtotal		1,365,031	1,365,031	1,365,031	0	0.0%
(3) Targeted grants (section 1125)						
Annual appropriation	D	0	0	0	0	---
Advance for succeeding fiscal year	D	1,018,499	2,018,499	3,018,499	1,000,000	49.5%
Subtotal		1,018,499	2,018,499	3,018,499	1,000,000	49.5%
(b) Education finance incentive grants formula (1125A)						
Annual appropriation	D	0	0	0	0	---
Advance for succeeding fiscal year	D	793,499	793,499	793,499	0	0.0%
Subtotal		793,499	793,499	793,499	0	0.0%
Subtotal, Grants to LEAs		10,350,000	11,350,000	12,350,000	1,000,000	8.8%
Annual appropriation	D	3,161,699	4,161,699	5,161,699	1,000,000	24.0%
Advance for succeeding fiscal year	D	7,188,301	7,188,301	7,188,301	0	0.0%
2. Reading first:						
(a) Reading first State grants (ESEA I-B-1)						
Annual appropriation	D	705,000	805,000	855,000	50,000	6.2%
Advance for succeeding fiscal year	D	195,000	195,000	195,000	0	0.0%
Subtotal		900,000	1,000,000	1,050,000	50,000	5.0%
(b) Early reading first (ESEA I-B-2)						
Subtotal, Reading first	D	75,000	75,000	100,000	25,000	33.3%
Subtotal, Reading first		975,000	1,075,000	1,150,000	75,000	7.0%

¹ Excludes \$2,930 thousand requested for increased pension and annuitant health benefits costs for Bureau of Indian Affairs (BIA) employees who work in BIA schools receiving ESEA Title I funds.

NOTE: Category Codes are as follows: D = discretionary program; M = mandatory program.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
Education for the Disadvantaged (continued)						
3. Even start (ESEA I-B-3)	D	250,000	200,000	175,000	(25,000)	-12.5%
4. Literacy through school libraries (ESEA I-B-4)	D	12,500	12,500	27,500	15,000	120.0%
5. State agency programs:						
(a) Migrant (ESEA I-C)	D	396,000	396,000	396,000	0	0.0%
(b) Neglected and delinquent (ESEA I-D)	D	48,000	48,000	48,000	0	0.0%
Subtotal		444,000	444,000	444,000	0	0.0%
6. Comprehensive school reform (ESEA I-F)	D	235,000	235,000	0	(235,000)	-100.0%
7. Evaluation (ESEA sections 1501 and 1503)	D	8,900	8,900	9,500	600	6.7%
8. Close Up fellowships (ESEA section 1504)	D	1,500	0	0	0	---
9. Dropout prevention program (ESEA I-H)	D	10,000	0	0	0	---
10. Migrant education (HEA IV-A-5):						
(a) High school equivalency program	D	23,000	23,000	13,000	(10,000)	-43.5%
(b) College assistance migrant program	D	15,000	15,000	15,000	0	0.0%
Subtotal		38,000	38,000	28,000	(10,000)	-26.3%
Total, Appropriation	D	12,324,900 ¹	13,363,400 ¹	14,184,000	820,600	6.1%
Total, Budget authority	D	11,894,899	13,363,400	14,184,000	820,600	6.1%
Current		4,941,599 ²	5,980,099 ²	6,800,699 ²	820,600	13.7%
Prior year's advance		6,953,300	7,383,301	7,383,301	0	0.0%
Outlays, Total	D	9,247,725	11,905,635	13,201,615	1,295,980	10.9%

¹ Adjusted for comparability. Excludes \$22,000 thousand for Advanced Placement, which is requested in fiscal year 2004 under the proposed Innovation and Improvement account.

² Excludes an advance appropriation of \$7,383,301 thousand that becomes available on October 1 of the succeeding fiscal year.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
Impact Aid (ESEA VIII)						
1. Payments for federally connected children (section 8003):						
(a) Basic support payments (section 8003(b))	D	982,500	982,500	867,500	(115,000)	-11.7%
(b) Payments for children with disabilities (section 8003(d))	D	50,000	50,000	40,000	(10,000)	-20.0%
Subtotal		1,032,500	1,032,500	907,500	(125,000)	-12.1%
2. Facilities maintenance (section 8008)	D	8,000	8,000	8,000	0	0.0%
3. Construction (section 8007)	D	48,000	45,000	45,000	0	0.0%
4. Payments for Federal property (section 8002)	D	55,000	55,000	55,000	0	0.0%
Total	D	1,143,500	1,140,500	1,015,500	(125,000)	-11.0%
<i>Outlays</i>	<i>D</i>	<i>1,125,056</i>	<i>1,190,209</i>	<i>1,035,622</i>	<i>(154,587)</i>	<i>-13.0%</i>

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
School Improvement Programs						
1. Improving teacher quality (ESEA II):						
(a) Improving teacher quality State grants (Part A)						
Annual appropriation	D	1,700,000	1,700,000	1,700,000	0	0.0%
Advance for succeeding fiscal year	D	1,150,000	1,150,000	1,150,000	0	0.0%
Subtotal		2,850,000	2,850,000	2,850,000	0	0.0%
(b) National activities (Part A, subpart 5):						
(1) School leadership (section 2151(b))	D	10,000	0	0	0	---
(2) Advanced credentialing (section 2151(c))	D	10,000	0	0	0	---
(3) Early childhood educator professional development (section 2151(e))	D	15,000	15,000	15,000	0	0.0%
Subtotal		35,000	15,000	15,000	0	0.0%
(c) Mathematics and science partnerships (Part B)						
(d) National writing project (Part C-2)	D	14,000	0	0	0	---
2. Educational technology State grants (ESEA II-D-1 and 2)	D	700,500	700,500	700,500	0	0.0%
3. Preparing tomorrow's teachers to use technology (HEA II-B)	D	62,500	0	0	0	---
4. 21st Century community learning centers (ESEA IV-B)	D	1,000,000	1,000,000	600,000	(400,000)	-40.0%
5. State grants for innovative programs (ESEA V Part A)						
Annual appropriation	D	100,000	100,000	100,000	0	0.0%
Advance for succeeding fiscal year	D	285,000	285,000	285,000	0	0.0%
Subtotal		385,000	385,000	385,000	0	0.0%
6. Elementary and secondary school counseling (ESEA V-D, subpart 2)	D	32,500	0	0	0	---
7. Smaller learning communities (ESEA V-D, subpart 4)	D	142,189	0	0	0	---
8. Javits gifted and talented education (ESEA V-D, subpart 6)	D	11,250	0	0	0	---
9. Star schools (ESEA V-D, subpart 7)	D	27,520	0	0	0	---
10. Ready to teach (ESEA V-D, subpart 8)	D	12,000	0	0	0	---
11. Foreign language assistance (ESEA V-D, subpart 9)	D	14,000	0	0	0	---
12. Physical education program (ESEA V-D, subpart 10)	D	50,000	0	0	0	---
13. Community technology centers (ESEA V-D, subpart 11)	D	32,475	0	0	0	---
14. Exchanges with historic whaling and trading partners (ESEA V-D, subpart 12)	D	5,000	0	0	0	---
15. Arts in education (ESEA V-D, subpart 15)	D	30,000	0	0	0	---
16. Parental assistance information centers (ESEA V-D, subpart 16)	D	40,000	0	0	0	---
17. Women's educational equity (ESEA V-D, subpart 21)	D	3,000	0	0	0	---
18. State grants for community service for expelled or suspended students (ESEA IV-A-2, section 4126)	D	50,000	0	0	0	---
19. Alcohol abuse reduction (ESEA IV-A-2, section 4129)	D	25,000	0	0	0	---

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	2002 Appropriation	2003 President's Request	2004 President's Request	Change from 2003 President's Request	
					Amount	Percent
School Improvement Programs (continued)						
20. State assessments (ESEA VI-A-1)	D	387,000	387,000	390,000	3,000	0.8%
21. Education for homeless children and youth (MVHAA Title VII-B)	D	50,000	50,000	50,000	0	0.0%
22. Education for Native Hawaiians (ESEA VII-B)	D	30,500	18,300	18,300	0	0.0%
23. Alaska Native education equity (ESEA VII-C)	D	24,000	14,200	14,200	0	0.0%
24. Training and advisory services (CRA IV)	D	7,334	7,334	7,334	0	0.0%
25. Rural education (ESEA VI-B)	D	162,500	0	0	0	---
Total, Appropriation	D	6,195,768 ¹	5,439,834 ¹	5,042,834	(397,000)	-7.3%
Total, Budget authority	D	6,195,768	5,439,834	5,042,834	(397,000)	-7.3%
Current		4,760,768 ²	4,004,834 ²	3,607,834 ²	(397,000)	-9.9%
Prior year's advance		1,435,000 ³	1,435,000 ³	1,435,000	0	0.0%
Outlays, Total	D	3,609,303	7,710,832	7,054,519	(656,313)	-8.5%

¹ Adjusted for comparability. Excludes \$1,641,705 thousand in fiscal year 2002 and \$1,344,650 thousand in fiscal year 2003 for programs requested in fiscal year 2004 under other accounts; \$917,955 thousand in fiscal year 2002 and \$675,400 thousand in fiscal year 2003 for programs requested under the proposed Innovation and Improvement account; \$723,750 thousand in fiscal year 2002 and \$669,250 thousand in fiscal year 2003 for programs requested under the proposed Safe Schools and Citizenship Education account.

² Excludes an advance appropriation of \$1,435,000 thousand that becomes available on October 1 of the succeeding fiscal year.

³ Adjusted for comparability. Excludes an advance appropriation of \$330,000 thousand for Safe and Drug-Free Schools and Communities, which is requested in fiscal year 2004 under the proposed Innovation and Improvement account.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2002 Appropriation	2003 President's Request	2004 President's Request	Change from 2003 President's Request	
					Amount	Percent
Indian Education (ESEA VII)						
1. Grants to local educational agencies (Part A-1)	D	97,133	97,133	97,133	0	0.0%
2. Special programs for Indian children (Part A-2)	D	20,000	20,000	20,000	0	0.0%
3. National activities (Part A-3)	D	3,235	5,235	5,235	0	0.0%
Total	D	120,368	122,368	122,368	0	0.0%
<i>Outlays</i>	<i>D</i>	<i>103,935</i>	<i>123,975</i>	<i>122,201</i>	<i>(1,774)</i>	<i>-1.4%</i>
Education Reform Outlays	D	1,767,597	701,452	80,024	(621,428)	-88.6%
Reading Excellence Outlays	D	200,075	309,905	105,538	(204,367)	-65.9%
Chicago Litigation Settlement Outlays	D	575	1,930	0	(1,930)	-100.0%
TOTAL APPROPRIATION, OESE		19,784,536	20,066,102	20,364,702	298,600	1.5%
TOTAL BUDGET AUTHORITY, OESE		19,354,535 ¹	20,066,102 ¹	20,364,702 ¹	298,600	1.5%

¹ Excludes advance appropriations totalling \$8,818,301 thousand that become available on October 1 of the succeeding fiscal year.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
OFFICE OF INNOVATION AND IMPROVEMENT						
Innovation and Improvement						
1. Innovation for teacher quality (ESEA II Part C):						
(a) Troops-to-teachers (subpart 1-A)	D	18,000 ¹	20,000 ¹	25,000	5,000	25.0%
(b) Transition to teaching (subpart 1-B)	D	35,000 ¹	39,400 ¹	49,400	10,000	25.4%
(c) Teaching of traditional American history (subpart 4)	D	100,000 ¹	50,000 ¹	100,000	50,000	100.0%
2. School choice and flexibility (ESEA Title V):						
(a) Charter schools grants (Part B-1)	D	200,000 ¹	200,000 ¹	220,000	20,000	10.0%
(b) Credit enhancement for charter school facilities (Part B-2)	D	0	100,000 ¹	100,000	0	0.0%
(c) Voluntary public school choice (Part B-3)	D	25,000 ¹	25,000 ¹	25,000	0	0.0%
(d) Magnet schools assistance (Part C)	D	110,000 ¹	110,000 ¹	110,000	0	0.0%
(e) Choice incentive fund (Part D-1)	D	0	50,000 ¹	75,000	25,000	50.0%
3. FIE programs of national significance (ESEA V-D, subpart 1)	D	383,955 ¹	35,000 ¹	35,000	0	0.0%
4. Reading is fundamental/Inexpensive book distribution (ESEA V-D, subpart 5)	D	24,000 ¹	24,000 ¹	24,000	0	0.0%
5. Ready-to-learn television (ESEA II-D-3)	D	22,000 ¹	22,000 ¹	22,000	0	0.0%
6. Advanced placement (ESEA I-G)	D	22,000 ²	22,000 ²	22,000	0	0.0%
Total	D	939,955 ³	697,400 ³	807,400	110,000	15.8%
Outlays	D	0	0	40,370	40,370	---

¹ Adjusted for comparability. Funds were provided under the School Improvement Programs account.

² Adjusted for comparability. Funds were provided under the Education for the Disadvantaged account.

³ Adjusted for comparability. Funds were provided in other accounts: \$22,000 thousand in fiscal years 2002 and 2003 from the Education for the Disadvantaged account; and \$917,955 thousand in fiscal year 2002 and \$675,400 thousand in fiscal year 2003 for programs under the School Improvement Programs account.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
OFFICE OF SAFE AND DRUG-FREE SCHOOLS						
Safe Schools and Citizenship Education						
1. Safe and drug-free schools and communities (ESEA IV-A):						
(a) State grants (Subpart 1)						
Annual appropriation	D	142,017	142,017	92,017	(50,000)	-35.2%
Advance for succeeding fiscal year	D	330,000	330,000	330,000	0	0.0%
Subtotal, State grants		472,017 ¹	472,017 ¹	422,017	(50,000)	-10.6%
(b) National programs (Subpart 2)						
(1) Federal activities and evaluation (sections 4121 and 4122)	D	134,733 ¹	145,000 ¹	154,123	9,123	6.3%
(2) Project SERV (section 4121)	D	0	10,000 ¹	10,000	0	0.0%
(3) Project SERV emergency supplemental (section 4121)	D	10,000 ¹	0	0	0	---
(4) National coordinator program (section 4125)	D	37,500 ¹	17,233 ¹	8,110	(9,123)	-52.9%
(5) Mentoring program (section 4130)	D	17,500 ¹	0	100,000	100,000	---
Subtotal, National programs		199,733	172,233	272,233	100,000	58.1%
Subtotal		671,750	644,250	694,250	50,000	0
2. Character education (ESEA V-D, subpart 3)	D	25,000 ¹	25,000 ¹	25,000	0	0.0%
3. Civic education (ESEA II, Part C-3):						
(1) We the People (section 2344)	D	15,500 ¹	0	15,500	15,500	---
(2) Cooperative education exchange (section 2345)	D	11,500 ¹	0	11,500	11,500	---
Subtotal		27,000	0	27,000	27,000	---
4. Physical education initiative (ESEA V-D, subpart 1)	D	0	0	10,000	10,000	---
Total, Appropriation	D	723,750 ¹	669,250 ¹	756,250	87,000	13.0%
Total, Budget authority	D	723,750	669,250	756,250	87,000	13.0%
Current		393,750 ²	339,250 ²	426,250 ²	87,000	25.6%
Prior year's advance		330,000 ³	330,000 ³	330,000 ³	0	0.0%
Outlays, Total	D	0	0	37,813	37,813	---

¹ Adjusted for comparability. Funds were provided under the School Improvement Programs account.

² Excludes an advance appropriation of \$330,000 thousand that becomes available on October 1 of the following fiscal year.

³ Adjusted for comparability. The prior year's advance appropriation was provided in the School Improvement Programs account.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	2002 Appropriation	2003 President's Request	2004 President's Request	Change from 2003 President's Request	
					Amount	Percent
OFFICE OF ENGLISH LANGUAGE ACQUISITION						
English Language Acquisition (ESEA III)						
1. Language acquisition State grants (Part A)	D	664,269 ¹	665,000	665,000	0	0.0%
Outlays	D	414,132	507,437	803,072	295,635	58.3%
TOTAL, OELA		664,269	665,000	665,000	0	0.0%

¹ Excludes \$731 thousand in unobligated funds transferred to the Program Administration account to help offset a \$3,731 thousand rescission in administrative and related expenses pursuant to section 803 of the Fiscal Year 2002 Supplemental Appropriations Act for Further Recovery from and Response to Terrorist Attacks on the United States. Authority to transfer available funds to offset the rescission was provided in section 807 of the Act.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES (OSERS)						
Special Education (IDEA)						
1. State grants:						
(a) Grants to States (Part B-611 and Part D-674):						
Annual appropriation	D	2,456,533	3,456,533	4,456,533	1,000,000	28.9%
Advance for succeeding fiscal year	D	5,072,000	5,072,000	5,072,000	0	0.0%
Subtotal		7,528,533	8,528,533	9,528,533	1,000,000	11.7%
(b) Preschool grants (Part B-619)	D	390,000	390,000	390,000	0	0.0%
(c) Grants for infants and families (Part C)	D	417,000	437,000	447,000	10,000	2.3%
Subtotal, State grants		8,335,533	9,355,533	10,365,533	1,010,000	10.8%
2. National activities (Part D):						
(a) State improvement (Subpart 1)	D	51,700	51,700	44,000	(7,700)	-14.9%
(b) Research and innovation (section 672)	D	78,380	78,380	78,380	0	0.0%
(c) Technical assistance and dissemination (section 685)	D	53,481	53,481	53,481	0	0.0%
(d) Personnel preparation (section 673)	D	90,000	90,000	90,000	0	0.0%
(e) Parent information centers (sections 682-684)	D	26,000	26,000	26,000	0	0.0%
(f) Technology and media services (section 687)	D	37,710	32,710	32,710	0	0.0%
Subtotal		337,271	332,271	324,571	(7,700)	-2.3%
Total, Appropriation	D	8,672,804	9,687,804	10,690,104	1,002,300	10.3%
Total, Budget authority	D	8,672,804	9,687,804	10,690,104	1,002,300	10.3%
Current		3,600,804 ¹	4,615,804 ¹	5,618,104 ¹	1,002,300	21.7%
Prior year's advance		5,072,000	5,072,000	5,072,000	0	0.0%
Outlays, Total	D	7,000,092	7,728,780	9,656,465	1,927,685	24.9%

¹ Excludes an advance appropriation of \$5,072,000 thousand that becomes available on October 1 of the succeeding fiscal year.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
Rehabilitation Services and Disability Research						
1. Vocational rehabilitation State grants:						
(a) Grants to States (RA I-A and sections 110 and 111)	M	2,455,808	2,589,521	2,641,052	51,531	2.0%
(b) Grants for Indians (RA I-C)	M	25,575	26,804	27,600	796	3.0%
Subtotal		2,481,383	2,616,325	2,668,652	52,327	2.0%
Discretionary	D	0	82,833	0	(82,833)	-100.0%
Mandatory baseline	M	2,481,383	2,533,492	2,668,652	135,160	5.3%
2. Vocational rehabilitation incentive grants	D	0	30,000	0	(30,000)	-100.0%
3. Client assistance State grants (RA section 112)	D	11,897	11,897	11,897	0	0.0%
4. Training (RA section 302)	D	39,629	42,629	42,629	0	0.0%
5. Demonstration and training programs (RA section 303)	D	21,238	17,492	24,492	7,000	40.0%
6. Migrant and seasonal farmworkers (RA section 304)	D	2,350	0	0	0	---
7. Recreational programs (RA section 305)	D	2,596	0	0	0	---
8. Protection and advocacy of individual rights (RA section 509)	D	15,200	15,200	17,880	2,680	17.6%
9. Projects with industry (RA VI-A)	D	22,071	0	0	0	---
10. Supported employment State grants (RA VI-B)	D	38,152	0	0	0	---
11. Independent living (RA VII):						
(a) State grants (Chapter 1, Part B)	D	22,296	22,296	22,296	0	0.0%
(b) Centers (Chapter 1, Part C)	D	62,500	69,500	69,500	0	0.0%
(c) Services for older blind individuals (Chapter 2)	D	25,000	25,000	25,000	0	0.0%
12. Program improvement (RA section 12(a))	D	900	900	850	(50)	-5.6%
13. Evaluation (RA section 14)	D	1,000	1,000	1,000	0	0.0%
14. Helen Keller National Center for Deaf-Blind Youths and Adults (HKNCA)	D	8,717	8,717	8,717	0	0.0%
15. National Institute on Disability and Rehabilitation Research (RA II)	D	110,000	110,000	110,000	0	0.0%
16. Assistive technology (ATA)	D	60,884	30,884	0	(30,884)	-100.0%
17. Access to Telework Fund (RA section 303)	D	20,000	0	0	0	---
Subtotal		464,430	385,515	334,261	(51,254)	-13.3%
Total		2,945,813	3,001,840	3,002,913	1,073	0.0%
Discretionary	D	464,430	468,348	334,261	(134,087)	-28.6%
Mandatory	M	2,481,383	2,533,492	2,668,652	135,160	5.3%
Outlays, Total		2,852,170	3,139,163	3,000,912	(138,251)	-4.4%
Discretionary	D	400,397	765,261	352,007	(413,254)	-54.0%
Mandatory	M	2,451,773	2,373,902	2,648,905	275,003	11.6%

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)						Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	2003 President's Request	2004 President's Request	Amount	Percent	
American Printing House for the Blind (20 U.S.C. 101 et seq.)							
	D	14,000	14,000	14,000	0	0.0%	
Outlays	D	12,925	19,613	14,000	(5,613)	-28.6%	
National Technical Institute for the Deaf (EDA I-B and section 207)							
1. Operations	D	50,000	49,414	49,414	0	0.0%	
2. Construction	D	5,376	1,600	367	(1,233)	-77.1%	
3. Endowment	D	0	1,000	1,000	0	0.0%	
Total	D	55,376	52,014	50,781	(1,233)	-2.4%	
Outlays	D	54,881	48,104	50,883	2,779	5.8%	
Gallaudet University (EDA I-A and section 207)							
1. Operations	D	96,938	93,446	93,446	0	0.0%	
2. Endowment	D	0	1,000	1,000	0	0.0%	
Total	D	96,938	94,446	94,446	0	0.0%	
Outlays	D	96,938	88,839	94,446	5,607	6.3%	
Total, Special Institutions for Persons with Disabilities		166,314	160,460	159,227	(1,233)	-0.8%	
TOTAL APPROPRIATION, OSERS		11,784,931	12,850,104	13,852,244	1,002,140	7.8%	
Discretionary	D	9,303,548	10,316,612	11,183,592	866,980	8.4%	
Mandatory	M	2,481,383	2,533,492	2,668,652	135,160	5.3%	
TOTAL BUDGET AUTHORITY, OSERS		11,784,931	12,850,104	13,852,244	1,002,140	7.8%	
Discretionary	D	9,303,548 ¹	10,316,612 ¹	11,183,592 ¹	866,980	8.4%	
Mandatory	M	2,481,383	2,533,492	2,668,652	135,160	5.3%	

¹ Excludes an advance appropriation of \$5,072,000 thousand that becomes available on October 1 of the succeeding fiscal year.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
OFFICE OF VOCATIONAL AND ADULT EDUCATION (OVAE)						
Vocational and Adult Education						
1. Vocational education (Carl D. Perkins VTEA):						
(a) State grants (VTEA Title I and WIA section 503):						
Annual appropriation	D	389,000	389,000	0	(389,000)	-100.0%
Advance for succeeding fiscal year	D	791,000	791,000	0	(791,000)	-100.0%
Subtotal		1,180,000	1,180,000	0	(1,180,000)	-100.0%
(b) National programs (section 114)	D	12,000	12,000	0	(12,000)	-100.0%
(c) Occupational and employment information (section 118)	D	9,500	0	0	0	---
(d) Tech-prep education State grants (Title II)	D	108,000	108,000	0	(108,000)	-100.0%
(e) Tech-prep demonstration (section 207)	D	5,000	0	0	0	---
2. Secondary and technical education State grants (proposed legislation):						
Annual appropriation	D	0	0	209,000	209,000	---
Advance for succeeding fiscal year	D	0	0	791,000	791,000	---
Subtotal		0	0	1,000,000	1,000,000	---
Subtotal, Vocational education		1,314,500	1,300,000	1,000,000	(300,000)	-23.1%
3. Adult literacy:						
(a) Adult basic and literacy education State grants (proposed legislation)	D	0	0	584,300	584,300	---
(b) Adult education State grants (AEFLA and WIA section 503)	D	575,000	575,000	0	(575,000)	-100.0%
(c) National Institute for Literacy (AEFLA section 242)	D	6,560	6,560 ¹	6,732 ¹	172	2.6%
(d) National leadership activities (AEFLA section 243)	D	9,500	9,500	0	(9,500)	-100.0%
Subtotal, Adult literacy		591,060	591,060	591,032	(28)	0.0%
4. State grants for incarcerated youth offenders (HE Amendments of 1998, VIII-D)	D	17,000	0	0	0	---
5. Literacy programs for prisoners (NLA, section 601)	D	5,000	0	0	0	---
Total, Appropriation	D	1,927,560²	1,891,060²	1,591,032	(300,028)	-15.9%
Total, Budget authority	D	1,927,560	1,891,060	1,591,032	(300,028)	-15.9%
Current		1,136,560 ³	1,100,060 ³	800,032 ³	(300,028)	-27.3%
Prior year's advance		791,000	791,000	791,000	0	0.0%
TOTAL APPROPRIATION, OVAE		1,927,560	1,891,060	1,591,032	(300,028)	-15.9%
TOTAL BUDGET AUTHORITY, OVAE		1,927,560 ³	1,891,060 ³	1,591,032 ³	(300,028)	-15.9%
Outlays	D	1,777,695	1,928,973	1,883,777	(45,196)	-2.3%

¹ Excludes funds requested for increased agency pension and annuitant health benefits costs: \$57 thousand in fiscal year 2003 and \$64 thousand in fiscal year 2004.

² Adjusted for comparability. Excludes \$6,500 thousand in fiscal years 2002 and 2003 for Tribally Controlled Postsecondary Vocational and Technical Institutions, which is requested in fiscal year 2004 under the Higher Education account.

³ Excludes an advance appropriation of \$791,000 thousand that becomes available on October 1 of the succeeding fiscal year.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
OFFICE OF FEDERAL STUDENT AID (OFSA)						
Student Financial Assistance						
1. Federal Pell grants (HEA IV-A-1)	D	11,314,000	10,863,000	12,715,000	1,852,000	17.0%
Prior-year funding shortfall (non-add)	D	(923,000)	(1,233,000)	(1,854,000)	(621,000)	50.4%
Current-year funding shortfall (non-add)	D	1,233,000	1,854,000	549,000	(1,305,000)	-70.4%
Subtotal, Program costs (non-add)		11,624,000	11,484,000	11,410,000	(74,000)	-0.6%
Subtotal, Appropriation		11,314,000 ¹	10,863,000	12,715,000	1,852,000	17.0%
Maximum award (in whole dollars)		\$4,000	\$4,000	\$4,000	0	0.0%
Recipients (in thousands)		4,812	4,866	4,873	7	0.1%
2. Campus-based programs:						
(a) Federal supplemental educational opportunity grants (HEA IV-A-3)	D	725,000	725,000	725,000	0	0.0%
(b) Federal work-study (HEA IV-C)	D	1,011,000	1,011,000	1,011,000	0	0.0%
(c) Federal Perkins loans (HEA IV-E):						
(1) Capital contributions	D	100,000	100,000	0	(100,000)	-100.0%
(2) Loan cancellations	D	67,500	67,500	67,500	0	0.0%
Subtotal		167,500	167,500	67,500	(100,000)	-59.7%
Subtotal, Campus-based programs		1,903,500	1,903,500	1,803,500	(100,000)	-5.3%
3. Leveraging educational assistance partnership (HEA IV-A-4)	D	67,000 ²	0	0	0	---
4. Loan forgiveness for child care providers (HEA 428K)	D	1,000	1,000	0	(1,000)	-100.0%
Total	D	13,285,500	12,767,500	14,518,500	1,751,000	13.7%
<i>Outlays</i>	<i>D</i>	<i>12,369,330</i>	<i>13,351,929</i>	<i>13,366,200</i>	<i>14,271</i>	<i>0.1%</i>

¹ Includes a \$1,000,000 thousand fiscal year 2002 supplemental appropriation.

² Includes \$37,000 thousand in fiscal year 2002 for Special LEAP, pursuant to HEA Section 415A(b)(2) which states that when the appropriation for LEAP exceeds \$30,000 thousand, the excess shall be reserved to carry out Special LEAP, authorized under HEA Section 415E.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	2002 Appropriation	2003 President's Request	2004 President's Request	Change from 2003 President's Request	
					Amount	Percent
Student Aid Administration						
1. Student aid administration (DEOA and HEA IV-D section 458):						
(a) Administrative costs	D	0	737,000	752,010	15,010	2.0%
(b) Payments for services to guaranty agencies (HEA IV-D section 458)	D	0	195,000	195,000	0	0.0%
(c) Agency increase for full funding of Federal retiree costs (non-add)	D	0	4,386	3,999	(387)	-8.8%
Subtotal		0	932,000	947,010	15,010	1.6%
2. Prior mandatory Federal administration (HEA IV-D section 458):						
(a) Federal administration	M	780,000	0	0	0	---
(b) Payments for services to guaranty agencies (non-add)	M	180,000	0	0	0	---
Subtotal		780,000 ¹	0	0	0	---
3. Prior discretionary student aid administration:						
(a) FFEL Federal administration (FCRA section 505(e))	D	48,836 ^{2, 3}	0	0	0	---
(b) Program administration costs	D	57,001 ^{4, 5}	0	0	0	---
Subtotal		105,837	0	0	0	---
Total		885,837	932,000	947,010	15,010	1.6%
Discretionary	D	105,837	932,000	947,010	15,010	1.6%
Mandatory	M	780,000	0	0	0	---
Outlays	D	0	598,689	833,549	234,860	39.2%
Federal Student Loan Reserve Fund (HEA IV-B section 422A)						
Outlays	M	208,607	97,644	96,054	(1,590)	-1.6%

¹ Adjusted for comparability. Funds were provided in the Federal Direct Student Loans Program Account.

² Adjusted for comparability. Funds were provided in the Federal Family Education Loans Program Account.

³ Reflects an \$800 thousand reduction pursuant to Section 516 of the Fiscal Year 2002 Labor, HHS, Education Appropriations Act, which requires that administrative and related expenses for departmental management for the Departments of Labor, HHS, and Education be reduced on a pro rata basis by a total of \$25 million.

⁴ Adjusted for comparability. Funds were provided in the Program Administration account.

⁵ Reflects a rescission of \$700 thousand pursuant to Section 1403 of the Fiscal Year 2002 Supplemental Appropriations Act for Further Recovery from and Response to Terrorist Attacks on the United States.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2002 Appropriation	2003 President's Request	2004 President's Request	Change from 2003 President's Request	
					Amount	Percent
Federal Direct Student Loan Program Account						
1. Loan subsidies (HEA IV-B)	M	(721,929)	(488,132)	(865,900)	(377,768)	-77.4%
2. Reestimate of existing loans	M	0	4,590,922	0	(4,590,922)	-100.0%
Subtotal, loan subsidies		(721,929)	4,102,790	(865,900)	(4,968,690)	-121.1%
3. Federal administration (HEA IV-D section 458):						
(a) Mandatory	M	0	795,000 ¹	795,000 ¹	0	0.0%
(b) Discretionary, modification of mandatory account	D	0	(795,000)	(795,000)	0	0.0%
Subtotal, Federal administration		0 ²	0	0	0	---
Total		(721,929) ²	4,102,790	(865,900)	(4,968,690)	121.1%
Discretionary	D	0	(795,000)	(795,000)	0	0.0%
Mandatory	M	(721,929)	4,897,790	(70,900)	(4,968,690)	-101.4%
<i>Outlays, Total</i>	<i>M</i>	<i>97,304</i>	<i>4,334,392</i>	<i>(785,498)</i>	<i>(5,119,890)</i>	<i>118.1%</i>
<i>Federal administration--mandatory</i>	<i>M</i>	<i>819,233</i>	<i>741,529</i>	<i>784,150</i>	<i>42,621</i>	<i>5.7%</i>
<i>Loan subsidies--mandatory</i>	<i>M</i>	<i>(721,929)</i>	<i>4,102,790</i>	<i>(865,900)</i>	<i>(4,968,690)</i>	<i>121.1%</i>
<i>Funds returned to Treasury (non-add)</i>	<i>M</i>	<i>(721,929)</i>	<i>(488,132)</i>	<i>(910,067)</i>	<i>(421,935)</i>	<i>-86.4%</i>
<i>Discretionary, modification of mandatory account</i>	<i>D</i>	<i>0</i>	<i>(509,927)</i>	<i>(703,748)</i>	<i>(193,821)</i>	<i>-38.0%</i>
Federal Family Education Loan Program Account (HEA IV-B)						
1. Loan subsidies	M	4,311,738	6,401,647	6,272,117	(129,530)	-2.0%
2. Reestimate of existing loans	M	0	(2,979,866)	0	2,979,866	100.0%
Total, FFEL Program Account		4,311,738 ³	3,421,781	6,272,117	2,850,336	83.3%
<i>Outlays, Total</i>		<i>3,836,769</i>	<i>2,790,386</i>	<i>5,661,131</i>	<i>2,870,745</i>	<i>102.9%</i>
<i>Discretionary</i>	<i>D</i>	<i>46,382</i>	<i>12,410</i>	<i>3,403</i>	<i>(9,007)</i>	<i>-72.6%</i>
<i>Mandatory</i>	<i>M</i>	<i>3,790,387</i>	<i>2,777,976</i>	<i>5,657,728</i>	<i>2,879,752</i>	<i>103.7%</i>
Federal Family Education Loans Liquidating Account (HEA IV-B)						
1. Pre-1992 student loans	M	(527,874) ⁴	(673,304) ⁴	(548,878) ⁴	124,426	18.5%
Outlays	M	(1,493,940)	(675,015)	(548,878)	126,137	18.7%
Funds returned to Treasury (non-add)	M	(527,874)	1,705,685	(548,878)	(2,254,563)	132.2%
TOTAL, OFSA		17,233,272	20,550,767	20,322,849	(227,918)	-1.1%
Total, Discretionary	D	13,391,337	12,904,500	14,670,510	1,766,010	13.7%
Total, Mandatory	M	3,841,935	7,646,267	5,652,339	(1,993,928)	-26.1%

¹ Excludes funds requested for increased pension and health benefits costs proposed in the President's budget: \$2,256 thousand in fiscal year 2003 and \$2,057 thousand in fiscal year 2004.

² Adjusted for comparability. Excludes mandatory funds of \$780,000 thousand in fiscal year 2002 for Federal administration costs, which are requested in fiscal years 2003 and 2004 as discretionary funds in the proposed Student Aid Administration account.

³ Adjusted for comparability. Excludes discretionary funds of \$48,836 thousand in fiscal year 2002 for Federal administration costs, which are requested in fiscal years 2003 and 2004 in the proposed Student Aid Administration account.

⁴ Reflects net transfers to Treasury; no new budget authority is required.

NOTE: Mandatory amounts for fiscal year 2003 are the most recent estimates.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
OFFICE OF POSTSECONDARY EDUCATION (OPE)						
Higher Education						
1. Aid for institutional development (HEA III):						
(a) Strengthening institutions (Part A, section 311)	D	73,625	76,275	76,275	0	0.0%
(b) Strengthening tribally controlled colleges and universities (Part A, section 316)	D	17,500	18,130	19,037	907	5.0%
(c) Strengthening Alaska Native and Native Hawaiian-serving institutions (Part A, section 317)	D	6,500	6,734	4,048	(2,686)	-39.9%
(d) Strengthening HBCUs (Part B, section 323)	D	206,000	213,415	224,086	10,671	5.0%
(e) Strengthening historically black graduate institutions (Part B, section 326)	D	49,000	50,764	53,302	2,538	5.0%
(f) Minority science and engineering improvement (Part E-1)	D	8,500	8,500	8,500	0	0.0%
Subtotal		361,125	373,818	385,248	11,430	3.1%
2. Other aid for institutions:						
(a) Developing Hispanic-serving institutions (HEA V)	D	86,000	89,096	93,551	4,455	5.0%
(b) International education and foreign language studies:						
(1) Domestic programs (HEA VI-A and B)	D	85,200	88,000	88,000	0	0.0%
(2) Overseas programs (MECEA section 102(b)(6))	D	11,800	13,000	13,000	0	0.0%
(3) Institute for International Public Policy (HEA VI-C)	D	1,500	1,500	1,500	0	0.0%
Subtotal		98,500	102,500	102,500	0	0.0%
(c) Fund for the Improvement of Postsecondary Education (HEA VII-B)	D	180,922	39,138	39,138	0	0.0%
(d) Demonstration projects to ensure quality higher education for students with disabilities (HEA VII-D)	D	7,000	0	0	0	---
(e) Interest subsidy grants (HEA section 121)	D	5,000	3,000	2,000	(1,000)	-33.3%
(f) Tribally controlled postsecondary vocational and technical institutions (VTEA section 117)	D	6,500 ¹	6,500 ¹	6,500	0	0.0%
3. Assistance for students:						
(a) Federal TRIO programs (HEA IV-A-2, Chapter 1)	D	802,500	802,500	802,500	0	0.0%
(b) Gaining early awareness and readiness for undergraduate programs (GEAR UP) (HEA IV-A-2, Chapter 2)	D	285,000	285,000	285,000	0	0.0%
(c) Scholarships and fellowships:						
(1) Byrd honors scholarships (HEA IV-A-6)	D	41,001	41,001	41,001	0	0.0%
(2) Javits fellowships (HEA VII-A-1)	D	10,000	10,000	10,000	0	0.0%
(3) Graduate assistance in areas of national need (HEA VII-A-2)	D	31,000	31,000	31,000	0	0.0%
(4) Thurgood Marshall legal educational opportunity program (HEA VII-A-3)	D	4,000	0	0	0	---
(5) B.J. Stupak Olympic scholarships (HE Amendments of 1992, section 1543)	D	1,000	0	0	0	---
(d) Child care access means parents in school (HEA IV-A-7)	D	22,000 ²	15,000	15,000	0	0.0%

¹ Adjusted for comparability. Funds were provided under the Vocational and Adult Education account.

² Excludes \$3,000 thousand in unobligated funds transferred to the Program Administration account to help offset a \$3,731 thousand rescission in administrative and related expenses pursuant to section 803 of the Fiscal Year 2002 Supplemental Appropriations Act for Further Recovery from and Response to Terrorist Attacks on the United States. Authority to transfer available funds to offset the rescission was provided in section 807 of the Act.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	2002 Appropriation	2003 President's Request	2004 President's Request	Change from 2003 President's Request	
					Amount	Percent
Higher Education (continued)						
4. Teacher quality enhancement (HEA II-A)	D	90,000	90,000	90,000	0	0.0%
5. GPRA data/HEA program evaluation (Department of Education Appropriations Act, 2002)	D	1,000	1,000	1,000	0	0.0%
6. Underground railroad program (HE Amendments of 1998, VIII-H)	D	2,000	0	0	0	---
Total	D	2,034,548	1,889,553	1,904,438	14,885	0.8%
Outlays	D	1,687,173	2,099,713	1,905,009	(194,704)	-9.3%
National Security Education Trust Fund (NSEA)						
1. National security education trust fund (proposed legislation)	D	0 ¹	0 ¹	8,000	8,000	---
Outlays	D	0	0	1,715	1,715	---

¹ Fiscal year 2002 and 2003 appropriations of \$8,000 thousand for the National Security Education Trust Fund were provided to the Department of Defense. Administration of the trust fund will be transferred to the Department of Education in fiscal year 2004 upon enactment of proposed legislation.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
Howard University						
1. Howard University Hospital (20 U.S.C. 128)	D	30,374	30,374	30,374	0	0.0%
2. General support (20 U.S.C. 121 et seq.)	D	207,100	207,100	207,100	0	0.0%
Total	D	237,474	237,474	237,474	0	0.0%
Outlays	D	233,869	229,994	237,474	7,480	3.3%
College Housing and Academic Facilities Loans Program Account (HEA section 121)						
1. Federal administration (FCRA section 505(e))	D	762	762 ¹	774 ¹	12	1.6%
Outlays	D	955	943	899	(44)	-4.7%
College Housing and Academic Facilities Loans Liquidating Account (HEA section 121)						
1. College housing and academic facilities loans	M	(4,730)	(2,087)	1,312	3,399	-162.9%
Outlays	M	1,326 ²	2,031	1,312	(719)	-35.4%
Historically Black College and University Capital Financing Program Account (HEA III-D)						
1. Federal administration (FCRA section 505(e))	D	208	208 ²	210 ²	2	1.0%
Outlays	D	197	248	233	(15)	-6.0%
Higher Education Facilities Loans Liquidating Account (HEA section 121)						
1. Higher education facilities loans	M	(1,631)	(2,605)	(1,318)	1,287	-49.4%
Outlays	M	(288)	(1,340)	(1,318)	22	-1.6%
College Housing Loans Liquidating Account (HEA section 121)						
1. College housing loans	M	(36,941)	(31,417)	(27,454)	3,963	-12.6%
Outlays	M	(36,933)	(29,609)	(27,454)	2,155	-7.3%
TOTAL, OPE		2,229,690	2,091,888	2,123,436	31,548	1.5%
Total, Discretionary	D	2,272,992	2,127,997	2,150,896	22,899	1.1%
Total, Mandatory	M	(43,302)	(36,109)	(27,460)	8,649	-24.0%

¹ Excludes \$25 thousand requested for increased agency pension and annuitant health benefits costs, which are currently paid from a central Office of Personnel Management mandatory fund.

² Excludes \$3 thousand requested for increased agency pension and annuitant health benefits costs, which are currently paid from a central Office of Personnel Management mandatory fund.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
INSTITUTE OF EDUCATION SCIENCES (IES)						
<i>Institute of Education Sciences</i>						
1. Research and statistics:						
(a) Research, development, and dissemination (ESRA I-B and D)	D	121,817	175,000	185,000	10,000	5.7%
(b) Statistics (ESRA I-C)	D	85,000	95,000	95,000	0	0.0%
2. Regional educational laboratories (ESRA I-D)						
	D	67,500	67,500	0	(67,500)	-100.0%
3. Assessment (NAEPAA):						
(a) National assessment (section 303)	D	107,500	90,825	90,825	0	0.0%
(b) National Assessment Governing Board (section 302)	D	4,053	4,562 ¹	5,090 ¹	528	11.6%
Subtotal		111,553	95,387	95,915	528	0.6%
4. Technical assistance providers (ETAA section 205):						
(a) Regional technology in education consortia	D	10,000	0	0	0	---
(b) Comprehensive regional assistance centers	D	28,000	0	0	0	---
(c) Eisenhower regional mathematics and science education consortia	D	15,000	0	0	0	---
Subtotal		53,000	0	0	0	---
5. Eisenhower National Clearinghouse for Mathematics and Science Education (ESEA section 2102(a)(2)--expired)						
	D	5,000	0	0	0	---
Total	D	443,870	432,887	375,915	(56,972)	-13.2%
Outlays	D	625,156	685,351	433,592	(251,759)	-36.7%
TOTAL, ES		443,870	432,887	375,915	(56,972)	-13.2%

¹ Excludes \$36 thousand requested for increased agency pension and annuitant health benefits costs, which are currently paid from a central Office of Personnel Management mandatory fund.

NOTE: Activities and legislative citations have been adjusted to reflect the enactment of Public Law 107-279, Education Sciences Reform, which replaced the Educational Research, Development, Dissemination, and Improvement Act and the National Education Statistics Act.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
DEPARTMENTAL MANAGEMENT						
Program Administration (DEOA)						
1. Salaries and expenses	D	365,528 ^{1, 2}	399,000	420,850	21,850	5.5%
2. Building modernization	D	0	12,795	13,644	849	6.6%
3. Agency increase for full funding of Federal retiree costs (non-add)	D	0	11,496	10,676	(820)	-7.1%
Total	D	365,528 ³	411,795	434,494	22,699	5.5%
Outlays	D	414,730	415,401	415,251	(150)	0.0%
Office for Civil Rights (DEOA, section 203)						
1. Salaries and expenses	D	79,666 ⁴	86,276	91,275	4,999	5.8%
2. Agency increase for full funding of Federal retiree costs (non-add)	D	0	3,434	3,434	0	0.0%
Total	D	79,666	86,276	91,275	4,999	5.8%
Outlays	D	79,308	81,750	89,640	7,890	9.7%
Office of the Inspector General (DEOA, section 212)						
1. Salaries and expenses	D	38,588 ⁵	41,000	48,137	7,137	17.4%
2. Agency increase for full funding of Federal retiree costs (non-add)	D	0	1,361	1,361	0	0.0%
Total	D	38,588	41,000	48,137	7,137	17.4%
Outlays	D	37,210	39,483	44,219	4,736	12.0%
Departmental Renovation (DEOA) Outlays	D	11	2,423	0	(2,423)	-100.0%
TOTAL, DEPARTMENTAL MANAGEMENT		483,782	539,071	573,906	34,835	6.5%

¹ Reflects a reduction of \$803 thousand pursuant to Section 516 of the Fiscal Year 2002 Labor, HHS, Education Appropriations Act.

² Excludes \$880 thousand in administrative and related expenses rescinded pursuant to section 1403 of the Fiscal Year 2002 Supplemental Appropriations Act for Further Recovery from and Response to Terrorist Attacks on the United States. An additional rescission of \$3,731 thousand pursuant to section 803 of the Act was offset by unobligated funds transferred to the Program Administration account: \$3,000 thousand from the Higher Education account and \$731 thousand from the English Language Acquisition account. Authority to transfer available funds to offset the rescission was provided in section 807 of the Act.

³ Adjusted for comparability. Excludes \$57,001 thousand to administer student aid programs, which are consolidated with FFEL and FDSL Federal administration costs and requested in fiscal years 2003 and 2004 under the proposed Student Aid Administration account.

⁴ Reflects a rescission of \$268 thousand pursuant to Section 1403 of the Fiscal Year 2002 Supplemental Appropriations Act for Further Recovery from and Response to Terrorist Attacks on the United States.

⁵ Reflects a rescission of \$132 thousand pursuant to Section 1403 of the Fiscal Year 2002 Supplemental Appropriations Act for Further Recovery from and Response to Terrorist Attacks on the United States.

DEPARTMENT OF EDUCATION FISCAL YEAR 2004 PRESIDENT'S BUDGET

1/27/2003

(in thousands of dollars)			2003	2004	Change from 2003 President's Request	
Office, Account, Program and Activity	Category Code	2002 Appropriation	President's Request	President's Request	Amount	Percent
Contributions (DEOA, section 421)	M	485	0	0	0	---
Outlays	M	469	85	0	(85)	-100.0%
General Fund Receipts:						
1. Perkins loan repayments	M	(39,041)	(50,000)	(50,000)	0	0.0%
2. CHAFL downward reestimate of loan subsidies	M	(27)	(27)	0	27	-100.0%
Total		(39,068)	(50,027)	(50,000)	27	-0.1%
Outlays, Total		(39,068)	(50,027)	(50,000)	27	-0.1%
APPROPRIATION TOTAL, EDUCATION DEPARTMENT						
Discretionary funds	D	49,935,599	50,309,879 ¹	53,139,203 ¹	2,829,324	5.6%
Mandatory funds	M	6,241,433	10,093,623	8,243,531	(1,850,092)	-18.3%
BUDGET AUTHORITY TOTAL, EDUCATION DEPARTMENT						
Discretionary funds	D	55,747,031	60,403,502	61,382,734	979,232	1.6%
Mandatory funds	M	49,505,598 ²	50,309,879 ²	53,139,203 ²	2,829,324	5.6%
Mandatory funds	M	6,241,433	10,093,623	8,243,531	(1,850,092)	-18.3%
OUTLAYS TOTAL, EDUCATION DEPARTMENT						
Discretionary funds	D	46,285,284	59,379,318	58,854,387	(524,931)	-0.9%
Mandatory funds	M	41,305,647	50,039,352	51,159,788	1,120,436	2.2%
Mandatory funds	M	4,979,637	9,339,966	7,694,599	(1,645,367)	-17.6%

¹ Excludes funds for increased agency pension and annuitant health benefits costs, which are currently paid from a central Office of Personnel Management fund: \$23,728 thousand in fiscal year 2003 and \$22,528 thousand in fiscal year 2004.

² Excludes a total of \$15,011,301 thousand in advance appropriations that becomes available on October 1 of the succeeding fiscal year.

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