



## DEPARTMENT OF EDUCATION

### Since 2001, the Administration:

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

### The President's Budget:

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

## FOCUSING ON THE NATION'S PRIORITIES

## ***Signs of Progress: Leaving No Child Behind***

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

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

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

### **Closing the Achievement Gap in Our Cities**

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

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

*Teachers.* Well-trained, highly qualified teachers are critical to student learning. Recognizing both the importance and the challenges of finding these teachers, especially in subjects such as math and science, the Budget provides \$99 million for the Teacher Incentive Fund, the same as 2006, and \$25 million for the creation of an Adjunct Teacher Corps. The Teacher Incentive Fund provides support for school districts that are working to link teacher compensation more closely to student performance. The Adjunct Teacher Corps will provide opportunities for professionals with extensive knowledge in core academic subjects to teach middle and high school courses, particularly in math and science. The Budget also provides \$2.9 billion for the Improving Teacher Quality State Grants program to support teacher training and recruitment. Funding for this program assists States in meeting NCLB teacher quality requirements and ensuring every class is taught by a qualified teacher.

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

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

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



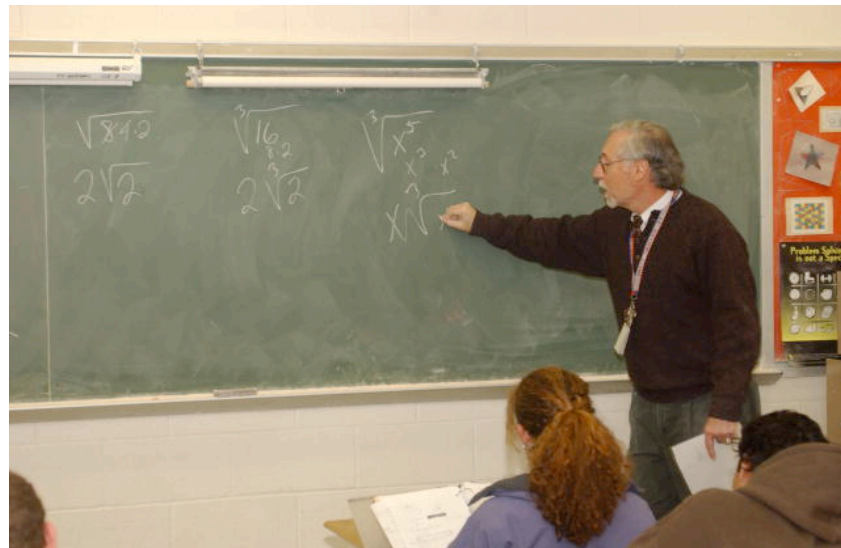
The Department worked closely with States and schools affected by Hurricane Katrina to provide financial relief for restarting school operations and educating displaced students. Here, First Lady Laura Bush and Secretary Margaret Spellings visit Greenbrook Elementary School in Southaven, Mississippi,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

## ***American Competitiveness Initiative***

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

A major component of this initiative's math education efforts is the creation of a National Math Panel, which would research and develop key principles in math instruction. The Panel's work would complement two new proposals: a \$125 million Math Now for Elementary School Students program to support the sharing and research of promising practices to help K–7 teachers prepare students for more rigorous courses in middle and high school, and a \$125 million Math Now for Secondary School Students program designed to identify middle school students who are not proficient in math and provide targeted services to boost their achievement. As mentioned previously, the Budget also includes \$25 million for the creation of an Adjunct Teacher Corps to provide opportunities for professionals with extensive knowledge in science and mathematics, as well as other core academic subject areas, to teach middle and high school courses. The Budget provides a \$90 million increase from \$32 million to \$122 million for the Advanced Placement program, which offers training and incentives for teachers to become qualified to teach rigorous core subject courses, as well as support and incentives for low-income students to take and pass these courses.

At the college level, the new Academic Competitiveness Grants program, included in the Deficit Reduction Act will help target \$3.7 billion over the next five years to low-income students who excel in math and science. The program provides grant aid to high achieving eligible undergraduate students in their first two years of college. It also provides grants to students in their third and fourth year of college who are majoring in critical areas like



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

science, math, technology, engineering, and foreign languages vital to national security. Grant recipients must be enrolled full-time at a four-year degree-granting institution of higher education, be eligible for a Federal Pell Grant, and be a citizen of the United States.

### ***Improving Performance for Special Education Students***

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

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

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

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

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

nearly seven million IDEA students.

### ***Bringing NCLB to High Schools***

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

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

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

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

### ***National Security Language Initiative***

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

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

### ***Improving Access and Accountability in Higher Education***

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

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

## **RESTRAINING SPENDING AND MANAGING FOR RESULTS**

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

increase educational opportunities for all students, it also terminates or reduces funding for poor-performing or low-priority programs.

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

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

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

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

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

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

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

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





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

### ***Update on the President's Management Agenda***

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

	<b>Human Capital</b>	<b>Competitive Sourcing</b>	<b>Financial Performance</b>	<b>E-Government</b>	<b>Budget and Performance Integration</b>
<b>Status</b>	●	●	●	●	●
<b>Progress</b>	●	●	●	●	●
The Department of Education continued to make improvements in its management over the					

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

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

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

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

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

## Department of Education

(In millions of dollars)

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

Hispanic Serving Institutions	95	95	95
Research and Statistics <sup>6</sup>	523	517	554
All other	9,590	4,128	7,229
Total, Discretionary budget authority <sup>7</sup>	57,179	56,541	54,411
<i>Memorandum: Budget Authority from enacted supplementals</i>	—	1,600	—
Total, Discretionary outlays	56,998	58,840	56,830
<b>Mandatory Outlays:</b>			
Federal Direct Student Loans	2,280	4,791	63
Federal Family Education Loans	11,565	18,245	5,340
Academic Competitiveness Grants	—	190	789
All other	2,102	1,918	1,462
Total, Mandatory outlays	15,947	25,144	7,654
Total, Outlays	72,945	83,984	64,484
<b>Credit activity</b>			
<b>Direct Loan Disbursements:</b>			
Federal Direct Student Loans (FDSL)	12,359	13,649	14,705
FDSL Consolidations	15,136	13,740	7,908
Total, Direct loan disbursements	27,495	27,389	22,613
<b>Guaranteed Loan Commitments:</b>			
Family Federal Education Loans (FFEL)	28,443	45,616	49,186
FFEL Consolidation	53,134	45,311	25,128
Total, Guaranteed loan commitments	81,577	90,927	74,314

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

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

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

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

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

<sup>6</sup> Includes special education research and studies funding in 2005.

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