



EDUCATION PRIORITIES

JANUARY 2013

California School Boards Association

Federal Funding

With the continuation of the national fiscal crisis that is gripping our country, school districts are fighting to stay open and ensure that all students receive an appropriate education. Over the past two years, Congress has debated a number of bills to legislate increased funding for public programs aimed at providing an immediate benefit to the economy by creating jobs, investing in national infrastructure, extending services for citizens impacted by the current crisis, and providing additional funding for key domestic programs.

However, Congress has yet to resolve the budget for the 2013 fiscal year, including the issues of sequestration and the debt ceiling. The federal budget year begins October 1 and it is normally expected that Congress and the Administration will have a budget in place to authorize the functions of the federal government and provide funding for its various program mandates.

On New Year's Day, Congress narrowly passed a measure that would allow the nation to avoid the so-called "fiscal cliff" of automatic spending cuts and tax increases. Under the American Taxpayer Relief Act of 2012 many of the "middle class" tax cuts were extended, though temporary payroll tax cuts were allowed to expire. In addition, the marginal tax rate will be increased for individuals making more than \$400,000 per year or couples making more than \$450,000 per year, and capital gains and estate tax rates were also modified upward. The legislation also temporarily extended bond authority for the Qualified Zone Academy Bonds (QZAB) program.

The legislation also delayed the implementation of sequestration – automatic, across-the-board budget cuts – for two months, until March 1, 2013. In order to pay for sequestration, the new law reduced the total amount of budget cuts to be accomplished over sequestration's nine-year lifespan by \$24 billion, essentially cancelling sequestration cuts for January and February and giving lawmakers more time to craft a comprehensive plan.

On a practical level, this means that smaller cuts are likely for some education programs in the second half of FY 2013 and FY 2014 as some of those spending reductions are applied. It also means that the overall sequestration cut for FY 2013, if the automatic cuts do go into effect in March, is likely to be lower than the 8.2 percent previously estimated. Currently, that is being estimated to be somewhere in the neighborhood of 6.2 to 5.9 percent.

There are two federal programs which provide the largest sources of federal funding to states that operate as mandates on school districts:

- Title I grants – the main source of federal funding for the Elementary and Secondary Education Act (ESEA)
- IDEA grants – special education funding under the Individuals with Disabilities Education Act (IDEA).

Historically, federal funding levels for Title I and IDEA have been consistently underfunded in comparison to the actual amounts needed by school districts and states to raise student achievement, implement successful intervention plans and address the costs of increasing student enrollment. As proposed, the sequestration budget cuts would be devastating for California students and schools. Under ESEA, Title I grants are the major source of federal funding to schools districts and are used to fulfill requirements for student achievement (e.g. adequate yearly progress, testing and assessments, tutoring and remedial services, and school reform). The overall purpose of a Title I grant is to ensure that children in low income school attendance areas have a fair, equal, and significant opportunity to obtain a high-quality education and achieve, at a minimum, proficiency on state academic achievement standards and state academic assessments.

The proposed automatic cuts would have the greatest impact on those who least afford it – the nation’s children. Under most recent terms of sequestration, education programs are scheduled to take a reduction in funding of anywhere from 6.2 percent to 5.9 percent – the number is still being determined based on the two-month delay in implementation that was contained in the fiscal cliff bill. Under the 6.2 percent scenario, California will receive a cut of up to \$130 million to Title I programs.

Under IDEA, which provides the major source of federal funding to help school districts fund educational services to students with disabilities, the federal share of funding that Congress promised is 40 percent of the average per pupil cost for every student served under the IDEA. Prior to the economic stimulus of 2009, the lack of federal IDEA funding had created a perpetual shortfall for school districts and communities. School districts frequently cut other education programs so that they can fulfill this federal mandate. With the ARRA increase, the federal share of IDEA funding averaged approximately 26.3 percent for each of the two years—a clear improvement. However, it is predicted that federal IDEA funding for 2012 will only top out at 15 percent and 2013 funding will only reach 12 to 13 percent.

Through the provisions of sequestration, California will receive a cut in IDEA funding of at least \$80 million. Our school districts are committed to fulfilling the federal IDEA mandate. However, fully funding the federal share of costs for special education and eliminating such cuts as sequestration must become a top domestic priority for the Congressional appropriations process.

We need to ensure that school districts have the funding needed to provide specific programs for special education students, provide assistive technology, ensure healthcare services, and comply with adequate yearly progress reporting requirements which are all key functions that school districts fulfill under IDEA.

CSBA Recommendations:

- **CSBA urges Congress to continue to increase funding for Title I in order to meet the increased costs of accountability and instruction and to meet the increased demand for services due to the increasing number of students in poverty.**
- **Across-the-board cuts to education should not be legislated, especially for Title 1 and special education. The need to continue to raise student achievement should not and must not be consumed by record setting budget cuts. Key investments in Title I and IDEA will help sustain and continue the progress school districts are making in closing the achievement gap by improving student performance, teacher and principal effectiveness, increasing graduation rates and college and career readiness.**
- **IDEA must be fully funded in order to meet the increasing costs of special education mandates and services.**
- **Before Congress considers continuing and/or increasing funding for competitive grant programs, it must ensure that base level funding for federal programs is appropriated to all schools/districts. While some districts receive funding through the competitive grant process, most do not. Many of the districts with the greatest need for school improvement and innovation programs do not have the resources to successfully leverage a competitive grant. The federal investment in formula grants, such as Title 1 is a core component to helping the majority of school districts reduce obstacles to student success.**
- **Sequestration cuts will be devastating to California students and schools. They will have the greatest impact on those who can least afford it – the children. As proposed, the sequestration cuts will provide less money for programs but no relaxation of the state or local obligations; districts still must:**
 - Provide services to students – meet the requirements under ESEA and IDEA
 - Meet “maintenance of effort” (MOE) requirements for some laws which means that other programs will be cut.
- **The cost of providing K-12 services has risen (25percent since 2003 according to National Education Association) but funding continues to decrease. Schools will deal with the proposed sequestration cuts by:**
 - Firing staff (teachers, counselors, nurses, librarians, support staff);
 - Increasing class sizes;
 - Shortening the school day or week;
 - Cutting activities and enrichment programs; and
 - Delaying the purchase of materials and technology

- **We understand that the federal budget must be balanced and spending reigned in but it must be done in a way that is well-reasoned and equitable and that does not hurt our students**
 - Need to find a balanced approach that protects ordinary Americans
 - Kids will never be able to make up for lost time and opportunities