Illinois State Board of Education

TO: Illinois State Board of Education

FROM: Robert E. Schiller, Superintendent
      Lynne Haefele Curry, Director

Agenda Topic: Discussion Item – Federal Legislative Status Report

Materials: No additional materials

Staff Contact(s): Peter Leonis and Randy Burge

Purpose of Agenda Item
To apprise the members of the State Board of Education on current legislation before Congress and to discuss related federal education issues and funding.

Expected Outcome(s) of Agenda Item
The Board will be informed about the agency's Governmental Affairs federal activities.

Background Information
House Majority Leader Tom Delay appointed Members to the FY 2003 Appropriations Conference Committee January 29, 2003. He indicated that the Conference Committee would work through the weekend to finalize a committee report by next Wednesday. Illinois is not represented on the House Conference Committee. Earlier, the Senate appointed their conferees which included Senator Richard Durbin of Illinois.

The following is a summary of the FY 2003 Appropriations legislation to date:

- The House bill (H.R. 246) contains $50.31 billion for education – an increase of $374 million or .7% above FY2002.
- The Senate bill contains $56.58 billion for education - an increase of $6.65 billion or 13.3% above FY2002.
- The original Senate omnibus appropriations bill introduced by Sen. Stevens (R-AK) contained only $22.33 billion for elementary and secondary education programs. Overall the original Senate bill would have increased education funds by a meager $900 million or approximately 1.02%.
- Senator Judd Gregg (R-NH) offered an amendment during the floor debate that provided an additional $5 billion for education, with 100% of the funds going directly to LEAs through Title VI, Innovative Programs. States would not get any of the funding increase.
- Additionally, the Gregg-Dodd Amendment provided a $1.5 billion increase for IDEA.
There is a strong likelihood that conferees will decrease or eliminate these additional education increases because they were paid for by making an across the board cut of all other programs. There will be a number of Senators trying to restore education funding to the levels passed by the Senate.

February 3, 2003, the President released his Fiscal Year 2004 Budget Summary. 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.

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.

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 public school identified for improvement 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.

Once the FY 03 spending bills become law work will begin on the FY 04 appropriations bills. Other federal activity for the coming months will include the reauthorization of IDEA, securing increased QZAB authority for Illinois and working to keep Medicaid funding for schools at its present level.

**Analysis and Implications for Policy, Budget, Legislative Action and Communications**

**Budget Implications**
The FY03 and FY04 federal appropriations bills have implications for upcoming budget and agency action:

- Standard appropriations (e.g., for NCLB Title I, etc.) this fall have implications in the budgeting process and supporting agency and school initiatives;
- Agency grant applications or school direct grant applications during 2002-03

**Communication**
Governmental Affairs’ Federal Liaison will continue to communicate with BGR and the Illinois Congressional Delegation regarding and FY04 earmark requests.

**Superintendent’s Recommendation**
No formal action is needed at this time.

**Next Steps**
Work with the Illinois Congressional Delegation and BGR to secure as much federal funding as possible.