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ALLIANCE FOR EXCELLENT EDUCATION

Straight A's™

Public Education Policy And Progress

SHOW ME THE WAY TO GO HOME: Democrats Pare Spending in Effort to Finish Appropriations Before the End of the Year

On February 5 of this year, when President Bush released his budget request for Fiscal Year (FY) 2008, many observers called it "dead on arrival" because it held discretionary spending to about a 1 percent increase—less than the rate of inflation—and cut the funding of several departments, including the U.S. Department of Education. However, after months of partisan wrangling, veto threats, and veto override attempts, it is now becoming clear that the president may actually get a final discretionary spending total that is very close to his $933 billion target. Nevertheless, Congressional Democrats were able to move money around to fund key priorities, such as a $2 billion increase for the U.S. Department of Education, while staying within the president's spending limit.

On December 16, **House Appropriations Committee Chairman Dave Obey (D-WI)** unveiled an omnibus spending bill that folds the eleven remaining appropriations bills into one piece of legislation. The omnibus bill falls just below the president's spending limit. And although it provides much less money for domestic priorities than Democrats sought, it probably represents the best chance to finish the appropriations process before the end of the year. But that does not mean that Chairman Obey is happy with the way it turned out. "The omnibus appropriations bill is totally inadequate to meet the long-term investment needs of the country, but it is a whole lot better than the country would have without a Democratic Congress," Obey said.

On December 17, the House passed the bill by a vote of 253-154. The Senate is scheduled to act on the bill on December 18. Early indications from the White House seem to indicate that the president will sign the bill if he can secure $70 billion in additional funding for the war in Iraq via the amendment process in the Senate. If the Senate adds the additional money for Iraq, the bill will be sent back to the House of Representatives for another vote. Its passage will undoubtedly require additional Republican support over what it received on the 17th, as anti-war Democrats who originally voted for the omnibus bill are likely to change their votes in order not to support additional war funding. However, if the House passes the bill at that point without changes to the Senate version, the bill will go to the president for his signature.

To understand how the process got to this point requires quite a bit of backtracking. In May, Congress passed a budget plan that set a spending target of approximately $956 billion—$23 billion more than the president sought. At the time, over one hundred Republicans signed a letter pledging to support the president should he decide to veto any appropriations bill that exceeded his spending targets. A few months later, they got their chance.

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In October, Congress put the final touches on the FY 2008 Labor, Health and Human Services (HHS), and Education appropriations and set up a showdown with the president over spending. The bill, which funds the departments of Labor, Health and Human Services, Education, and other agencies such as the Social Security Administration, would have provided nearly $10 billion more for discretionary spending than the amount included in the president's budget, including $4.7 billion more than the president had requested for the U.S. Department of Education. Rather than signing the bill, President Bush vetoed it on November 13, saying, "This bill spends too much. .... This year, the Congress plans to overspend my budget by $22 billion, of which $10 billion is for increases in this bill."

Hoping that they could convince enough Republican moderates to vote against the president, the Democratic leadership held a vote to override the veto on November 15. Although fifty-one Republicans voted to override, the final vote tally, 277–141, fell two votes short of the two-thirds majority required. Fifteen members of Congress did not vote.

On the same day, Congressional Democrats announced a "split-the-difference" plan to cut their proposed increase in discretionary spending by 50 percent, but that plan quickly fell apart as the president held his line on spending and conservative Republicans continued to pledge to uphold any veto that the president made. Reacting to the president's refusal to consider the split-the-difference plan, **Senate Appropriations Committee Chairman Robert C. Byrd (D-WV)** said, "It is extraordinary that the president would request an 11 percent increase for the Department of Defense, a 12 percent increase for foreign aid, and $195 billion of emergency funding for the war, while asserting that a 4.7 percent increase for domestic programs is fiscally irresponsible."

At that point, Obey began working on a bill that would combine the remaining eleven appropriations bills, including the Labor-HHS-Education appropriations bill, into one omnibus bill that would contain a level of discretionary funding on par with the president's demands. Even after agreeing to meet the president's demands on spending, Obey ran into challenges from both Democrats and Republicans in the Senate, who continued to push for "earmarks" in the final bill. Earmarks, which are also known as pork, are provisions inserted in bills by legislators that contain money targeted for projects in an individual member's district or state.

"If earmarks are included, that means you have to cut programs by $9 billion below the level you would otherwise have to cut them," Obey said. "Members are going to have to decide if whether that's what they came here to do."

Ultimately, Obey's argument to eliminate earmarks from the bill was rejected. Instead, each appropriations subcommittee was charged with making spending cuts that would get the bill down to the president's spending target. From that process emerged the omnibus spending bill currently pending before Congress.

A summary of the bill is available at http://appropriations.house.gov/pdf/LHHSOmnibus.pdf. A chart of funding levels for certain U.S. Department of Education programs is available at http://www.all4ed.org/files/Fiscal08ProgramChart.pdf.

LOSING OUR EDGE: American Teenagers Continue to Be Surpassed by International Peers in Math and Science

American fifteen-year-olds fell two places in mathematics and two places in science in international rankings, according to the results of the 2006 Programme for International Student Assessments (PISA), which were recently released by the Organisation for Economic Co-operation and Development (OECD). The continued slippage prompted speakers at a December 4 briefing to call on policymakers to examine what the United States could learn from other education systems around the world to better prepare American students for the global economy.

"The message from this international report for the U.S. Congress and every state official is that much of the world is improving education much faster than we are," said **Bob Wise, president of the Alliance for Excellent Education and former governor of West Virginia**. "Being internationally mediocre in the Olympics means only a loss of national pride; [but being] mediocre in PISA forecasts a loss of skilled jobs for U.S. citizens. These results should rouse the public and all elected leaders to learn PISA's lessons—all students must be given a true world-class education where they graduate from high school truly prepared for college or the modern workplace. The current Congressional deliberations about renewing No Child Left Behind must be the first—but not last—step to improve these international rankings."

The event, titled "Losing Our Edge: Are American Students Unprepared for the Global Economy?," was held in Washington, DC and hosted by the Alliance for Excellent Education, Asia Society, Business Roundtable, Council of Chief State School Officers, ED in '08, and the National Governors Association. It featured a presentation by **Andreas Schleicher, head of the Indicators and Analysis Division at OECD's Directorate for Education and PISA's chief architect and director**, who presented the PISA results and provided analysis of the common elements of high performing education systems.

According to the results, the United States placed twenty-fifth among the thirty OECD member countries in math. In science, the U.S. ranked twenty-first of thirty. These results place American fifteen-year-olds below the OECD member country average in both subjects. Reading scores for U.S. students, which typically accompany the math and science results, had to be invalidated because of an error in the printing of the test. (More information on the printing error is available at http://www.all4ed.org/publication_material/straight_as/12032007#Reading.)

In his presentation, Schleicher noted that the United States had been the gold standard for providing people with a high school or equivalent qualification during the 1960s but pointed out that it now ranks twenty-first out of the twenty-seven OECD countries with available data. Meanwhile, Korea, which ranked twenty-seventh in the 1960s, today leads the world in graduation rates. A similar slide has occurred in the percentage of citizens with a college degree, as the United States has slipped from second in 1995 to fourteenth in 2005. Schleicher emphasized that the United States has fallen, not because it is doing worse, but because other countries are doing better. "The world is changing," he said. "What was the gold standard is now closer to the OECD average."

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That was the message that the other speakers at the event also tried to send to policymakers in the United States. "As these latest OECD indicators show, the global talent pool is increasing," said **Vivien Stewart, vice president for education at the Asia Society**. "We urgently need to develop a globally oriented world-class educational system to prepare students in the U.S. with the knowledge and skills to succeed."

Roy Romer, former governor of Colorado and superintendent of the Los Angeles Unified School District, now chairman of ED in '08, agreed and challenged the 2008 presidential candidates to "show bold leadership, free from ideological constraints and the influence of special interests, to bring America out of this crisis back to a level competitive with top-performing countries."

Other speakers at the event included **Raymond C. Scheppach, executive director of the National Governors Association**; **Susan Traiman, director of public policy of the Business Roundtable**; and **Gene Wilhoit, executive director of the Council of Chief State School Officers**.

Video of the event, Mr. Schleicher's PowerPoint presentation, and supplemental materials are available at http://www.all4ed.org/events/losingedge.

The OECD briefing note for the United States, which includes the complete PISA rankings, is available at http://www.oecd.org/dataoecd/16/28/39722597.pdf.

STATES EXPECT TIGHTER FISCAL CONDITIONS IN 2008: Weakening Housing Market and Higher Funding Demands for Health Care and Medicaid Could Strain State Budgets

While most states enjoyed healthy revenue growth in 2007, overall growth slowed slightly from the robust conditions of 2006 and is expected to decline even more in 2008. So says *The Fiscal Survey of States*, a twice-a-year publication from the National Governors Association (NGA) and the National Association of State Budget Officers (NASBO). The decline in revenue is especially worrisome considering the increased funding demands for health care and Medicaid and other long-term issues, such as funding pensions and maintenance and repair of infrastructure.

Already the single largest slice of the state budget pie, health care spending is expected to eat up an even larger share over the next decade. Some of the expected growth, including the option of expanding health care access to the uninsured, is under state control. Other aspects, such as rising health care costs and the aging of the American population, is not. For example, individuals aged eighty-five and older are the fastest-growing segment of the U.S. population, according to the U.S. Census Bureau. Additionally, the Census Bureau projects that the U.S. population sixty-five and over is expected to double in size within the next twenty-five years.

Among specific health care-related issues, the rapid increase in Medicaid spending is the first and foremost concern for many state governments. According to the report, Medicaid spending grew by 7.3 percent in FY 2007, compared to only 1.7 percent in FY 2006. Over the next decade

Medicaid spending, which already represents 21.5 percent of total state spending, is expected to grow at an annual rate of 8 percent.

As spending on health care and Medicaid grows, it will constrain state budgets further and, without an increase in revenue, could squeeze spending on education, transportation, and other public services. In FY 2007, expenditures on elementary and secondary education made up 21.4 percent of total state spending while higher education (10.4 percent), transportation (8.1 percent), corrections (3.4 percent), public assistance (1.8 percent), and all other expenditures (33.4 percent) completed the budget pie.

"Steadily rising health care costs, softening in the housing sector, and the need to address looming issues such as aging populations are putting mounting spending pressure on states at the same time as federal funding for critical programs is leveling," said Raymond C. Scheppach, executive director of the NGA. "Governors realize that meeting these increasing expenditure expectations with limited revenues will be problematic in the future."

However, the report adds that states appear to be in a better financial situation and better prepared to deal with an economic downtown thanks to rainy-day funds and hard lessons learned in 2001, when state balances fell by nearly $30 billion over a two-year period. At the time, states were able to weather the storm by tapping into rainy-day funds, but many were forced to cut spending and enact tax increases to prevent government shutdowns.

As the economy rebounded over the past few years and tax revenue surged, states were able to build up significant reserve balances to guard against the next downturn. In FY 2006, states had a balance of $69 billion, which represented a thirty-year high. But that number has declined, falling to $62.7 billion in FY 2007 and an expected $45.8 billion in FY 2008, the current year, as states being to tap into these rainy-day funds.

"Many states have already begun drawing on their rainy-day funds to address budget shortfalls caused by lower-than-anticipated revenues, and the decline of total balances in fiscal 2008 suggests this trend will continue," it reads.

The report also finds that states will limit increases in spending compared to the historical average for FY 2008. According to the report, state spending in FY 2008 is expected to grow by only 4.7 percent, well below the 9.3 percent growth in FY 2007 and the thirty-year average of 6.4 percent. Even with lower spending increases, some states are already reporting budget shortfalls for FY 2008 and will likely have to consider a recipe of spending cuts, tax increases, and borrowing from reserve funds to meet budget shortfalls.

It will be interesting to see how a tight budget environment will affect decisions on education spending. Beginning in January 2008, governors will shed some light on that subject as they begin giving their annual State of the State addresses. As in the past, *Straight A's* will provide coverage of these speeches, highlighting the ones with new ideas or programs relating to middle and high schools and their students.

The complete report is available at http://www.nga.org/Files/pdf/FSS0712.PDF.

Housing Crisis and Declining Property Values Could Affect Local Government Budgets, Spending on Schools

Over the past several months, the ill effects from the housing bubble burst have spread across the country like a new strain of the flu. During that time, the media has raced to report the latest numbers of existing home sales, new home sales, foreclosures, and median home prices in an effort to predict when the housing crisis will end. More recently, however, the focus has turned to the effect that the declining property values will have on local governments and their ability to fund schools and other local services.

Unlike state governments, which have more income sources and better borrowing abilities, local governments rely heavily on local property taxes to fund the services their residents demand. And, like the rest of the news on the housing crunch, the outlook is not good. According to a report prepared for the U.S. Conference of Mayors by the forecasting and consulting firm Global Insight, property values are expected to decline by $1.2 trillion in 2008, while home prices are expected to decline by an average of 7 percent.

Already, the results are being felt in cities and towns around the United States. On December 12, an article in the *Washington Post* said that the Fairfax County, VA, government is facing a budget crisis that probably will last "several years" and "pinch spending by hundreds of millions of dollars on schools, public safety, and human services." County officials placed the budget shortfall at approximately $220 million and blamed a steep drop in housing sales and a sharp increase in the number of unsold homes.

And Fairfax County is probably one of the lucky ones. Foreclosure rates there, which grew from 198 in 2005 to about 4,000 in 2007, are dramatically lower than in other parts of the country. In addition, the housing market in Fairfax County is expected to rebound faster than in many other locales. Still, there's currently no light at the end of the tunnel and some analysts expect that 2009 could be the worst year yet.

Given falling property values and the subsequent decline in property taxes that accompany them, local officials will be faced with tough decisions about whether to cut spending, raise taxes, or do both. Those decisions will be especially tough in California, Florida, Nevada, and Arizona, states that benefited the most from the housing boom and have suffered the greatest drop off, but practically every state is expected to be hard hit.

"If property values aren't rising, the tax rate has to increase to make up the difference and that's what we're seeing," as **Dale Knapp, research director of the Wisconsin Taxpayers Alliance**, told *The Capital Times* (WI). According to Knapp's organization, school tax rates will average $8.43 per $1,000 of assessed value, up from $8.31 last year. He added that while individual property tax bills may not climb any more than in the past, the new higher rates are going to create a public relations nightmare. "In the past, if your tax bill was up, at least the rate was lower," he says. "But if bills and the rates are both up, people are going to be pretty upset."

NEW TEACHER SUPPORT PAYS OFF: Policy Brief Emphasizes the Importance of High-Quality Teacher Induction

High-quality teacher induction programs can lead to improved teacher retention, increase teacher effectiveness, and financially benefit schools, districts, and states—as well as teachers and students—according to a policy brief recently released by the New Teacher Center (NTC) at the University of California, Santa Cruz. Titled "New Teacher Support Pays Off: A Return on Investment for Educators and Kids," the brief states that strong teacher induction programs are "an efficient and effective use of public resources" and urges policymakers to invest in such programs and make the creation of policies to strengthen them a priority.

The brief lists six elements that NTC researchers have found high-quality induction programs to have in common: a duration that covers at least the teacher's first two years in the profession; sanctioned time for mentor-new teacher interaction; rigorous mentor selection criteria; training and ongoing support for mentors; pairing of mentors and new teachers in similar subjects and grade levels; and documentation and evidence of new teacher growth.

The brief argues that not all programs are necessarily beneficial. “There is a huge chasm between rigorous, data-driven, high-quality induction and mentoring, and the more traditional ‘buddy systems’ that pervade our nation’s schools,” said **Ellen Moir, founder and executive director of NTC**. “The first provides a return on investment because it produces more effective teachers who stay in schools and remain in the profession. The second focuses on moral support, which is nice, but a pat on the back simply doesn’t lead to better outcomes for teachers or for kids.”

NTC researchers concede that teacher induction programs can be expensive—as high as $7,000 per teacher in some cases—but point to a recent study that finds the cost of replacing a single teacher in certain urban districts to be more than twice that. Additionally, the brief states that for every $1.00 invested in high-quality teacher induction, the net return in five years is about $1.66. The return is generally attributed to enhanced student learning and reduced teacher turnover costs.

The NTC’s findings were presented at a briefing on Capitol Hill in late October, at which **Senator Jack Reed (D-RI)**, who introduced the School Improvement through Teacher Quality Act earlier this year, was the opening speaker.

“Improving teacher quality is the single most effective step we can take to increase student achievement and turn around struggling schools,” he said. “Research has shown that offering support for new teachers like comprehensive, multi-year mentoring cuts attrition rates in half and helps these teachers become high-quality professionals who improve student learning. I will continue to push for induction programs for new teachers to ensure they have the skills and training to be truly effective in the classroom.”

“New Teacher Support Pays Off: A Return on Investment for Educators and Kids” is available at http://www.newteachercenter.org/pdfs/NTC_Policy_Brief-Hill_Briefing.pdf.

Happy Holidays from the Alliance for Excellent Education!

The Alliance for Excellent Education wishes you and yours a happy holiday season and best wishes for the new year!

This issue is the last before the Alliance newsletter—although not the Alliance staff—settles in for a short winter’s nap. The next issue of *Straight A’s* will be dated January 14, 2008.

Straight A’s: Public Education Policy and Progress is a biweekly newsletter that focuses on education news and events both in Washington, DC and around the country. The format makes information on federal education policy accessible to everyone from elected officials and policymakers to parents and community leaders. The Alliance for Excellent Education is a nonprofit organization working to make it possible for America’s six million at-risk middle and high school students to achieve high standards and graduate prepared for college and success in life.

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