

AASA Federal Education Update



Agenda

- Framing this moment
- Appropriations + Funding
- H.R. 1
- Agency Updates
- Keeping up

This moment in time

- Second year of Trump 2.0
 - "There are decades where nothing happens; and there are weeks where decades happen." This time is the latter.
 - Trump continues to issue executive orders
 - There have been 650+ legal actions filed against the administration
- SCOTUS continues "to help" the other two branches makes decisions
- Congress continues to be MIA.
 - Last year we had the longest government shutdown in history...and it remains unresolved.
- Focus on 2026 Elections
 - Opportunity for recalibration
 - Chance for the public to give some feedback to Congress...and the President.
 - Election years are inevitably low-productivity years in Washington

FY26 Recap (Money for SY26)

Program	House FY26 Proposal	Senate FY26 Proposal	Final FY26 Proposal
Title I, Part A	\$14.626 billion (-\$3.78 billion)	\$18.457 billion (+50 million)	\$18.427 billion (+20 million)
IDEA, Part B	\$14.234 billion (+20 million)	\$14.264 billion (+50 million)	\$14.234 billion (+20 million)
Title II, Part A	\$0 (-\$2.19 billion)	\$2.19 billion (level funds)	\$2.19 billion (level funds)
Title I, Part C	\$0 (-\$376 million)	\$376 million (level funds)	\$376 million (level funds)
Title III, Part A	\$0 (-\$890 million)	\$890 million (level funds)	\$890 million (level funds)
Title IV, Part A	\$1.385 billion (+5 million)	\$1.380 billion (level funds)	\$1.380 billion (level funds)
REAP	\$225 million (+5 million)	\$225 million (+5 million)	\$225 million (+5 million)
Impact Aid	\$1.630 billion (+5 million)	\$1.625 billion (level funds)	\$1.630 billion (+5 million)
Head Start	\$12.272 billion (level funds)	\$12.357 billion (+85 million)	\$12.357 billion (+85 million)

Final Thoughts on FY26

- FY26 appropriations package in March included language that funding be made available to districts ON July 1 was included.
- ED will not transfer funding to DOL until after July 1.
- A few next steps and considerations.
 - If your member of Congress voted for these funding levels, THANK THEM. Seriously.
 - Tell them how important funding is, why it matters and that you are glad to see that Congress *wants* it to go out on time (July 1).

FY27 President's Budget Request

Program	FY26 Final	FY27 President's Budget
Title I, Part A	\$18.427 billion	\$18.427 billion (level)
Title I, Part C (Migrant)	\$376 million	\$0 (-376 million)
Title I, Part D (Neglected & Delinquent)*	\$49 million	\$0 (-49 million)
IDEA, Part B	\$14.234 billion	\$15.401 billion (+1.167 billion)
Title II, Part A (Supporting Effective Instruction)*	\$2.19 billion	\$0 (-2.19 billion)
Title III, Part A (English Language Acquisition)	\$890 million	\$0 (-890 million)
Title IV, Part A (Student Support and Academic Enrichment)*	\$1.380 billion	\$0 (-1.380 billion)
Title V, Part B (Rural Education Achievement Program)*	\$225 million	\$0 (-225 million)

*Program is "consolidated" into the Make Education Great Again (MEGA) grant program. Funded at \$2 billion

A Closer Look

- Cuts almost \$15 billion total from existing education programs
- IDEA Consolidation: Eliminates funding from all other IDEA programs (\$678 million) except Infants & Families and Special Olympics; Providing a net increase of \$489 million for IDEA, Part B
- MEGA Grant Consolidation: Eliminates funding for 17 K-12 programs worth almost \$6.5 billion and replaces it with \$2 billion block grant
- Program elimination: Eliminates more than \$3 billion worth of other programs, including (but not limited to English Language Acquisition, Migrant Ed, Special Programs for Migrant Students (HEP), Teacher Quality Partnership, TRIO, and GEAR Up
- Program reductions: STOP School Violence (-17 million); Project AWARE (-20 million);

MEGA Grants

Programs Consolidated into \$2 billion MEGA Grant Program	
Program	FY26 Funding
Comprehensive Literacy State Development Grants	\$194 million
Innovative Approaches to Literacy	\$30 million
Neglected & Delinquent (Title I, Part D)	\$49 million
Supporting Effective Instruction Grants (Title II, Part A)	\$2.190 billion
Student Support and Academic Enrichment Grants (Title IV, Part A)	\$1.38 billion
21 st Century Community Learning Centers (Title IV, Part B)	\$1.33 billion
State Assessment Grants	\$380 million
McKinney Vento	\$129 million
Rural Education Achievement Program	\$225 million
American History and Civics Academies	\$23 million
Magnet Schools	\$139 million
Arts in Education	\$34 million
Alaska Native Education	\$45 million
School Safety National Activities	\$190 million
Promise Neighborhoods	\$91 million
Javits Gifted & Talented Students	\$17 million
Statewide Family Engagement Centers	\$20 million
TOTAL	\$6.466 billion

Next for FY27

- House and Senate will begin negotiations to set top line allocations
- Could see first proposals next month
- Fiscal environment more challenging than FY26
 - \$15 billion shortfall for Pell Grants
 - Congress has exhausted all other places to “pull” money and provide level funding for last 2 years

HR. 1 – The One Big, Beautiful Bill Act

- Nearly \$1 trillion in cuts to Medicaid - the pressure on States to make up the difference (and find money by cutting education funding) will be enormous.
- SNAP Cost Shift to States
 - 75 State/25 Federal Administrative Cost Shift: Effective Oct. 1, 2026
 - PA estimate: \$338 million, up from \$213 million (+125 million)
 - Cost Benefit Share: Effective Oct. 1, 2027
 - Based on payment error rate, PA estimate \$640 million (delay possible due to higher error rate)
- Changes to eligibility will also impact direct certification

The Education Freedom Tax Credit/ change K12 education

Uncapped, permanent dollar-for-dollar tax credit

Donations bypass state governments and go directly to SGOs

- SGOs control the disbursement of scholarships to students.
- Minimal requirements on SGOs in OBBBA.

Federal \$ can be spent only on “**qualified elementary or secondary education expenses.**”

- Tuition, transportation, tech, tutoring, curriculum, “supplemental” educational programs, “special needs services”

Step 1: Donor make a charitable contribution to a qualified scholarship granting organization (SGO).

Step 2: That contribution generates a dollar-for-dollar federal tax credit of up to \$1,700.

Step 3: The credit reduces what donor owes the IRS when they file federal taxes.

This not a deduction. It is a direct reduction of a donor’s federal tax liability. They make the donation; the credit follows at filing. Credits for donations of more than \$1,700 can be carried forward for up to five years.

Estimates are this will cost \$50 billion in tax revenue in 3 years.

Tell me more

Everyone can donate, but only **some kids** are eligible for the scholarships

Families must make less than **300% of Area Median Income**– this means:

In many communities, all public school families will be eligible.

- What does this mean?
- How will this impact your enrollment? Programs? Staff retention? Budget?

Challenges

Multiple SGOs operating in the community will drive public school enrollment down and drive up competition for extended-day and year programming.

Opportunities

Greater fundraising revenue opens the doors to better, deeper student programming that will be funded outside the general operating budget leaving more money in the budget for basics

Public schools could partner with private school SGOs to offer hybrid opportunities for private or homeschooling families to pay a la carte for district programming

District payroll systems can incentivize employee donations to the SGO leading to better educational opportunities

What to think about ...

Does your district have a foundation? Can it be turned into a SGO?

Requires IRS approval for 501(c)(3) status - anticipate time delays

Discuss with your colleagues and educational service agency to determine if it would be more practical for the ESA to create or run a SGO.

What will your SGO do/not do given the community needs and private/vendor landscape?

What kinds of programs can you jump-start with this revenue?

Will you encourage community members/employees to donate to your district SGO?

ED Dismantling

9 Interagency Agreements

- The big one for K12: Office of Elementary and Secondary Education would be at DOL
- ED has announced FY26 funding will stay in G5. Transfer won't take place until after July 1
- No word still on IDEA
- McMahon programs are being moved out of ED “on a temporary basis.” These are “proofs of concept” for Congress.
- No additional \$ for states to develop new accounting measures and processes.
- Most Republicans are on-board with trial run.

ED Waivers

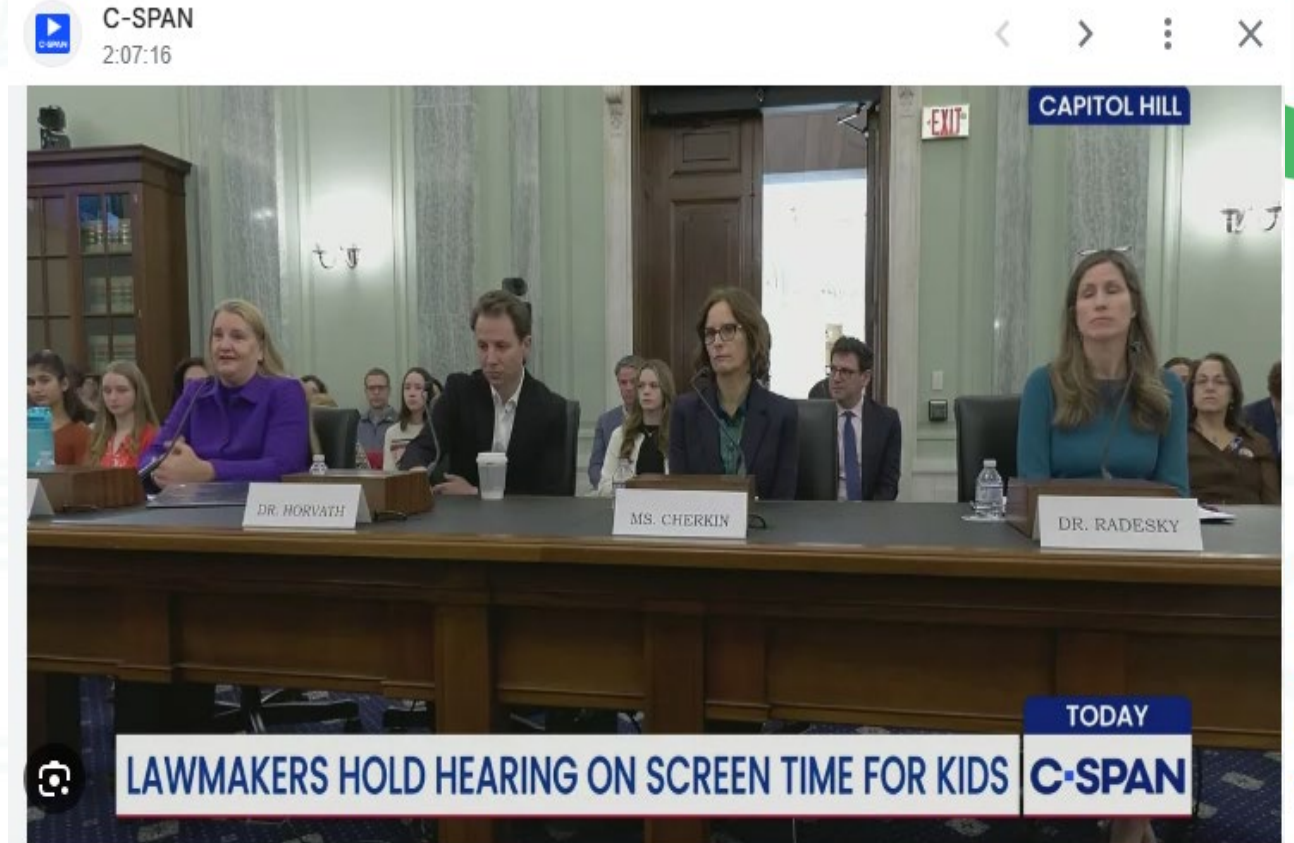
- Two types of waivers available: assessment and accountability
 - Missouri received assessment waiver in July
 - Iowa granted accountability waiver in January
- Two other states in the queue re accountability– more states to come.
- ED cannot grant any waiver that would change or alter allocations of funding to states or districts.

FCC+E-Rate

Forget cell phone bans, there's a huge push to "limit screens/tech in schools." FCC is considering how to weigh in.

Will prescriptive screen-time policies be tied to connectivity funding? That's the fear.

Also, another lawsuit challenging E-Rate funding mechanism filed earlier in October again challenging the constitutional authority of the USF. It's not clear whether this suit will be more successful.



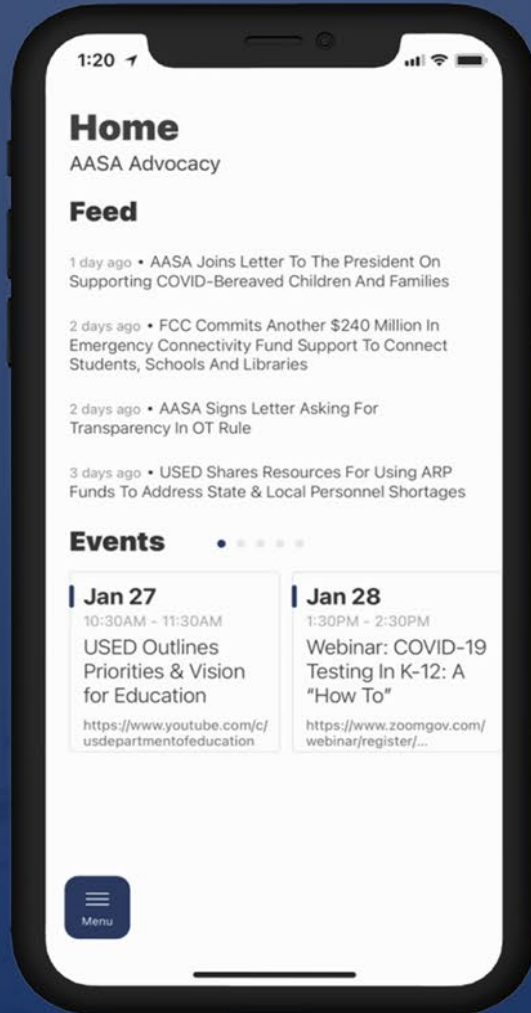
USDA: School Meals Regulations

- New school nutrition regulations are expected this quarter
- Will align with the new Dietary Guidelines for Americans
- What we're watching:
 - New limits on “highly processed foods”
 - Implementation timeline
 - Opportunities for flexibility



Proposed Rule to Amend Student Loan

- Codifies significant changes made to higher education and student loans in H.R. 1
- New regulation defines “professional student” and “professional degree” that will be eligible for higher federal loan limits
 - Professional students: \$50K/year (Aggregate \$200K borrowing limit) - NEW
 - Other graduate or doctoral students: \$20,500/year for full time, \$10,250 for part-time (Aggregate \$100K borrowing limit - NEW)
- Explicitly not included in the “professional degree” definition: Education, Social Work, Occupational Therapy, and Nursing



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Questions?

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