



K-12 Federal Funding Update

Education Interim Committee
Montana Legislature

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Today's Agenda



- 1. FY26 Federal Funding Recap and FY27 Forecast**
- 2. Competitive grant cancellations**
- 3. Changes at U.S. Department of Education**
- 4. ESEA Waivers**

FY26 Budget Comparison for K-12 Programs

Amounts in billions

Programs	FY25 Enacted	FY 26 POTUS Request	FY26 Enacted
ESEA Title I (low-income)	\$18.4	\$18.4	\$18.4
IDEA (disability)	\$15.4	\$15.4	\$15.5
ESEA Title II (teacher dev)	\$2.2	\$0	\$2.2
Impact Aid	\$1.6	\$1.6	\$1.6
ESEA Title IV-A (academic enrichment)	\$1.4	\$0	\$1.4
ESEA Title IV-B (21 st Cent CC)	\$1.3	\$0	\$1.3
ESEA Title III (English lang.)	\$.890	\$0	\$.890
McKinney-Vento	\$.129	\$0	\$.129
Perkins CTE	\$1.45	\$1.450	\$1.45
K-12 Simplified Funding	-	\$2	-
Total	\$79.1	\$66.7 (-\$12)	\$79.0

How did federal funding shape up in FY26? What's Next?

- **Department of Education effectively flat-funded from FY25/FY24**
 - President's FY26 budget was not acted on by Congress
- **Stipulations in FY26 Funding Bill**
 - Education funds must be obligated as soon as they are available
 - Responds to July 2025 OMB withholding of ESEA funds
 - NCSL advocated for this policy to ensure steady funding
- **FY27 Timeline and Dynamics**
 - FY26: Congress still has not passed FY26 funding for DHS
 - FY27:
 - President's budget request expected soon
 - Expect unusual timeline for appropriations process
 - Election forecasts could impact negotiations
 - Recent flat funding pattern seems most likely outcome



K-12 Grant Cancellations

Pattern of grant cancellations, litigation challenges, grant recompeting and reinstatement

- **Mental health**
 - \$1 billion in cancelled grants across two programs, both bolstered by BSCA
 - Litigation to restore funding for some grantees
 - ED released new grant competition in September with new priorities
- **Teacher and school leader training**
 - 100+ grants cancelled across three programs, litigation ongoing
- **Community schools**
 - \$168 million across 19 grantees cancelled in December 2025, litigation ongoing
- **Comprehensive Centers and Regional Education Laboratories**
 - Provide technical assistance to state education agencies, respond to state needs, statutorily required
 - CCs: \$167.5 million terminated across 19 grants
 - RELs: \$339 million terminated across 10 centers
 - All subsequently reinstated following litigation

Interagency Agreements: Department of Education and Other Agencies

Three agreements move core K-12 functions of ED to DOL and HHS



- **Interagency Agreements:**
 - ED retains statutory responsibilities and policy authority
 - Grant management and program administration transfers to new agency
- **July 2025: ED-DOL Announce Workforce Development Partnership**
 - DOL to administer WIOA Title I adult education programs and certain administrative functions related to Perkins Career and Technical Education
 - Creates unified state plan portal for WIOA and Perkins
 - Transition between Sept-Jan was reportedly rocky, fund access was challenged
- **November 2025: ED sends Office of Elementary and Secondary Education to DOL, Indian Education program to Department of the Interior**
 - DOL to manage all ESEA programs (Title I, etc.) – over \$25 billion
 - Transition of K-12 programs moving more deliberately to avoid disruptions
- **February 2026: ED sends family engagement and student support to HHS**
 - Includes Project SERV, school safety, Full-Service Community Schools, Promise Neighborhoods, and Statewide Family Engagement Centers

Elementary and Secondary Education Act (ESEA): Waivers

States have begun to request and negotiate waivers from certain federal provisions



- **Waiver Authority of U.S. Secretary of Education**
 - Secretary is granted authority to waive certain provisions in ESEA
 - Secretary cannot waive 10 key provisions (mostly fiscal provisions)
 - Secretary cannot deny request based on condition outside the request
- **States can provide local flexibilities through existing authorities**
 - Title I schoolwide program consolidation, transferability, Ed-Flex state-to-local waiver authority, through-year assessments, etc.
- **July 30: Department writes letter encouraging waiver requests, outlines existing flexibilities, process for waiver request, explains waiver authority**
 - Officials have said assessment/accountability are admin priorities
 - States encouraged to seek nonbinding guidance when creating waiver
- **At least 2 waiver requests granted, more are in conversation with ED**
 - IA received state admin fund flexibility, LA can grant limited local waivers via Ed-Flex authority, IN paused waiver request