Congress completed the fiscal year 2012 appropriations process on December 17th, 2011, finalizing annual funding for federal education programs through September 30, 2012 at $68.1 billion, down $233 million from the prior year. It is the first year since 2007 that Congress did not increase total appropriations for education programs.[1]

This issue brief is a helpful guide to the appropriations process and recently-enacted fiscal year 2012 education funding. It includes an analysis of funding for major education programs, an explanation of key budget developments and laws that shaped this year’s funding, and a retrospective timeline of the 2012 appropriations process. It also includes tables comparing 2012 funding to earlier House and Senate proposals, prior year funding levels, and the president’s 2012 budget request.

Appropriations Process Overview

Nearly all federal education programs are funded through the annual appropriations process. This means that Congress must appropriate a new funding level for most education programs by the start of each new fiscal year, which begins October 1st of the preceding calendar year. (Fiscal year 2012 began on October 1st, 2011.) Congress usually begins work on appropriations legislation for the upcoming fiscal year in the spring and summer months after adopting a joint budget resolution that establishes an overall funding limit for appropriations for the upcoming fiscal year. During this time, each of the 12 subcommittees of the House and Senate Appropriations Committees adopts a bill that covers funding for programs within their jurisdictions and reports them to the full House and/or Senate for consideration. The Labor, Health and Human Services, Education, and Related Agencies (Labor-HHS-Education) Subcommittee has jurisdiction over education programs. After the House and Senate adopt their respective versions of the appropriations bills, they must work out any differences in conference committee before sending the final bill to the president for his signature.

Congress followed this process only partially for fiscal year 2012 and took a number of actions that strayed from the traditional appropriation process. These developments and their impact on education funding are discussed below.

The 2012 Appropriations Process

The 2012 appropriations process began when the president submitted his budget request to Congress in February of 2011, outlining his recommended funding levels for all education programs.[2] Requested funding for the Department of Education totaled $77.4 billion.[3] A few months after receiving the president’s budget request, the
House and Senate would normally adopt a joint budget resolution that sets a total limit on annual appropriations funding. That limit would then allow the House and Senate Appropriations Committees to begin drafting funding bills for the upcoming fiscal year. But Congress did not adopt a joint budget resolution for fiscal year 2012.

The House did, however, pass its version of a fiscal year 2012 budget resolution in April 2011.[4] In May 2011, the Senate voted on a number of proposed budget resolutions, but did not adopt any proposal. Neither Senate Democratic nor Republican leadership expected any of these proposals to pass. Instead, the effort was meant primarily to demonstrate a lack of support in the Senate for both President Obama’s proposed fiscal year 2012 budget and the House-passed budget resolution.[5]

Ultimately, both the House and Senate relied on the Budget Control Act to set the overall limit for fiscal year 2012 appropriations instead of the normal congressional budget resolution process. The Budget Control Act, enacted in August 2011 to raise the limit on the national debt, established limits on overall appropriations for fiscal year 2012 and subsequent years, and put in place a mechanism to enforce those spending limits: automatic across-the-board spending cuts called “sequestration.”[6]

In passing the law, Congress and the president agreed that the appropriations limit for fiscal year 2012 would be $1.043 trillion, a $7 billion reduction from the comparable 2011 figure. This is the second consecutive year that Congress and the president agreed to reduce overall appropriations funding compared to the prior year. It should be noted that the House-passed budget resolution limited overall appropriations for fiscal year 2012 to $1.019 trillion, a lower limit than the one agreed to in the Budget Control Act. However, the final appropriations bill for fiscal year 2012 conformed to the limits in the Budget Control Act, exceeding the House’s proposed limit.

With the overall appropriations limit more or less settled, the House and Senate each took limited action on the fiscal year 2012 Labor-HHS-Education appropriations bill in the fall. The Democratically-controlled Senate drafted its version of a bill and passed it in committee in September 2011, but took no further action.[7] The Republican-controlled House Labor-HHS-Education Appropriations Subcommittee released a draft version of a fiscal year 2012 bill shortly thereafter, but did not vote on it.[8] The House took no action on this stand-alone bill.

Although neither chamber took any further action on their respective versions of a stand-alone Labor-HHS-Education appropriations bill, the two proposals established the starting point for negotiations over what would become a final omnibus funding bill that wrapped multiple appropriations bills together. It is therefore worth examining some of the key differences between the proposals. (A side-by-side table appears on page 8.)

The House proposed significant increases for Title I grants to local school districts and Individuals with Disabilities Education Act (IDEA) state grants. The Senate did not include increases for either program in its proposal, but would have continued funding for two Obama Administration programs: Race to the Top and Investing in Innovation Fund grants. The House did not include any funding for the latter two programs.

Additionally, the House proposed nearly a dozen changes to eligibility rules for the Pell Grant program in its version of a 2012 funding bill.[9] That allowed the House to maintain the maximum Pell Grant at the prior year’s level of $5,550 while cutting the necessary appropriation by $2.3 billion compared to the year before. The Senate proposal would have left eligibility rules for Pell Grants unchanged and provided the same funding as the prior year. However, the Senate’s proposal would have cut student loan interest benefits and redirected those funds to Pell Grants to supplement the appropriation and maintain a $5,550 maximum grant.
Overall, the House proposal would have provided $65.9 billion for education programs in fiscal year 2012. The Senate would have provided $68.4 billion. Comparable funding for fiscal year 2011 was $68.3 billion. The lower funding level in the House proposal reflects that chamber’s aim to follow the spending limit set in its fiscal year 2012 budget resolution, rather than the higher limit in the Budget Control Act.

In December, months after releasing their proposed Labor-HHS-Education appropriations bills, the House and Senate negotiated a final funding bill based on those proposals as part of a fiscal year 2012 omnibus appropriations bill that funded multiple federal agencies. While the omnibus bill could be called a compromise between the House and Senate education funding proposals, it most resembles the Senate’s proposal.

Below is a timeline of key developments in the fiscal year 2012 education appropriations process, followed by a summary of the major funding provisions included in the final omnibus funding bill that Congress passed on December 17th, 2011.

**Fiscal Year 2012 Appropriations Timeline**

- **February 14, 2011:** President Obama submits his fiscal year 2012 budget proposal to Congress. The detailed budget request includes proposed funding levels for federal programs and agencies in aggregate for the upcoming ten years, and fiscal year 2012 funding levels for individual programs subject to appropriations. The request included $1.129 trillion in total appropriations for fiscal year 2012 (excluding overseas military operations and other emergency funding), including $77.4 billion for education programs.

- **April 15, 2011:** The House passes a fiscal year 2012 budget resolution and establishes a 302(a) allocation, or limit on appropriations, of $1.019 trillion for fiscal year 2012. The comparable figure for fiscal year 2011 is $1.050 trillion. The Senate has not yet passed a budget resolution for fiscal year 2012.

- **May 24, 2011:** The House Appropriations Committee divides the 302(a) allocation and adopts a Labor-HHS-Education Subcommittee 302(b) suballocation of $139.2 billion. The comparable figure for enacted fiscal year 2011 funding is $157.4 billion.

- **May 26, 2011:** The Senate holds votes on four different proposals for a fiscal year 2012 budget resolution, including proposals mirroring the House-passed budget resolution and the president’s request. None passes and the Senate postpones further consideration of a fiscal year 2012 budget resolution. This delays Senate consideration of the fiscal year 2012 Labor-HHS-Education appropriations bill.

- **July 19, 2011:** The Senate Appropriations Committee approves 302(b) suballocations based on the spending cap established in the Budget Control Act. The 302(b) suballocation for the Labor-HHS-Education Subcommittee is $158.0 billion, $591 million above enacted 2011 funding.

- **August 2, 2011:** Congress passes the Budget Control Act of 2011. The bill raises the federal debt limit, places limits on federal appropriations funding for 10 years, and directs Congress to pass additional legislation to reduce spending by the end of 2011. The Senate uses the spending limits in the law in lieu of a budget resolution. It sets the fiscal year 2012 appropriations spending cap at $1.043 trillion, $7 billion below the comparable fiscal year 2011 level.

- **September 7, 2011:** The Senate Appropriations Committee approves 302(b) suballocations based on the spending cap established in the Budget Control Act. The 302(b) suballocation for the Labor-HHS-Education Subcommittee is $158.0 billion, $591 million above enacted 2011 funding.

- **September 21, 2011:** The Senate Appropriations Committee passes a Labor-HHS-Education
appropriations bill totaling $158.0 billion. It includes $68.4 billion for the Department of Education compared to an enacted $68.3 billion in fiscal year 2011.

- September 29, 2011: The House Labor-HHS-Education Appropriations Subcommittee releases a draft fiscal year 2012 appropriations bill totaling $153.4 billion. The draft legislation makes significant changes to Pell Grant eligibility rules and differs significantly from the Senate Appropriations Committee bill in funding federal education programs. Total funding for the Department of Education is $65.9 billion compared to an enacted $68.3 billion in fiscal year 2011.

- September 30, 2011: Congress passes, and the president signs, temporary stop-gap funding for fiscal year 2012. This Continuing Resolution (CR) provides funding at fiscal year 2011 levels, minus an across-the-board 1.503% reduction, through October 4, 2011.

- October 1, 2011: Fiscal year 2012 begins. Neither the House nor Senate has approved appropriations for education programs.

- October 5, 2011: Congress and the president extend the original CR through November 18, 2011.

- November 18, 2011: The president signs into law a "minibus" bill, packaging fiscal year 2012 appropriations bills for Agriculture, Commerce-Justice-Science, and Transportation-Housing and Urban Development into one. For all other federal agencies, including education, the bill extends the fiscal year 2012 CR to December 16, 2011.

- December 16, 2011: The House of Representatives passes a year-end omnibus appropriations bill for fiscal year 2012. It includes the Labor-HHS-Education appropriations bill, and provides funding for all of fiscal year 2012. The Senate passes the bill on December 17. The fiscal year 2012 omnibus includes $156.8 billion for the Labor-HHS-Education appropriations bill. That is a reduction of $669 million compared to enacted fiscal year 2011 funding. Department of Education funding in the omnibus bill totals $68.1 billion, a reduction of $233 million compared to fiscal year 2011.

### Education Funding Highlights for 2012

All funding amounts cited below include an across-the-board rescission of 0.189 percent to the Labor-HHS-Education portion of the omnibus, excluding the Pell Grant program. Congress included the rescission in the omnibus bill to reduce total funding in the bill so that it is within the appropriations limit in the Budget Control Act.

#### Higher Education Programs

The final 2012 omnibus provides $22.8 billion for the Pell Grant program and maintains the maximum grant at $5,550 for the 2012-2013 academic year. The Pell Grant program provides grants to undergraduate college students from low-income families and is the single largest education program supported by the federal government. The program awards students grants on a sliding scale based on family income and the cost of the institutions of higher education that they attend.

The 2012 omnibus makes a number of eligibility changes to the Pell Grant program. Congress made these changes to reduce the cost of the program while maintaining the $5,550 maximum grant level. Specifically, the omnibus bill reduces the maximum income allowable to qualify an applicant for a maximum grant under the “automatic zero” expected family contribution calculation from $32,000 to $23,000; it requires Pell Grant recipients to have a high school diploma, a GED, or have been homeschooled; it cuts the number of years a student can receive Pell Grants from nine to six; and it requires that a student be eligible for 10 percent of the maximum grant instead of 5 percent to receive the minimum grant.
These changes reduce the cost of the annual appropriation for the program by $882 million for fiscal year 2012, and approximately $1.0 billion annually for future years. Eligibility changes also reduce the cost of the program under a separate funding source, the so-called “mandatory” or entitlement funding stream for Pell Grants. Those savings total $793 million over five years, but the bill reallocates those savings back into the program over the next three years (see below).[12]

The necessary funding to support the Pell Grant program at the maximum grant level of $5,550 comes from a number of sources in addition to the regular $22.8 billion appropriation provided in the 2012 omnibus (see table below). The 2011 Budget Control Act will provide a significant amount of support ($7.5 billion) for the program in fiscal year 2012. Congress made this funding available by

<table>
<thead>
<tr>
<th>Pell Grant Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding ($ billions)</td>
</tr>
<tr>
<td>Fiscal Year</td>
</tr>
<tr>
<td>Appropriation</td>
</tr>
<tr>
<td>ARRA stimulus</td>
</tr>
<tr>
<td>SAFRA one-time funds</td>
</tr>
<tr>
<td>2011 CR one-time funds</td>
</tr>
<tr>
<td>Budget Control Act</td>
</tr>
<tr>
<td>2012 student loan/other</td>
</tr>
<tr>
<td>Mandatory formula</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

Maximum Grant

| Appropriation | $4,860 | $4,860 | $4,860 |
| Mandatory formula | $690 | $690 | $690 |
| TOTAL | $5,550 | $5,550 | $5,550 |

Source: New America Foundation; U.S. Department of Education; Congressional Budget Office

Note: ARRA is the American Recovery and Reinvestment Act; SAFRA is the 2010 Student Aid and Fiscal Responsibility Act; 2011 CR is the continuing resolution that served as the final, year-long funding bill and re-allocated funding from year-round Pell Grant to the regular grant.

Specifically, the 2012 omnibus suspends the grace period interest-free benefit on Subsidized Stafford loans. These loans do not accrue interest while a borrower is in school or during the 6-month repayment grace period after a borrower leaves school. The 2012 omnibus suspends the grace period portion of the interest-free benefit for loans issued between July 1, 2012 and July 1, 2014. Borrowers with loans issued in that time frame will be charged interest on their loans immediately after leaving school. This policy saves $1.4 billion over fiscal years 2012-2014.[17]

A separate student loan change in the 2012 omnibus will not affect borrowers. It makes a technical change to interest subsidies paid to private lenders who hold loans issued between 2000 and 2010 under the discontinued Federal...
Family Education Loan Program. The policy saves $105 million, occurring all in fiscal year 2012.

The 2012 omnibus funds the Work-Study program and the Supplemental Educational Opportunity Grant (SEOG) at just below 2011 levels after the 0.189 percent rescission. The programs are funded at $977 million and $735 million, respectively. Both programs provide funds to colleges and universities by formula. Schools then distribute the aid to students from low-income families.

PreK-12 Education Programs
The two largest federal PreK-12 programs, Title I, Part A grants to local education agencies and Individuals with Disabilities Education Act (IDEA), Part B Special Education state grants, both received slight funding increases over the prior year levels in the final 2012 omnibus. The bill provides $14.5 billion for Title I grants, and $11.6 billion for IDEA state grants, above the Senate proposal but below the House plan. Funding exceeds the president’s 2012 budget request, in which he requested small increases for both programs. Title I provides formula-based grants to states and school districts based on their populations of students from low-income families. IDEA state grants provide formula-based grants to states and school districts based on their populations of special education students.

The American Recovery and Reinvestment Act of 2009 (ARRA) provided significant supplemental funding for both Title I, Part A grants to local education agencies and Individuals with Disabilities Education Act (IDEA), Part B Special Education state grants.[18] That funding was supposed to expire at the end of fiscal year 2011. However, the Department of Education has extended the availability of the Title I funds (for those school districts with unspent funds) through the end of fiscal year 2012.[19] Although school districts spent most of these funds in fiscal year 2010 and 2011, school districts in many states still have unspent allocations remaining in fiscal year 2012 that they will likely use to supplement funding provided in the omnibus.[20] The ARRA made an additional $10.0 billion available for Title I grants and $11.3 billion for IDEA state grants, providing significant one-time funding for both programs.

The final 2012 omnibus funds Title I School Improvement Grants at just below the 2011 level at $534 million. The president requested $600 million in his 2012 budget proposal with the intention of further growing the program, while the House proposed defunding the program entirely. School Improvement Grants provide funds to states to help local school districts turn around chronically low-performing schools. School Improvement Grants received $3.0 billion in funding under the ARRA in 2009, funding that states can access through 2014.

The 2012 omnibus provides $299 million for the Teacher Incentive Fund (TIF), $100 million below 2011 levels. TIF is a competitive grant program focused on improving teacher compensation systems at the state and local level. The omnibus specifies that these compensation systems must consider student achievement gains and classroom evaluations and include the input from teachers and other stakeholders.

The Promise Neighborhoods program received a $30 million increase over 2011 levels to $60 million in 2012. This is far below the president’s request of $150 million. These competitive grants, which received funding for the first time in 2010, help support the design and implementation of community-based education programs similar to the Harlem Children’s Zone.

The 2012 omnibus also restores funding for Striving Readers. Congress did not provide the program with funding in 2011, though it had in every year prior going back to 2005. The president did not request funding for Striving Readers in his 2012 budget request. However, the Senate included $183 million in its proposed appropriations bill. The 2012 omnibus provides $160 million for the program, which offers support for local comprehensive
literacy development and education programs and state activities such as data collection and technical assistance.

Congress honored the president’s request to provide funding for a new round of competitive grants under the Race to the Top and Investing in Innovation Fund programs. Both programs were originally created in the American Recovery and Reinvestment Act of 2009 to encourage innovation and reform at the state and local levels. Congress also provided funding for the programs in 2011. However, the 2012 omnibus provides far less funding than the president requested— the president requested $900 billion for Race to the Top and $300 million for Investing in Innovation. The bill also amends the existing law governing the Race to the Top program by opening its competitive grant application process to local education agencies in addition to states.

The omnibus also defunds several smaller programs, including Foreign Language Assistance ($27 million in 2011), Teaching of Traditional American History ($46 million in 2011), Voluntary Public School Choice ($26 million in 2011), and Javits Fellowships ($8 million in 2011). The president proposed the elimination of these programs in his fiscal year 2012 budget request. Congress regularly provided these programs with annual appropriations in past years.
Federal Education Appropriations by Fiscal Year (budget authority, $ billions)

<table>
<thead>
<tr>
<th>Program</th>
<th>2011 Appropriation</th>
<th>2012 President’s Request*</th>
<th>2012 Senate Appropriations Committee</th>
<th>2012 House Appropriations Subcommittee Draft</th>
<th>2012 Omnibus**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pell Grants***</td>
<td>22.96</td>
<td>28.60</td>
<td>22.96</td>
<td>20.65</td>
<td>22.82</td>
</tr>
<tr>
<td>Title I grants to local education agencies</td>
<td>14.46</td>
<td>14.49</td>
<td>14.46</td>
<td>15.46</td>
<td>14.52</td>
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<tr>
<td>IDEA special education state grants</td>
<td>11.48</td>
<td>11.71</td>
<td>11.48</td>
<td>12.71</td>
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<tr>
<td>Impact aid basic support payments</td>
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<td>1.14</td>
<td>1.14</td>
<td>1.17</td>
<td>1.15</td>
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<tr>
<td>Work-Study grants</td>
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<td>0.98</td>
<td>0.98</td>
<td>0.98</td>
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<tr>
<td>TRIO Programs</td>
<td>0.83</td>
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<td>Supplemental Educational Opportunity Grants</td>
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<td>Race to the Top</td>
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<td>Title I School Improvement Grants</td>
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<td>Teacher Incentive Fund</td>
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<td>Fund for the Improvement of Education</td>
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<td>Safe and Drug-Free Schools, national programs</td>
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<td>Other education programs</td>
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<td>13.76</td>
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<td>TOTAL EDUCATION APPROPRIATIONS</td>
<td>68.35</td>
<td>77.40</td>
<td>68.43</td>
<td>65.93</td>
<td>68.11</td>
</tr>
</tbody>
</table>

*Numbers reflect proposed funding for programs as configured under current law, not the president’s proposal to consolidate programs.

** Numbers reflect 0.189 percent across-the-board rescission specified in the omnibus bill.

***Reflects the regular annual appropriation only; excludes funds from other sources. See table on page 5 of this document for a comprehensive list of funding.

Source: U.S. Department of Education; New America Foundation
Notes


[9] Changes that the House proposed in its subcommittee draft to Pell Grant eligibility rules include the following: The bill would have repealed eligibility for students attending school less than half-time and required that students attend at least half-time to be eligible for grants; required students to be eligible for at least 10 percent, rather than 5 percent, of the maximum grant to qualify for the minimum grant; limited the number of grants recipients can receive to 12 semesters instead of 18; reduced the “income protection allowances” for dependent and independent students, thereby requiring Pell Grant applicants to include more of their income in the eligibility test; cut the family income level that automatically qualifies a student for a maximum grant to $15,000 from $30,000 (both effective figures are higher due to inflation adjustments); redefined untaxed income and benefits in the eligibility criteria to exclude military housing values; and required eligible students to have a high school diploma, a GED, or have been homeschooled to qualify for a grant, thereby eliminating the so-called “ability-to-benefit test” that recipients could pass as an alternative to a high school-equivalent credential. A side-by-side of these proposed changes and current law is available at: http://edmoney.newamerica.net/sites/newamerica.net/files/articles/Pell%20Grant%20Eligibility%20Side-by-Side%20Updated_0.pdf.


[17] Ibid.


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