Issue Brief

Key Questions on the Obama Administration's 2013 Education Budget Request

Federal Education Budget Project

February 2012

President Barack Obama submitted his third budget request to Congress on February 13th, 2012. The budget request includes proposed funding levels for all federal programs and agencies in aggregate for the upcoming 10 fiscal years, and specific fiscal year 2013 funding levels for programs subject to the annual appropriations process.

It is important to remember that the president's budget request is a policy and budget proposal, but not legislation or law. Actual fiscal year 2013 funding levels for nearly all federal education programs will be determined through the congressional appropriations process that Congress aims to complete by the start of the new fiscal year, which begins October 1st, 2012. Policy changes and funding levels that the president proposes for education programs not funded through appropriations process (i.e. mandatory programs) are also subject to congressional approval.

In an effort to heighten the quality of debate on federal education policy, the New America Foundation's Federal Education Budget Project has reviewed the president's proposals and generated a list of key questions policymakers, the media, stakeholder groups, and the public should ask about the proposals.

PreK-12 Education

1) The President proposes $850 million for the next round of Race to the Top grants, including a focus on young children (birth to age 5) in another Early Learning Challenge competition. How much funding in the proposed grant competition would be dedicated to early learning? Would the competition make use of the increases for child care funding the president included in his request for the Department of Health and Human Services? Could the competition require better alignment between child care programs and elementary schools? And would a new version of the competition be aimed at school districts instead of states, as is proposed for other Race to the Top programs?

2) The president proposes expanding the 21st Century Community Learning Center program to encourage districts to increase the number of hours in the regular school day and redesign the school schedule for all students in the school. Currently, the program provides grants to support before- and after-school, summer school, and expanded learning time programs. Would schools be able to use these funds to extend kindergarten from half-day to full-day? Could funds be used to extend the

school day for pre-K programs housed in a public school?

3) The president's budget request mentions providing states and school districts with flexibility over the use of Title I funds under the Elementary and Secondary Education Act (currently known as No Child Left Behind) now marked for supplemental education services, school choice, and professional development to allow them to engage in "locally-determined, rigorous interventions in schools." Thus far, such flexibility has only been awarded to states via the No Child Left Behind waiver program. How would districts become eligible for this new flexibility? Would they have to apply via a waiver process? What types of reforms are considered "rigorous"? Will the administration identify only specific types of eligible reforms? Can the administration implement these changes without action from Congress?

4) The president's budget request proposes reserving up to 25 percent of funding under the Effective Teacher and Leaders State Grants program (currently called Improving Teacher Quality State Grants) to implement programs and built evidence on the best ways to recruit, train, and support teachers and school leaders. The existing program provides formula grants to states and school districts to improve teacher quality through professional development and other interventions. Would this 25 percent set-aside be distributed competitively or by formula? Would the funding go directly to school districts or would states control what districts receive the funds? Finally, has the administration identified certain types of interventions or reforms that it specifically would like to fund with this money? Would districts also be able to use the funds to support pre-K teachers as well?

5) The president's budget request includes a new program called Advanced Research Projects in Agency-Education (ARPA-ED), which would be funded through the existing $150 million Investing in Innovation (i3) fund. The Investing in Innovation fund provides competitive grants to school districts, non-profits, or consortia to implement or scale up reform efforts. What portion of that funding would go to support ARPA-ED? What types of innovations would the program focus on? Will ARPA-ED be used to evaluate i3 grantees? How will the administration ensure that ARPA-ED avoids redundancy with Institute for Education Sciences work? Finally, how will the administration ensure that ARPA-ED is using rigorous research practices?

6) The president's budget request includes $30 billion for school modernization, $25 billion for K-12 teacher stabilization, and $5 billion for "strengthening the teaching profession" through the American Jobs Act, a bill he proposed originally in 2011. The Department of Education would administer the funding but it would not be part of the Department's regular annual appropriation. While the initial version of the American Jobs Act included the same modernization and stabilization funding, it did not include the teacher reform program. Will funding under the proposed teacher reform program be distributed via formula or competitively? The program description includes a wide variety of uses from reforming schools of education to re-shaping teacher tenure. Will the funds be broken down further by purpose? How will these efforts be different from the existing Teacher Incentive Fund or the Improving Teacher Quality State Grants program?

Higher Education

7) The president's budget request proposes a community college initiative administered jointly by the Departments of Education and Labor that would provide $8 billion over three years for job training programs built in partnerships between states, community colleges, and private sector organizations. The administration says that this initiative "builds on the

success of the Trade Adjustment Assistance Community College and Career Training (TAA CCCT) program." However, the first TAA grants were only distributed in September 2011, making it difficult to determine whether the program can actually be considered a success. How will the administration define success in either the existing or the newly-created program? Does the Community College Initiative differ from the TAA program in any significant way? How will the funds be distributed?

8) The president proposes making the $2,500 America Opportunity Tax Credit (AOTC) permanent. The AOTC provides a tax credit for higher education expenses to families with incomes as high as $180,000. Families that have no income tax to claim against the credit can receive a "refundable credit" of up to $1,000. The AOTC is scheduled to expire at the end of this year and making it permanent would cost about $7.9 billion per year. Why not use this new funding to shore up the Pell Grant program instead? Starting in fiscal year 2014, the program will need $7 billion in supplemental funding every year to maintain the current grant level and eligibility rules. The president's budget includes only $1.7 billion of such supplemental funding for that year. While Pell Grants are awarded to the lowest income and most needy students, the U.S. Treasury says some $5 billion of the AOTC is awarded to families earning over $75,000 a year.

9) The president's budget shows that the fiscal year 2013 appropriation for the Pell Grant program will be offset by a $2.0 billion surplus from prior year funding. That is, Congress actually overfunded the program in past years by a cumulative $2.0 billion. That funding will now help offset what is needed to fund this year's maximum grant of $5,635. It is the first such operating surplus in six years and the largest ever. Why was the cost of the program in past years lower than estimated? What was the biggest factor contributing to the downward re-estimate? Are cost estimates likely to continue to be too high in the future, instead of too low as they have been in recent years?

10) The president's budget proposes suspending the scheduled interest rate increase for Subsidized Stafford loans (federal loans for lower and middle-income borrowers) made to undergraduates. Rates for newly-issued loans will increase from 3.4 percent to 6.8 percent as of July 1, 2012. The budget proposal shows that a one-year extension of the 3.4 percent rate would cost $3.9 billion. Why did the president propose only a one-year extension? If re-elected, will the president's next budget proposal include another one-year extension or will it allow the rate increase to take effect? Why are lower rates necessary to ease repayment burdens if borrowers with high loan debt already qualify for income-based repayment options enacted by the Obama administration? In other words, with income-based repayment plans coupled with loan forgiveness, aren't interest rates irrelevant for those borrowers who truly need assistance?

11) The president proposes converting the Perkins Loan program into a new direct loan program and expanding the available loans to $8.5 billion. The existing Perkins Loan program operates as a revolving loan pool at institutions of higher education that includes capital contributions from both schools and the government. The new loans would be available only to some students at a limited set of schools that "demonstrate success in serving low-income students, restraining growth in tuition, and providing good value." Because the loan terms would be identical to Unsubsidized Stafford loans, the program effectively allows eligible students to borrow twice as much in Unsubsidized Stafford loans as their peers. The Obama administration estimates that the new program comes at no cost to taxpayers and that the interest rate students pay will more than offset the cost of the program. The president's budget shows that the program will earn the federal government $5.8 billion over five years and $8.8 billion over ten years. If the proposed program really provides borrowers with federal loans at no cost to taxpayers, why limit this new program to only some schools and some borrowers? The loans still provide

far more favorable terms than students can get in the private market, and dependent undergraduates may currently borrow no more than $5,500 or $7,500 annually in federal student loans, far below the cost of attendance for many students. Why not extend the proposal to all schools or at least all borrowers at eligible schools?

12) The administration's budget includes a proposal to overhaul the TEACH Grant program and replace it with a new Presidential Teaching Fellows program, virtually identical to the president's 2012 proposal. The program would provide $185 million in formula grants to states that would be distributed as scholarships to students attending high-quality teacher preparation programs and planning to teach high-need subjects in high-need districts for at least three years. The existing program is estimated to cost about $40 million in fiscal year 2012. Will the new program be worth the added cost even though it will only provide grants to 14,000 recipients compared to 47,000 TEACH Grant recipients in 2012? Does this change reflect the administration's coordinated efforts to ensure teacher effectiveness through all federal programs targeting teachers, or are there other reasons for ending the TEACH program? The administration estimates that 75 percent of students who receive TEACH Grants will not complete the required three years of service, and will therefore pay back the money they received under the program as a loan; will the proposed changes help ensure that participants remain in the teaching profession longer or teach in high-need schools for longer?

© 2012 New America Foundation

This report carries a Creative Commons license, which permits re-use of New America content when proper attribution is provided. This means you are free to copy, display and distribute New America's work, or include our content in derivative works, under the following conditions:

Attribution. You must clearly attribute the work to the New America Foundation, and provide a link back to www.Newamerica.net.
Noncommercial. You may not use this work for commercial purposes without explicit prior permission from New America.
Share Alike. If you alter, transform, or build upon this work, you may distribute the resulting work only under a license identical to this one.

For the full legal code of this Creative Commons license, please visit www.creativecommons.org. If you have any questions about citing or reusing New America content, please contact us.

MAIN OFFICE
1899 L Street, NW
Suite 400
Washington, DC 20036
Phone 202 986 2700
Fax 202 986 3696

CALIFORNIA OFFICE
921 11th Street
Suite 901
Sacramento, CA 95814
Phone 916 448 5189

NEW AMERICA FOUNDATION
WWW.NEWAMERICA.NET