

ISSUE BRIEF

SUMMARY AND ANALYSIS OF PRESIDENT OBAMA'S EDUCATION BUDGET REQUEST

Fiscal Year 2012

FEDERAL EDUCATION BUDGET PROJECT, EDUCATION POLICY PROGRAM

FEBRUARY 2011

President Barack Obama submitted his third budget request to Congress on February 14th, 2011. The detailed budget request includes proposed funding levels for federal programs and agencies in aggregate for the upcoming 10 fiscal years, and specific fiscal year 2012 funding levels for individual programs subject to appropriations. Congress will use the president's budget request to inform its consideration of tax and spending legislation later this year, including the fiscal year 2012 appropriations bill that will set specific funding levels for federal education programs. Fiscal year 2012 begins October 1, 2011.

It should be noted that Congress has not yet completed the fiscal year 2011 appropriations process. Fiscal year 2011 began on October 1st, 2010 and federal programs subject to appropriations have been temporarily funded at fiscal year 2010 levels through a Continuing Resolution (CR) that expires March 4th, 2011. Thus year-over-year funding comparisons with the president's fiscal year 2012 request are tentative.

The administration pledged to freeze "non-security discretionary spending" for five years in its fiscal year 2012 budget proposal. This spending category includes all federal

agencies except the Departments of Defense, Homeland Security, Veterans Affairs, and State, international aid programs, and the National Nuclear Security Administration. The proposed freeze would limit this spending category to \$400 billion, the same level the president requested for fiscal year 2011.

Despite the proposed spending freeze, the administration has proposed a significant increase for education programs. In fact, under the president's proposal, the U.S. Department of Education would receive the largest increase (in both percentage and absolute terms) in discretionary funding from fiscal year 2010 and 2011 levels compared to any other non-security domestic agency.

The administration has proposed a \$77.4 billion budget for education programs subject to the annual appropriations process, up from an annualized \$69.9 billion under the temporary funding in place through March 4th. In fiscal year 2010 funding totaled \$64.2 billion. Most of the increase is due to the funding request for the Pell Grant program for college students from low income families. A smaller share of the funding increase is due to the president's request to continue some programs from the

2009 American Recovery and Reinvestment Act, such as the Race to the Top grant program. Other key programs, such as Title I grants to local education agencies and Individuals with Disabilities Education Act grants to states would also receive small increases over the prior year.

This issue brief provides a summary and analysis of the president's fiscal year 2012 education budget request. All comparisons to fiscal year 2011 funding levels reflect funding through the Continuing Resolution (CR) if it were annualized.

PreK-12 Education

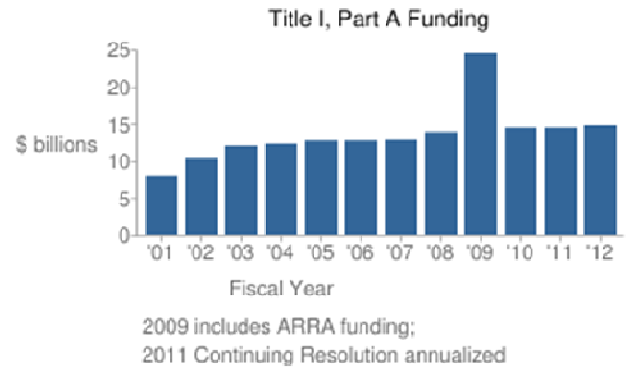
Early Education

- The president's budget request includes a new \$350 million competitive grant program called the Early Learning Challenge Fund. The program would provide grants to states to build systems that support children before they reach kindergarten. This program was originally proposed as part of education legislation that passed the U.S. House of Representatives in 2009 and was at one point bundled with the health care reform bill, but was dropped during debate.

Elementary and Secondary Education Act Title I Funding

- The fiscal year 2012 budget request includes \$14.8 billion for Elementary and Secondary Education Act (ESEA) Title I, Part A grants to local education agencies (LEAs), \$300 million more than in fiscal year 2010 and the current 2011 CR. This \$300 million increase is for a new Title I Rewards authority that would provide financial rewards to the staff and students at successful low-income schools. The budget request reflects the administration's proposed Elementary and Secondary Education Act reauthorization legislation that would rename Title I, Part A "College- and Career-Ready Students" and make several changes to how schools are

assessed under the program. For example, "adequate yearly progress" would be replaced by school performance measures based on student achievement and growth and school progress, rather than achievement levels.

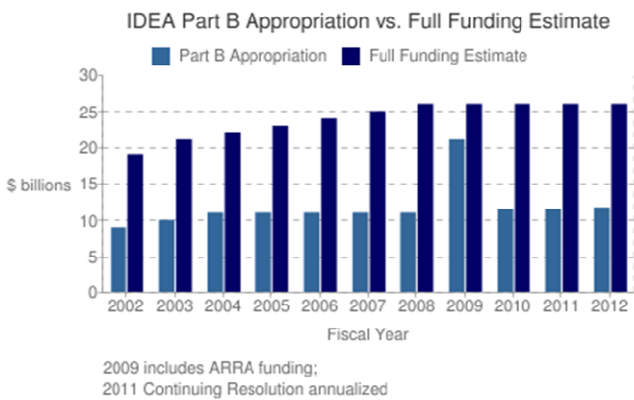


- Title I School Improvement Grants (SIG), a separate funding stream specifically for improvement activities in schools identified as in need of improvement, would increase by \$54 million from fiscal year 2010 and 2011 CR levels to \$600 million. The president's proposal would rename the program School Turnaround Grants and allow flexibility for states to develop their own intervention strategies for most struggling schools. However, states would be required to use certain intervention models during the turnaround process in the bottom 5 percent of schools, as is currently the case for the SIG funds distributed through the American Recovery and Reinvestment Act of 2009 (ARRA).

Special Education Funding

- The president's fiscal year 2012 budget request includes a \$200 million increase in regular funding for special education grants to states under Part B of the Individuals with Disabilities Education Act (IDEA) to \$11.7 billion. According to IDEA law, full funding for the program is 40 percent of the additional cost of educating special education students. In fiscal year 2012, this is approximately \$26 billion. Preschool grants would receive funding at 2010 and 2011 CR levels, while grants for infants and families would receive a \$50 million

increase in funding to \$489 million under the president's 2012 budget proposal.



provide productivity prizes to school districts that have cut costs or increased efficiency while improving effectiveness.

- Like the president's 2011 budget request, the 2012 request consolidates several existing education programs that support innovation. New programs under the consolidation include a \$372 million Expanding Education Options program that would provide funding for charter schools and other school choice measures and an \$86 million College Pathways and Accelerated Learning program to increase high school graduation rates.

Innovation and Other Initiatives

- The 2012 budget request includes \$900 million to expand the Race to the Top program created by the American Recovery and Reinvestment Act of 2009 (ARRA). The program provides competitive grants to states to implement innovative practices that address teacher distribution, the use of student data, the quality of standards and assessments, and supports for struggling schools. This new funding would extend the program into 2012 and open up the competition to additional state agencies as well as local education agencies. Rural school districts would be considered separately from urban and suburban districts to ensure that they get a fair share of the funding.
- The president's fiscal year 2012 budget request includes \$300 million in funding for the Investing in Innovation (i3) fund created by the ARRA. These funds provide competitive grants to support local education agencies (LEAs) and partnerships that have demonstrated progress in improving student achievement. Funds can be used to study, expand, or scale up current efforts. The new i3 funding would include special provisions for rural districts and a competitive priority for applicants that focus on science, technology, engineering, and mathematics (STEM). Additionally, the budget request includes a new "Pay for Success" provision that would

New Programs Created by Proposed ESEA Consolidation (\$ millions)

Excellent Instructional Teams

Effective Teachers and Leaders	2,500
Teacher and Leader Innovation Fund	500
Teacher and Leader Pathways	250

Effective Teaching and Learning for a Complete Education

Effective Teaching and Learning: Literacy	383
Effective Teaching and Learning: Science, Technology, Engineering, and Mathematics	206
Effective Teaching and Learning for a Well-Rounded Education	246

Expanding Educational Options

372

College Pathways and Accelerated Learning

86

Supporting Student Success

Successful, Safe and Healthy Students	365
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Total Consolidated Program Funding

4,908

Pre-Consolidation 2011 Program Funding

5,291

Source: U.S. Department of Education

- Other program consolidations included in the 2012 budget request focus on improving instruction and learning under certain subject areas. These consolidations would result in three new larger programs. A \$383 million Effective Teaching and

Learning: Literacy program would combine several existing literacy programs including Striving Readers and Even Start to provide competitive grants to states to implement comprehensive efforts to improve literacy. A \$206 million Effective Teaching and Learning: Science, Technology, Engineering, and Mathematics (STEM) program would repurpose the existing Mathematics and Science Partnerships program to provide competitive grants to states to improve STEM instruction. Finally, a \$246 million Effective Teaching and Learning for a Well-Rounded Education program would merge existing programs like Arts in Education, Civic Education, and Teaching American History to provide competitive grants to states to strengthen instruction in subjects beyond math and literacy. The Well-Rounded Education program would also include support for the effective use of technology in the classroom.

- The 2012 budget request includes a \$140 million increase from the fiscal year 2010 and 2011 CR funding level for the Promise Neighborhoods program, bringing total funding up to \$150 million. This program provides competitive grants to non-profit organizations to open comprehensive education programs like the Harlem Children's Zone in New York City.
- The budget request would increase the Institute of Education Science's budget by \$101 million over the 2010 and 2011 CR funding level to \$760 million in 2012. This increase is primarily attributable to a \$60 million increase in the Research, Development, and Dissemination budget, and \$42 million increase in the Statewide Data Systems grant budget. These funds would go to support more rigorous evaluations of current Department of Education programs and the improvement of state data systems and usage.

Teachers and School Leadership

- The president's 2012 budget request consolidates several existing teacher and school administration programs

into three larger programs under a new Excellent Instructional Teams umbrella. These programs include \$2.5 billion for an Effective Teachers and Leaders program, \$500 million for a new Teacher and Leader Innovation Fund, and \$250 million for a new Teacher and Leader Pathways program. Each program would support formula or competitive grants to states or local education agencies to improve teacher recruitment, distribution, and retention.

Higher Education

- In his two prior budget requests, President Obama proposed to make the Pell Grant program an entitlement, removing it from the annual appropriations process and funding it through mandatory spending. Annual grant levels would be indexed to inflation starting at \$5,550. In 2010 Congress passed the Health Care and Education Reconciliation Act that created a new funding stream for Pell Grants similar to what the president had requested, but funding only a portion of the annual grant. Most funding for the program is still provided through the appropriations process. In the 2012 budget proposal, the president drops his request to fund the Pell Grant program entirely through mandatory spending. Instead the president would maintain the new program structure – a maximum grant of \$5,550 that rises with inflation starting in 2013 funded through appropriations and a mandatory formula. Given the rapid growth in the cost of the program in recent years, the president proposes a \$28.6 billion appropriation for fiscal year 2012, up from a regular appropriation of \$17.5 billion in fiscal year 2010. The proposal also increases the mandatory funding available for the program by \$7.7 billion in fiscal year 2012. This additional funding would be offset by reductions in other education programs (discussed below) which total \$18.5 billion over five years and \$43.9 billion over 10 years. The president's proposal labels these spending reductions the Pell Grant Protection Act.

- As part of the Pell Grant Protection Act, the president's proposed 2012 budget would end the year-round Pell Grant policy that lets students collect two grants in a single award year with the second grant generally used to pay for summer school. If enacted in the coming months, the proposal would reduce costs for the program by \$4.0 billion in fiscal year 2011 and by \$4.8 billion in fiscal year 2012. The administration argues that there is little evidence that year-round grants help students earn degrees faster – which was the goal of the policy when it was included in the Higher Education Opportunity Act in 2008.

Pell Grant Costs and Funding for Maximum Grant of \$5,550 (\$ billions by fiscal year)

Funding By Source	2010	2011	2012
Regular Appropriation*	17.5	23.2	28.6
Remaining ARRA Stimulus	3.4	--	--
Mandatory funding set by formula	5.3	5.2	4.9
SAFRA	--	13.5	--
New mandatory funding**	--	--	7.7
Total Funding	26.2	41.9	41.2
Costs			
Program Cost	36.6	39.8	40.9
Prior year shortfall (+) or surplus (-)	-2.7	11.1	5.0
Elimination of year-round grant**	--	-4.0	-4.8
Net Cost	33.9	46.9	41.2

*2011 appropriation is pending; 2012 appropriation is the president's requested level.

**President's fiscal year 2012 proposal.

Source: U.S. Department of Education

- Another proposal under the Pell Grant Protection Act is the president's request to eliminate the “in-school interest subsidy” on federal student loans (Stafford Loans) for graduate and professional students, saving \$13.3 billion over five years and \$29.3 billion over 10 years. Most federal student loans accrue interest while students attend school, but a subset of loans – those

made to graduate and undergraduate students who have lower incomes (or whose families have lower incomes in the case of undergraduate students) – do not accrue interest until after students leave school. The president's proposal would end this benefit for graduate students, arguing that it does not encourage students to attend graduate school, is not well-targeted to borrowers who need extra repayment help, and is unnecessary because of other loan repayment and forgiveness benefits available on federal loans.

- The president's budget request for fiscal year 2012 would make changes to the Perkins Loan program similar to the proposal included in the 2010 and 2011 budget requests. Perkins loans are provided to college students with greater financial need. Currently, the federal government provides loan capital and institutions of higher education manage the funds as a revolving pool of loans. In both fiscal years 2010 and 2011, the program provided \$971 million in low-interest loans to approximately 500,000 students. Under the president's budget request, available loan funds would increase to \$8.5 billion in 2012 and the number of recipients would grow to 3 million. Additionally, the federal government would make the loans directly to students instead of funding a revolving loan pool at individual schools. Schools, however, would still play a role in determining which students receive loans. Loans would accrue interest while students are in school, unlike under the current program. The Department of Education estimates that the program would earn \$7.3 billion over the next 10 years through interest charged to borrowers. These earnings would help fund the proposed Pell Grant Protection Act.

- The Pell Grant Protection Act also includes a proposal that would encourage borrowers with federal student loans under the Federal Family Education Loan (FFEL) program to convert those loans to the Direct Loan program if they have loans under both programs. The FFEL program was discontinued in 2010 under the

Health Care and Education Reconciliation Act. Some borrowers therefore have loans under both the FFEL and Direct Loan programs, which creates an administrative burden on both borrowers and the Department of Education. Under the proposal, borrowers would receive a 2 percent reduction in their loan balances for converting to direct loans. The proposal would save \$2.1 billion in fiscal year 2012 by eliminating subsidies that would be paid to private lenders holding FFEL loans.

- The president's budget request proposes a new College Completion Incentive Grant program. This program would be funded through mandatory spending. Grants would be made to state governments so that they could provide incentive payments to schools. Participating states would be required to align high school graduation requirements with college readiness requirements and set goals for increasing the number of students completing college. The president's fiscal year 2012 budget request would provide \$852 million for this new program over five years, and \$1.3 billion over 10 years.
- The president's budget request would replace the TEACH Grant program with a new Presidential Teaching Fellows grant program for states, noting that only 75 percent of TEACH Grant participants fulfill the program's teaching requirements. The TEACH Grant program provides aid directly to postsecondary students who are training to become teachers. The program provides grants up to \$4,000 per year for bachelor's studies or \$8,000 total for master's studies for tuition, fees, and other housing costs to students who commit to teaching high-need subjects in low-income schools after completing their postsecondary education. Under the president's proposal, the Presidential Teaching Fellows program would provide \$185 million a year for scholarships to talented students in successful teacher education programs to states that agree to measure the performance of their teaching institutions, hold less successful programs accountable, and improve licensure and certification standards.

Program Cuts and Eliminations

- Under discretionary programs (those subject to appropriations), the fiscal year 2012 budget request includes 13 education program eliminations, which collectively received \$147 million in fiscal year 2010 and the 2011 CR. Programs suggested for termination include the Leveraging Educational Assistance Partnership Program (LEAP), Byrd Honors Scholarship, and Historic Whaling and Trading Partners. Several of the proposed program eliminations were also identified in past budget requests.

Education Program Eliminations

Program	Fiscal Year 2011 Funding (\$ millions)
Leveraging Educational Assistance Partnership Program	64
B.J. Stupak Olympic Scholarship	1
Byrd Honors Scholarship	42
College Textbook Rental Pilot Initiative	10
Historic Whaling and Trading Partners	9
Legal Assistance Loan Repayment	5
Underground Railroad Educational and Cultural	2
Other	14
Total	147

Source: U.S. Department of Education

- The budget request also folds funding for the Tech Prep Education State Grants program into the Career and Technical Education (CTE) State Grants program to make the funding more flexible as states develop secondary and postsecondary work-based learning programs. The president's request proposes \$1.0 billion in funding for CTE State Grants in 2012, a savings of \$264 million from fiscal year 2010 and 2011 CR levels.

- The president's budget request also includes a series of program consolidations. These consolidations would take 38 existing programs and collapse them into 11 new and more streamlined programs. These new programs would

administer either competitive or formula-based grants to improve teaching, learning, and student safety. Taken together, these consolidations would result in \$283 million in savings over 2011 CR levels.

Discretionary Education Funding in President Obama's Fiscal Year 2012 Budget Request Compared to 2011 Levels (\$ millions)

PreK-12 Education			
Program	2011*	2012 Request	Change (%)
Title I, Part A Grants to LEAs	14,492	14,792	2
Individuals with Disabilities Education Act Part B	11,505	11,705	2
Excellent Instructional Teams	3,495	3,250	-7
Supporting Student Success	1,541	1,781	-16
Impact Aid Basic Support Payments	1,138	1,138	0
Career and Technical Education and Tech Prep	1,272	1,008	-21
Race to the Top**	0	900	N/A
Effective Teaching and Learning for a Complete Education	920	835	-9
Institute of Education Sciences	659	760	15
English Learner Education	750	750	0
School Improvement (Turnaround) Grants	546	600	10
Assessing Achievement	411	420	2
Early Learning Challenge Fund	0	350	N/A
Investing in Innovation***	0	300	N/A
Research, Development, and Dissemination	200	260	3
Promise Neighborhoods	10	150	1400
Higher Education			
Program	2011*	2012 Request	Change (%)
Pell Grants	23,000	28,600	23
Work Study	980	980	0
TRIO Programs	853	920	8
Supplemental Education Opportunity Grants	757	757	0
GEAR UP	323	323	0
Fund for the Improvement of Postsecondary Education	140	150	7
All Other Education Programs	6,953	6,671	-4
Total, Department of Education	69,945	77,400	10

* Reflects an annualized amount approved in Congress through a Continuing Resolution set to expire March 4, 2011.

**Received \$4.35 billion under the American Recovery and Reinvestment Act of 2009.

***Received \$650 million under the American Recovery and Reinvestment Act of 2009.

Source: U.S. Department of Education



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