

ISSUE BRIEF

KEY QUESTIONS ON THE OBAMA ADMINISTRATION'S 2012 EDUCATION BUDGET REQUEST

FEDERAL EDUCATION BUDGET PROJECT

FEBRUARY 2011

President Barack Obama submitted his third budget request to Congress on February 14th, 2011. 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 2012 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 2012 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, 2011. 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.

A review of the president's proposal for fiscal year 2012 is complicated by the fact that Congress has not yet completed the fiscal year 2011 appropriations process. Thus, no year-over-year funding comparisons can be made. Fiscal year 2011 began on October 1st, 2010 and federal programs subject to appropriations funding have been temporarily funded at the prior year's levels through March 4th, 2011.

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's request proposes \$350 million for an Early Learning Challenge Fund, a new competitive grant program designed to spur states to build stronger systems for early learning for children up to age 5. There is evidence that gains that children make in early learning programs are not always sustained through elementary school. Would this new program include any provisions to ensure that the gains children make in preschool programs are sustained and built upon, year by year, in kindergarten and the early grades?

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- 2) The administration proposes to change the name of the existing \$546 million School Improvement Grants program to the School Turnaround Grants program and to increase funding to \$600 million in fiscal year 2012. It appears that the proposal makes no substantive changes to the old program's structure with respect to early education. Given that the Department of Education has flexibility in designing the grant-making criteria, will the administration require grantees to include elements of a strong early education system – including full-day kindergarten – as part of the transformation of low-performing elementary schools?
 - 3) The president's budget request proposes extending Race to the Top to include local education agencies in addition to state education agencies. It appears that there will be separate grant competitions for each type of agency. How much money will be available for each competition? How will the competition for rural school districts be considered separately, and how much money will be available for this competition? The request also includes additional funds for the Investing in Innovation program. How will the administration ensure that there is no redundancy between the two programs?
 - 4) The Expanding Educational Options program includes a provision for competitive grants to local education agencies to increase the range of high quality options for students at low-performing schools. The program is aimed at increasing the number of academic options for students through choice. Will the program also allow grant recipients to provide tutoring and other services similar to those currently funded by the Supplemental Education Services program in places where better educational options are not available or are over-subscribed? How will the administration ensure that these new options and services are of high quality?
 - 5) The president's budget request includes a new program called Advanced Research Projects in Agency-Education (ARPA-ED) that would be funded through the Fund for the Improvement of Education. Would this program be run through the Institute for Education Sciences or through a separate part of the Department of Education? If it will be run separately, how will the administration ensure that the two entities avoid redundancy? Additionally, how will the administration ensure that ARPA-ED is using rigorous research practices?
 - 6) The president's budget request includes \$150 million for the Promise Neighborhoods program, which seeks to incubate and grow programs like the Harlem Children's Zone. The Department of Education awarded \$10 million in planning grants late last year. What is the status of those planning grants? Will the recipients of the planning grants receive this new money as well or will there be a new grant competition? If it will be the same grant recipients, will those grant recipients be ready to start implementing their plans in fiscal year 2012?
 - 7) The president's budget request includes \$300 million for a new Title I Rewards program that would provide financial rewards to staff and students at successful low-income schools. How would these funds be distributed among states or successful schools? What is the administration's opinion on how financial rewards are best distributed to students?

Higher Education

- 8) The president's proposed 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. The proposal would reduce costs in the program

by \$3.4 billion in fiscal year 2011 and by \$4.2 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. Given that the year-round Pell policy has only been in existence for a few years, is it premature to say in 2011 that the program is not working? What evidence does the administration have that students are not completing programs and earning degrees faster?

- 9) The president's budget request would eliminate the "in-school interest subsidy" on federal student loans for graduate and professional students, saving \$13.3 billion over five years and \$29.3 billion over ten years. The savings would be used to shore up Pell Grants. 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. These arguments seem to apply just as well to the in-school interest subsidy for undergraduate students. Why did the administration propose eliminating the benefit on these grounds for graduate students but opt to maintain it for undergraduate students? Are the policy's weaknesses only applicable to graduate students?
- 10) The president proposes to convert the Perkins Loan program into a new direct loan program and expand the available loans to \$8.5 billion. The existing program operates as a revolving loan pool at institutions of higher education that includes capital contributions from both schools and the federal government. The Obama administration estimates that the new program – under which the U.S. Department of Education will make loans directly to students – will earn the federal government \$4.9 billion over five years and \$7.4 billion over ten years. How does this program "earn" money for the federal government if it makes subsidized loans to colleges students? The Congressional Budget Office has identified an accounting loophole that makes federal loan programs appear to earn a profit for the government when they in fact do not. Are the earnings from the Perkins Loan proposal calculated using this loophole?
- 11) For the past two years, lobbying groups for the higher education industry have opposed the administration's Perkins Loan program proposal, described above, which has appeared in some form in all three of the administration's annual budget requests. Does the administration believe that it will receive more support this year? If so, does the Department of Education believe it has more leverage because the proposal's projected earnings would be used to help prop up the Pell Grant program, which is in dire financial straits, and because it would prevent the existing Perkins Loan program from expiring as scheduled in 2014?
- 12) The president's budget request would replace the TEACH Grant program with a new Presidential Teaching Fellows grant program for states. The new 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. Research shows that under the current TEACH Grant program, many eligible students do not receive grants. Some students cannot access the grants because the schools they attend do not participate in the program or require them to take preliminary courses before entering teacher training programs. Others choose not to take the grant in case they are unable to fulfill the employment requirements, in

which case the grant turns into a loan. Did these shortcomings prompt the administration to propose replacing the program with its new proposal? Are there other reasons why the administration wants to effectively end the TEACH Grant program?

- 13) Considering that Congress is still struggling to find the money to keep the maximum Pell Grant at \$5,550 in fiscal year 2011, is there any guarantee that the changes the president has proposed in his budget request will put the Pell Grant on a sustainable path? Or will the administration have to come back next year with other suggested reforms? Is the administration still confident that the maximum award will reach \$5,975 by 2017, as is called for in the student loan reform legislation Congress passed last year?



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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



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