



NEW AMERICA FOUNDATION FEDERAL EDUCATION BUDGET PROJECT

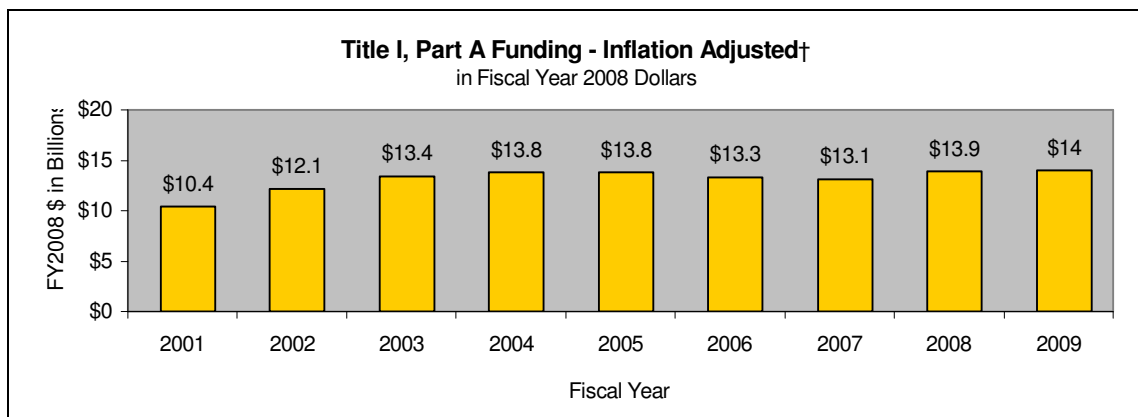
Analysis of President Bush's Education Budget Request Fiscal Year 2009

President George W. Bush submitted his eighth and final budget request to the Congress on Monday. Under the proposal, fiscal year 2009 discretionary spending—spending subject to annual appropriations—would be at the same level as in the prior year for domestic programs and agencies not involved in homeland security efforts. The budget request for the Department of Education fits this general theme. Fiscal year 2009 discretionary spending at the Department of Education would total \$59.2 billion, the same level of funding provided in 2008.* Despite requesting level funding for the agency as a whole, the administration proposes increases for a number of its existing priority programs, as well as significant funding reductions or eliminations for others. In general, there are few new initiatives or programs proposed—most of the “new” education proposals have been included in previous budget requests.

K-12 EDUCATION

No Child Left Behind Title I Funding

- President Bush's fiscal year 2009 budget for education requests an increase of \$406 million in Title I, Part A grants. The \$14.3 billion in proposed funding represents a 2.9 percent increase from 2008, a slight increase above the rate of inflation. Title I School Improvement grants, a separate funding stream specifically for school improvement activities in failing schools, would remain flat at \$491 million.
- The President proposes that all new Title I money be distributed in the form of Targeted Grants, which provide more money per child as a district's poverty rate increases. Basic and Concentrated Grants—which provide the same amount of money per poor child—would remain at the same level, as would Education Finance Incentive Grants, which are the most targeted of Title I grants.



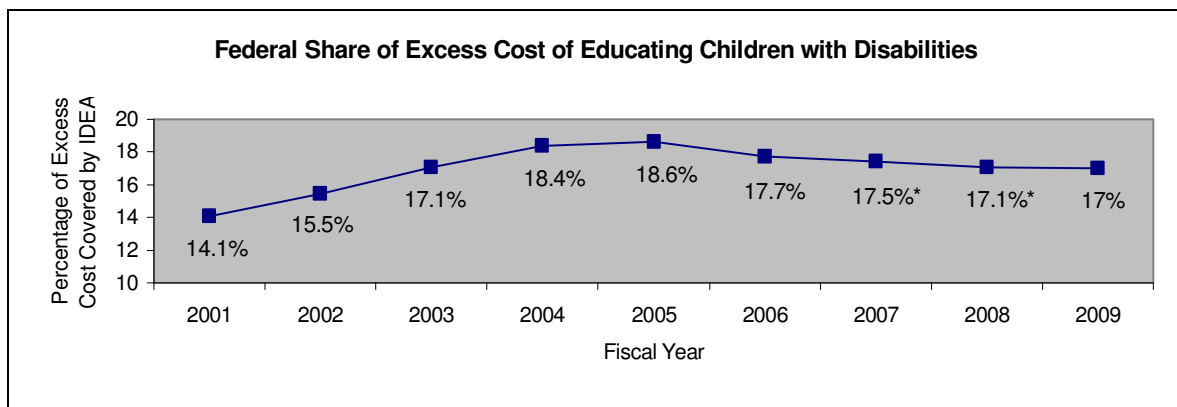
†Funding numbers adjusted using GDP deflator from the Office of Management and Budget 2009 budget documents.

* The comparison includes advance appropriations made in 2008 that become available in the succeeding fiscal year and advance appropriations proposed in the budget for 2009 that become available the succeeding fiscal year.

- As part of his administration's No Child Left Behind (NCLB) reauthorization proposal, President Bush would require school districts to direct more of their Title I funds to high schools. School districts would have to ensure that high schools receive at least 90 percent of their "fair share" of Title I funds, as based on their number of low-income students. At present, high school students represent one-fifth of low-income K-12 students, but high schools only receive around 8 to 10 percent of Title I funds. If school districts are required to give a significantly larger proportion of their Title I funds to high schools without receiving a comparable increase in their overall grants, they will have to cut Title I spending in elementary schools. This could affect achievement gains in grades three through eight.

Special Education Funding

- Special education grants to states under Part B of the Individuals with Disabilities Education Act would increase by \$337 million to \$11.3 billion under the President's budget request. This represents a 3.1 percent increase from 2008, and would keep the federal share of the estimated excess cost of educating children with disabilities at 17 percent, or approximately \$1,658 per child. Almost all other special education programs are flat-funded at 2008 levels.



Excess cost estimates are from the Congressional Research Service.

*FY 2007 and FY 2008 percentages are FEBP estimates based on per-pupil expenditure and excess cost trends.

School Choice

- President Bush's newest school choice proposal is titled "Pell Grants for Kids," a \$300 million voucher program that would provide funds for students in low-performing schools to switch to either out-of-district public schools or private schools. This is the third consecutive year and third different name under which the administration has proposed a large-scale voucher program. The major difference from previous proposals is that students receiving a Pell Grant for Kids would have to take either their state's NCLB test or a nationally norm-referenced exam. Test results, however, would not be used as part of the NCLB accountability system, and the Department has yet to determine what, if any, penalties for schools or students would accompany poor test results.
- The budget request proposes cutting and restructuring the 21st Century Community Learning Centers program, which currently funds centers that provide extended learning opportunities to students in failing schools. The centers would be replaced with a new 21st Century Learning Opportunities program, which would use the funds for voucher-type scholarships for similar after-school activities approved by states. It appears that this new program would replicate NCLB's Supplemental Educational Services (SES) provision. At present, states are struggling to evaluate the quality and academic outcomes of SES providers, and presumably would confront the same problems identifying high-quality "Learning Opportunities" for parents.
- Of the other major school choice programs, the administration asked for the largest increase in Charter School Grants, proposing a \$25 million expansion to \$236 million. The administration also proposed returning funding for the Credit Enhancement for Charter Schools program back to its 2007 level of \$37 million, while flat-funding the Voluntary Public School Choice program at \$26 million.

BUDGET BASICS from *Ed Budget Project.Org*

The President's Budget Request

The President's budget request reflects the administration's recommendations for overall spending and revenue levels for the upcoming fiscal year as well as the subsequent four fiscal years. The President must submit the budget to Congress by the first Monday of each February. The budget request includes detailed information on how much funding should be spent on various individual government programs. It thus serves as an outline of the President's policy priorities for the upcoming year.

Next Step in the Budget Process: Congressional Budget Resolution

After the submission of the President's budget request, Congress prepares a budget resolution. The budget resolution is an agreement between the two legislative chambers establishing both spending and revenue levels for at least the five upcoming fiscal years, as well as various rules and procedures governing the budget process. After the House and Senate pass a budget resolution it does not go to the President; it is not actually legislation. The budget resolution is a set of self-imposed guidelines used to govern Congressional activity and procedures related to taxing and spending legislation considered later in the year. The target date for adopting the budget resolution conference report is April 15th, though it is often adopted later. In some years, Congress fails to adopt a new budget resolution altogether.

Teachers

- President Bush proposes cutting \$100 million from the Teacher Quality State Grants program, and using that reduction to increase funding for the Teacher Incentive Fund. The Teacher Incentive Fund would increase by \$103 million to \$200 million to support an expansion of performance-based teacher and principal compensation plans. The Teacher Quality State Grants program is a larger, more flexible program that already authorizes activities similar to those supported by the Teacher Incentive Fund. This proposal would splinter off funding for an activity favored by the Bush administration, which is the reverse of the administration's priority of eliminating smaller, duplicative programs.
- The President also proposes \$10 million for an Adjunct Teacher Corps, a program to hire non-teaching professionals with subject-matter expertise to teach secondary-school courses. This is the fifth consecutive year that the administration has proposed the program, but it has never been funded.

Reading Programs

- Funding for the Reading First program would be restored to \$1 billion, after Congress cut it by \$636 million last year in response to an investigation into conflicts of interest in the program's management. The administration promises that the Reading First scandal has been resolved, and that the Department of Education has taken the appropriate steps to restore its management credibility. In addition, the administration proposes expanding the Striving Readers program for middle and high school students reading below grade level by \$65 million to \$100 million.

Math and Science

- President Bush continues his requests for increased funding for elementary and secondary math and science programs, as outlined and authorized in the America COMPETES Act of 2007. His major funding proposals are \$95 million for Math Now, a math instruction program modeled on Reading First initially proposed in the 2007 request but not yet funded, and \$70 million for a restructured Advanced Placement program focused on math and science, an increase of \$27 million.

HIGHER EDUCATION

Student Loans

- President Bush's Office of Management and Budget subsidy cost estimates for the two student loan programs—the Federal Family Education Loan Program (FFEL) and the Direct Loan program—for 2008 and 2009 show that the FFEL program provides loans at a lower per-loan cost than the Direct Loan program. In 2009, new FFEL loans will cost an average of \$2.58 for each \$100 lent over the life of the loan. Comparably, new Direct Loans will cost an average of \$2.94.
- The 2008 and 2009 student loan cost estimates reported in the budget request are the first to indicate that new loans under FFEL will cost less than loans made under the Direct Loan program. The cost advantage for FFEL loans, however, can be attributed to a bias in the estimates that understates default costs for FFEL loans and overstates default costs for Direct Loans. Cost estimates done by the Congressional Budget Office (CBO) do not include the defaulted loan bias, and show FFEL loans to be more costly than loans under the Direct Loan program. Additionally, a new loan forgiveness program for public sector employees in the Direct Loan program increases the program's relative costs and is reflected in both CBO and OMB estimates, but it does not make the program delivery structure more costly.

Federal Student Loan Subsidy Estimates*

Office of Management and Budget (FY 2009 Budget Appendix)

	FY 2008	FY 2009
Direct Loans	0.76	1.44
<u>Admin Costs</u>	<u>1.50</u>	<u>1.50</u>
Total	2.26	2.94
FFEL	1.07	2.21
<u>Admin Costs</u>	<u>0.37</u>	<u>0.37</u>
Total	1.44	2.58

Congressional Budget Office (January Baseline Budget Estimate)

	FY 2008	FY 2009
Direct Loans	-9.84	-4.86
<u>Admin Costs**</u>	<u>n/a</u>	<u>n/a</u>
Total	-9.84	-4.86
FFEL	4.71	2.21
<u>Admin Costs**</u>	<u>n/a</u>	<u>n/a</u>
Total	4.71	6.87

*Reflects the lifetime government subsidy costs of making a student loan in the given year. Subsidy costs are presented as a percentage of the value of the disbursed loan principal.

**The Congressional Budget Office does not include administrative costs in loan subsidy estimates.

- The budget proposes a change in the eligibility rules for the new Loan Forgiveness for Public Service Employees program created under the College Cost Reduction and Access Act last year. Borrowers who pursue public service careers and begin loan repayment after October 1, 2007 are eligible to have the remaining balance of their loans forgiven after 10 years. The benefit is available to Direct Loan and FFEL borrowers who refinance into direct lending. The budget proposal would limit eligibility to new borrowers who take out loans after October 1, 2009. It is unknown how many older borrowers would lose the public service loan forgiveness benefit as per the administration's budget request.
- The administration proposes a new and relatively small loan program designed to help dislocated and unemployed workers obtain training to upgrade their job skills. The administration expects the program to provide \$362 million in loans to 377,000 recipients in the 2009 fiscal year. While the administration generally has supported consolidating or eliminating smaller duplicative federal education programs, it appears that the new job training loan program breaks with this theme and would be an addition to the existing student loan program structure. It is unclear, given the few details provided, why the program could not be more efficiently administered by adding the benefit to the existing student loan programs.

Grants

- The budget includes a proposed \$652 million cancellation of the \$960 million Congress has made available for the Academic Competitiveness and SMART Grant programs in 2009, citing insufficient program participation rates. The proposal follows on the \$525 million Congress rescinded for fiscal year 2008 in appropriations legislation enacted last year.

- The budget request includes a proposed maximum Pell Grant of \$4,800, or \$69 over the 2008 level, available for the 2009-2010 school year. A maximum grant level of \$4,310 would be funded by discretionary appropriations and an additional \$490 would be supported through mandatory spending already included in current law.

PROGRAM CUTS AND ELIMINATIONS

- President Bush proposes eliminating 47 programs and significantly cutting several others. Three programs are recommended for elimination for the first time this year: Reading is Fundamental, Special Olympics Education Program, and Tribally Controlled Postsecondary Career and Technical Institutions. All of the other programs have been perennial targets of the administration and been rejected.

- The largest proposed elimination is the entire Career, Technical, and Adult Education account, which received \$1.3 billion in funding in 2008 and was recently reauthorized in 2006. The Bush administration has been trying to transfer vocational education funding to Title I grants in order to implement high school reform efforts under NCLB; however, the requested Title I increases do not match the proposed \$1.3 billion elimination. President Bush first proposed eliminating vocational education programs in favor of funding for high school accountability in his fiscal year 2004 budget request, but his proposal has been rejected each year.

Major Program Eliminations

Career and Technical Education	\$1.27 billion
Supplemental Educational Opportunity Grants	\$758 million
Education Technology State Grants	\$268 million
Even Start	\$67 million
Perkins Loan Forgiveness	\$64 million
Leveraging Educational Assistance Partnerships	\$64 million

Major Program Cuts

Safe and Drug-Free Schools	- \$151 million
21 st Century Community Learning Centers	- \$281 million

**MAJOR DISCRETIONARY FUNDING CHANGES
REQUESTED IN PRESIDENT BUSH'S FISCAL YEAR 2009 BUDGET
Selected Education Programs**

Program	Fiscal Year 2008 Appropriation (in millions)	Fiscal Year 2009 Request (in millions)	Change, FY08 – FY09 Request
K-12 EDUCATION			
Title I, Part A Grants to LEAs	\$13,899	\$14,305	+ 2.9 %
IDEA, Part B Grants to States	\$10,948	\$11,285	+ 3.1 %
Improving Teacher Quality State Grants	\$2,935	\$2,835	- 3.4 %
Reading First	\$393	\$1,000	+ 154 %
21st Century Community Learning Centers/Opportunities	\$1,081	\$800	- 26 %
Pell Grants for Kids	—	\$300	+ 100 %
Safe and Drug-Free Schools and Communities	\$513	\$282	- 45 %
Teacher Incentive Fund	\$97	\$200	+ 106 %
Striving Readers	\$35	\$100	+ 183 %
Math Now	—	\$95	+ 100 %
Advanced Placement	\$44	\$70	+ 61 %
Adjunct Teacher Corps	—	\$10	+ 100 %
Career and Technical Education	\$1,161	—	- 100 %
Educational Technology State Grants	\$267	—	- 100 %
Even Start	\$66	—	- 100 %
HIGHER EDUCATION			
Pell Grants	\$14,215	\$16,851	+ 19 %
Strengthening HBCUs	\$238	\$153	- 36 %
Fund for the Improvement of Postsecondary Education	\$120	\$37	- 69 %
TEACH Grants	\$7	\$14	+ 100 %
Supplemental Educational Opportunity Grants	\$758	—	- 100 %
Perkins Loan Forgiveness	\$64	—	- 100 %
Leveraging Educational Assistance Partnerships	\$64	—	- 100 %