August 4, 2000

MEMORANDUM TO BRUCE REED

CC: Barbara Chow
From: JB Buxton
Re: Teacher Housing Incentives

This memorandum provides options for possible executive actions on a program to assist the nation's teachers find affordable housing. Helping teachers find affordable housing can be an incentive for teachers to enter and remain in the profession and to teach in high need areas. The memorandum also provides background on the policy issue, current local and federal efforts, and introduced legislation in the area.

An executive action on teacher housing could be used as a deliverable at a message event on teacher quality. It would provide an opportunity to showcase the administration's teacher quality budget package and to demonstrate the Administration's commitment to teachers, to helping states and districts attract teachers to high need areas, and to the importance of high quality teachers to improved student performance.

Background

As states and districts have grappled with the challenge of recruiting and retaining high-quality teachers for their schools—especially their high need schools—they have traditionally focused on salary incentives such as signing bonuses, relocation stipends, and across-the-board pay raises. In addition to these initiatives, some districts have begun to turn to incentive programs focused on housing and home ownership.

With over 2 million teachers to be hired in the next decade and data that shows 22% of teachers leave their jobs within the first three years and 30-50% of teachers leave jobs in urban areas in the first five years of teaching, states and districts need help in attracting and retaining high quality teachers, especially in hard-to-staff geographic areas and struggling schools and districts. Housing and home ownership incentives are ways to offer tangible recruitment and retention incentives for teachers, attract teachers to high need areas, and provide implicit pay raises through rental and home ownership subsidies.

A few districts and cities have begun to offer teacher housing programs to their workforce. In **Baltimore**, the school district is offering a $5,000 home-buying grant to assist teachers with closing costs or down payments for homes purchased in the city. **San Jose, CA** has begun a program that will provide teachers with loan assistance, up to $40,000 at 0% interest, which can be used for the purchase of a single-family residence, town home, or condominium. In **Santa Clara, CA**, the Intel Corp. has agreed to purchase a $10 million bond from the school district at below-market interest that will allow the district to create a $1.25 million fund to help pay $500 a month toward each eligible teacher's mortgage for five years. And in **San Francisco**, the city is involved in a local effort to build affordable apartment buildings for teachers.

Through HUD, the federal government had initiated a couple of small programs to help teachers find affordable housing. The **Teacher Next Door Program** offers teachers a 50% discount on HUD homes (homes that FHA has foreclosed on). Homes must be located in the school district in which the teacher is employed and they must be in a HUD-designated "revitalized area." The program is a small one. HUD looks to offer about 8,000 to 10,000 single-family houses, townhouses and condominiums. However, at present, there are only 1,500 homes are eligible for purchase. HUD is also involved in providing mortgage insurance for developers in the San Francisco initiative to build apartments for local teachers.

Introduced Legislation

Over the last few years, there have been three bills on the Hill (all introduced in the House) dealing with the issue of teacher housing. The only bill to pass the House and go to the Senate was one sponsored by Rep. Lazio (R-NY).

Lazio's bill includes some initiatives we might want to do with an executive action. HR 1776 offers a variety of measures to help teachers purchase homes, including mortgage insurance assistance, loan guarantees, reduced down payment requirements. It would also create a discounted (50 percent) home purchase and downpayment assistance program for qualified teachers, law enforcement officers, and other emergency personnel for FY 2000 through 2004. HR 1776 passed the house by a vote of 417-8 earlier this year. It was referred to the Senate Committee on Banking, Housing, and Urban Affairs. Hearings were held on the bill in March.

The two other bills that were introduced are buried in the House Subcommittee on Housing and Community Opportunity. HR 2657, introduced by Rep. Joe Crowley (D-NY), would authorize the Secretary of HUD to sell HUD-owned single family properties at a discount to eligible elementary and secondary school teachers for use as their residences and would provide mortgage down payment assistance. HR 3884, introduced by Rep. John J. LeFalce (D-NY), would provide for 1% down payments for FHA mortgage loans for teachers and public safety officers.

Options for Executive Action

The following are some options for executive actions to help states and districts recruit and retain teachers that are not subject to the appropriations process. Any initiative on teacher housing would be focused on the goal of attracting and retaining teachers in high need areas. While this initiative would provide implicit pay raises for teachers, the program should be targeted to those teachers and areas where it is most in need.

Option 1: Executive Order or Executive Memorandum to HUD

We could create an EO or EM to HUD that would direct the Secretary to develop programs within statutory authority to assist teacher home ownership. Such an executive action would reference expanding or improving the Teacher Next Door Program and creating an FHA program that would offer such subsidies as discounted rates for down payments, lower interest rates, and higher mortgage amounts.

Pro: We would be visible on teacher recruitment issues and assisting teachers during the budget process. We would also be providing help to states and districts where it's needed.

Con: We wouldn't actually be doing anything. Given the time left in the Administration, it is questionable whether much of a program would get developed—it wouldn't be much of a priority. No teacher would see likely see a benefit before the Administration ends.

Option 2: Develop an FHA Mortgage program for Teachers

Direct HUD to develop (through an EO or otherwise) an FHA program along the lines as the one they offer to Indian Americans and veterans. A program for teachers would offer home ownership assistance through such areas as lower rates if interest, lower down payments, lengthier term of mortgage, higher mortgage limits, and lower mortgage insurance costs and monthly premiums.

Pro: Would create a program that could begin immediately—teachers would benefit. Could be done through an EO or through negotiations and development with HUD.

Con: May not be within authority of HUD, without statutory changes (waiting for answer).

Option 3: Develop "Mortgage E Letters" and other Programmatic Initiatives

Much like what the White House and HUD did with the ADA event last week, we could develop what are called "mortgage E letters" and programmatic initiatives, which entail sending directives to all the lenders with whom they work to inform them of specific lending policies or funding possibilities with respect to housing for teachers. For example, they could inform lenders that they can subsidize the cost of mortgage insurance on apartment buildings for teachers, as they do in San Francisco.

Pro: This would be a useful deliverable for a teacher quality event and would get us out there on the issue. It may spur some private sector/lender action to help make home ownership and housing rental more affordable for teachers.

Con: It won't ensure that anything occurs as a result. Lenders would have to respond and it is unlikely that anything would happen while the Administration was here. Overall, you might see a few more San Francisco-like apartment building programs, which are not as desirable as home ownership assistance programs.

Recommendation

If HUD has the statutory authority to carve out a special FHA program for teachers, then it would make sense for the President to create an EO directing HUD to create such a program, as well as to develop any other programs which help make housing more affordable and home ownership possible for teachers as a means for recruiting and retaining them in high need areas. If it is not possible, then the third option (mortgage E letters) would create the possibility of assistance and would at the least demonstrate our commitment to the issue.

Labor, Health Human Services and Education Appropriations

($ in 000s)

		2000 Comparable	Budget Request	House Passed Post Supp.	Senate Passed	Conference
DEPARTMENT OF EDUCATION						
Education Reform						
Goals 2000: Educate America Act:						
State Grants forward funded	D	456,500	-	-	-	-
Advance from prior year	D	-	-	-	-	-
FY02	D	-	-	-	-	-
State Grants current funded	D	1,500	-	-	-	-
Parental Assistance	D	33,000	33,000	-	40,000	38,000
Recognition and Reward	D	-	50,000	-	-	-
Total: Goals 2000		491,000	83,000	-	40,000	38,000
School-to-Work Opportunities	D	55,000	-	-	-	-
Educational Technology						
Technology Literacy Challenge Fund	D	425,000	450,000	517,000	425,000	450,000
Technology Innovation Challenge Fund	D	146,255	-	197,500	100,000	190,000
Regional Technology in Education Consor	D	10,000	10,000	10,000	10,000	10,000
Next Generation Technology Innovation	D	-	170,000	-	-	-
Subtotal: Technology for Education		581,255	630,000	724,500	535,000	650,000
National Activities						
Technology Leadership Activities	D	2,000	2,000	2,000	2,000	2,000
Teacher Training in Technology	D	75,000	150,000	85,000	125,000	125,000
Community-Based Technology Center	D	32,500	100,000	32,500	65,000	52,950
Subtotal: National Activities		109,500	252,000	119,500	192,000	179,950
Star Schools	D	50,550	-	45,000	43,000	50,550
Ready to Learn Television	D	16,000	16,000	16,000	16,000	16,000
Telcom Demo Project for Mathematics	D	8,500	-	-	8,500	8,500
Telcom Program for Professional Devlep.	D	-	5,000	-	-	-
Subtotal: Educational Technology		765,805	903,000	905,000	794,500	905,000
21st Century Community Learning Centers	D	453,377	1,000,000	600,000	600,000	600,000
Small, Safe, and Successful High Schools	D	-	120,000	-	-	-
Total: Education Reform		1,765,182	2,106,000	1,505,000	1,434,500	1,543,000
Current year		1,765,182	2,106,000	1,505,000	1,434,500	1,543,000
FY02		-	-	-	-	-
Subtotal: Forward funded		511,500	-	-	-	-
Education for the Disadvantaged						
Grants to Local Educational Agencies (LEAs)						
Basic Grants						
Advance from prior year	NA	5,046,366	5,046,366	5,046,366	5,046,366	5,046,366

Labor, Health Human Services and Education Appropriations

($ in 000s)

		2000 Comparable	Budget Request	House Passed Post Supp.	Senate Passed	Conference
Forward funded	D	1,733,134	481,237	1,733,134	2,108,958	1,952,089
Current funded	D	3,500	-	3,500	3,500	3,500
Subtotal: Basic Grants, current year appro	D	1,736,634	481,237	1,736,634	2,112,458	1,955,589
Subtotal: Basic Grants, current year		6,783,000	5,527,603	6,783,000	7,158,824	7,001,955
Basic Grants FY02 Advance	D	5,046,366	5,201,863	5,046,366	5,000,945	5,000,945
Subtotal: Basic Grants, program level		6,783,000	5,683,100	6,783,000	7,113,403	6,956,534
Concentration Grants						
Advance from prior year	NA	1,158,397	1,158,397	1,158,397	1,158,397	1,158,397
Forward funded	D	-	-	-	-	72,789
Subtotal: Concen. Grants, current year approp		-	-	-	-	72,789
Subtotal: Concen. Grants, current year		1,158,397	1,158,397	1,158,397	1,158,397	1,231,186
Concentration Grants FY02 Advance	D	1,158,397	1,002,900	1,158,397	1,222,397	1,222,397
Subtotal: Concentration Grants, program level		1,158,397	1,002,900	1,158,397	1,222,397	1,295,186
Targeted Grants	D	-	1,671,500	-	-	-
Subtotal: Grants to LEAs (program level)		7,941,397	8,357,500	7,941,397	8,335,800	8,251,720
Capital Expenses for Private School Children	D	12,000	-	-	6,000	6,000
Even Start	D	150,000	150,000	250,000	185,000	250,000
State Agency Programs:						
Migrant	D	354,689	380,000	354,689	380,000	380,000
Neglected and Delinquent/High Risk Youth	D	42,000	42,000	42,000	50,000	46,000
Evaluation	D	8,900	-	8,900	-	8,900
Comprehensive School Reform Demonstration	D	170,000	190,000	190,000	-	210,000
Total: ESEA		8,678,986	9,119,500	8,786,986	8,956,800	9,152,620
Migrant Education						
High School Equivalency Program	D	15,000	20,000	20,000	20,000	20,000
College Assistance Migrant Program	D	7,000	10,000	10,000	10,000	10,000
Subtotal: Migrant Education		22,000	30,000	30,000	30,000	30,000
Total: Education for the disadvantaged		8,700,986	9,149,500	8,816,986	8,986,800	9,182,620
Current Year		2,496,223	2,944,737	2,612,223	2,763,458	2,959,278
FY02		6,204,763	6,204,763	6,204,763	6,223,342	6,223,342
Subtotal: Forward Funded		2,461,823	2,914,737	2,569,823	2,729,958	2,916,878
Impact Aid						
Basic Support Payments	D	737,200	720,000	780,000	853,000	818,000
Payments for Children with Disabilities	D	50,000	40,000	50,000	50,000	50,000
Payments for Heavily Impacted Districts (Sec.	D	72,200	-	82,000	82,000	82,000
Subtotal:		859,400	760,000	912,000	985,000	950,000

Labor, Health Human Services and Education Appropriations

($ in 000s)

		2000 Comparable	Budget Request	House Passed Post Supp.	Senate Passed	Conference
Facilities Maintenance (Sec. 8008)	D	5,000	5,000	8,000	8,000	8,000
Construction (Sec. 8007)	D	10,052	5,000	25,000	35,000	30,000
Payments for Federal Property (Sec. 8002)	D	32,000	-	40,000	47,000	40,000
Total: Impact Aid		906,452	770,000	985,000	1,075,000	1,028,000
School Improvement Programs						
Teaching to High Standards, current	D	-	405,000	-	-	-
FY02	D	-	285,000	-	-	-
Eisenhower Professional Development	D	335,000	-	-	435,000	435,000
National Programs						
School Leadership Initiative	D	-	40,000	-	-	-
Improvement of Teaching and School Lea	D	-	25,000	-	-	-
Hometown Teachers	D	-	75,000	-	-	-
Higher Standards/Higher Pay	D	-	50,000	-	-	-
Teacher Quality Incentives	D	-	50,000	-	-	-
Troops to Teachers	D	-	25,000	-	-	-
Early Childhood Educator Professional De	D	-	30,000	-	-	-
Innovative Education (Education Block Grant)	D	80,750	-	80,750	515,000	515,000
Advance from prior year	D	-	285,000	285,000	1,185,000	1,185,000
FY02	D	285,000	-	285,000	2,585,000	2,585,000
Education Block Grant, program level		365,750	-	365,750	3,100,000	3,100,000
Class Size Reduction, current	D	400,000	850,000	-	-	-
Advance from prior year[1]	NA	-	900,000	900,000	-	-
FY02	D	900,000	900,000	-	-	-
Class Size Reduction, program		1,300,000	1,750,000	-	-	-
[1] Funds made available in FY 2000 appropriation						
Teacher Empowerment Act[1], current	D	-	-	850,000	-	-
Advance from prior year	NA	-	-	-	-	-
FY 02	D	-	-	900,000	-	-
Teacher Empowerment Act, program		-	-	1,750,000	-	-
[1]Teacher Empowerment Act subject to authorization						
Safe and Drug Free Schools:						
State Grants, current funded	D	109,250	109,250	109,250	117,000	109,250
Advance from prior year	D	-	330,000	330,000	330,000	330,000
FY02	D	330,000	330,000	330,000	330,000	330,000
State Grants, program level		439,250	439,250	439,250	447,000	439,250
National Programs	D	110,750	150,750	110,000	145,000	145,000
Coordinator Initiative	D	50,000	50,000	50,000	50,000	50,000
Project SERV	D	-	10,000	-	-	-
Subtotal: Safe and Drug Free Schools		600,000	650,000	599,250	642,000	634,250

Labor, Health Human Services and Education Appropriations

($ in 000s)

		2000 Comparable	Budget Request	House Passed Post Supp.	Senate Passed	Conference
Inexpensive Book Distribution (RIF)	D	20,000	20,000	21,000	23,000	23,000
Arts in Education	D	11,500	23,000	16,500	18,000	27,000
Other school improvement programs:						
Magnet Schools Assistance	D	110,000	110,000	110,000	110,000	110,000
Education for Homeless Children & Youth	D	28,800	31,700	32,000	31,700	35,000
Women's Educational Equity	D	3,000	3,000	3,000	3,000	3,000
Training and Advisory Services (Civil Right	D	7,334	7,334	7,334	7,334	7,334
Ellender Fellowships/Close Up	D	1,500	-	1,500	1,500	1,500
Education for Native Hawaiians	D	23,000	23,000	23,000	28,000	28,000
Alaska Native Education Equity	D	13,000	13,000	13,000	15,000	15,000
Charter Schools	D	145,000	175,000	175,000	210,000	190,000
Subtotal: Other school improvement programs		331,634	363,034	364,834	406,534	389,834
Opportunities to Improve our Nation's Schools	D	-	20,000	-	-	-
Strengthening Technical assistance Capacity	GD	-	38,000	-	-	-
Comprehensive Regional Assistance Centers	D	28,000	-	28,000	28,000	28,000
Advanced Placement Fees	D	15,000	20,000	20,000	20,000	20,000
Total: School improvement programs		3,006,884	3,869,034	3,165,334	4,672,534	4,657,084
Current Year		1,491,884	2,354,034	1,650,334	1,757,534	1,742,084
FY02		1,515,000	1,515,000	1,515,000	2,915,000	2,915,000
Subtotal: Forward funded		955,300	1,395,950	1,073,500	1,100,200	1,095,750
Reading Excellence Act	D	65,000	91,000	65,000	91,000	91,000
Advance from prior year	D	-	195,000	195,000	195,000	195,000
FY02	D	195,000	195,000	195,000	195,000	195,000
Reading Excellence, program level		260,000	286,000	260,000	286,000	286,000
Indian Education						
Grants to Local Educational Agencies	D	62,000	92,765	92,765	92,765	92,765
Federal Programs						
Special Programs for Indian Children	D	13,265	20,000	13,265	20,000	20,000
National Activities	D	1,735	2,735	1,735	2,735	2,735
Subtotal: Federal Programs		15,000	22,735	15,000	22,735	22,735
Total: Indian Education		77,000	115,500	107,765	115,500	115,500
School Renovation						
Grants to Indian LEAs	D	-	50,000	-	-	-
Grants to Other High-Need LEAs	D	-	125,000	-	-	-
School Renovation Loan Subsidies	D	-	1,125,000	-	-	-

Labor, Health Human Services and Education Appropriations

($ in 000s)

		2000 Comparable	Budget Request	House Passed Post Supp.	Senate Passed	Conference
Total: School Renovation		-	1,300,000	-	-	-
Bilingual and Immigrant Education						
Bilingual Education						
Instructional Services	D	162,500	180,000	162,500	180,000	180,000
Support Services	D	14,000	16,000	14,000	14,000	14,000
Professional Development	D	71,500	100,000	71,500	85,000	85,000
Immigrant Education	D	150,000	150,000	150,000	150,000	150,000
Foreign Language Assistance	D	8,000	14,000	8,000	14,000	14,000
Total: Bilingual and Immigrant Education		406,000	460,000	406,000	443,000	443,000
Special Education						
State Grants						
Grants to States Part B advance funded	D	3,742,000	3,742,000	3,742,000	4,624,000	4,624,000
Part B advance from prior year	NA	-	3,742,000	3,742,000	3,742,000	3,742,000
Grants to States Part B current year	D	1,247,685	1,537,685	1,747,685	1,655,685	1,655,685
Grants to States, program level		4,989,685	5,279,685	5,489,685	6,279,685	6,279,685
Preschool Grants	D	390,000	390,000	390,000	390,000	390,000
Grants for Infants and Families	D	375,000	383,567	375,000	383,567	383,567
Subtotal: State grants, program level		5,754,685	6,053,252	6,254,685	7,053,252	7,053,252
IDEA National Activities (current funded)						
State Program Improvement Grants	D	35,200	45,200	45,200	35,200	40,200
Research and Innovation	D	64,433	74,433	64,433	74,433	70,000
Technical Assistance and Dissemination	D	45,481	53,481	45,481	45,481	45,481
Personnel Preparation	D	81,952	81,952	81,952	81,952	81,952
Parent Information Centers	D	18,535	26,000	22,000	26,000	26,000
Technology and Media Services	D	34,410	34,523	36,410	35,323	37,210
Public Telecom Info/Training Dissemin	D	1,500	-	-	1,500	1,500
Subtotal: IDEA special programs		281,511	315,589	295,476	299,889	302,343
Total: Special Education		6,036,196	6,368,841	6,550,161	7,353,141	7,355,595
Current year		2,294,196	2,626,841	2,808,161	2,729,141	2,731,595
FY 02		3,742,000	3,742,000	3,742,000	4,624,000	4,624,000
Subtotal: Forward funded		2,047,885	2,356,452	2,557,885	2,464,452	2,469,452
Rehabilitation Services and Disability Research						
Vocational Rehabilitation State Grants	M	2,338,977	2,399,790	2,399,790	2,399,790	2,399,790
Client Assistance State grants	D	10,928	11,147	10,928	11,147	11,647
Training	D	39,629	39,629	39,629	39,629	39,629
Demonstration and training programs	D	21,672	21,672	16,492	21,672	26,492
Migrant and seasonal farmworkers	D	2,350	2,850	2,350	2,850	2,350
Recreational programs	D	3,521	2,596	2,596	2,596	2,596

Labor, Health Human Services and Education Appropriations

($ in 000s)

		2000 Comparable	Budget Request	House Passed Post Supp.	Senate Passed	Conference
Protection and advocacy of individual rights (P	D	11,894	12,132	14,000	13,000	14,000
Projects with industry	D	22,071	22,071	22,071	22,071	22,071
Supported employment State grants	D	38,152	38,152	38,152	38,152	38,152
Independent living:						
State grants	D	22,296	22,296	22,296	22,296	22,296
Centers	D	48,000	58,000	58,000	58,000	58,000
Services for older blind individuals	D	15,000	15,000	18,000	20,000	20,000
Subtotal: Independent living		85,296	95,296	98,296	100,296	100,296
Program Improvement	D	1,900	1,900	1,900	1,900	1,900
Evaluation	D	1,587	1,587	1,587	1,587	1,587
Helen Keller National Center for Deaf/Blind	D	8,550	8,717	8,550	8,717	8,717
National Inst. Disability and Rehab Research (	D	86,462	100,000	86,462	95,000	100,000
Assistive Technology	D	34,000	41,112	34,000	41,112	41,112
Subtotal: Discretionary Programs		368,012	398,861	377,013	399,729	410,549
Total: Rehabilitation Services		2,706,989	2,798,651	2,776,803	2,799,519	2,810,339
Special Institutions for Persons with Disabilities						
American Printing House for the Blind	D	10,100	10,265	11,000	12,500	12,000
National Technical Institute for the Deaf						
Operations	D	45,500	46,410	48,000	47,190	48,000
Construction	D	2,651	5,376	6,000	7,176	5,376
Total: NTID		48,151	51,786	54,000	54,366	53,376
Gallaudet University						
Operations	D	83,480	87,650	89,400	87,650	89,400
Construction	D	2,500	-	-	-	-
Total: Gallaudet		85,980	87,650	89,400	87,650	89,400
Total: Special Institutions for Persons with Disabilities		144,231	149,701	154,400	154,516	154,776
Vocational and Adult Education						
Vocational Education:						
Basic State Grants, current funded	D	264,650	264,650	309,000	280,000	309,000
Advance from prior year	D	-	791,000	791,000	791,000	791,000
FY02	D	791,000	591,000	791,000	791,000	791,000
Basic State Grants, program level		1,055,650	855,650	1,100,000	1,071,000	1,100,000
Tech-Prep Education	D	106,000	106,000	106,000	106,000	106,000
FY02	D	-	200,000	-	-	-
Tribally Controlled Postsec Voc Insts	D	4,600	4,600	4,600	5,600	5,600

Labor, Health Human Services and Education Appropriations

($ in 000s)

		2000 Comparable	Budget Request	House Passed Post Supp.	Senate Passed	Conference
National Programs	D	26,500	17,500	17,500	26,500	26,500
Tech-Prep Education Demonstration	D	-	-	-	5,000	5,000
Subtotal: Vocational Education		1,192,750	1,183,750	1,228,100	1,214,100	1,243,100
Adult Education:						
State Grants, current funded	D	450,000	460,000	470,000	470,000	470,000
National Programs						
National Leadership Activities	D	14,000	89,000	14,000	14,000	14,000
National Institute for Literacy	D	6,000	6,500	6,500	6,500	6,500
Subtotal: National programs		20,000	95,500	20,500	20,500	20,500
Subtotal: Adult Education		470,000	555,500	490,500	490,500	490,500
State Grants for Incarcerated Youth Offenders	D	19,000	12,000	-	22,000	22,000
Total: Vocational and adult education		1,681,750	1,751,250	1,718,600	1,726,600	1,755,600
Current year		890,750	960,250	927,600	935,600	964,600
FY02		791,000	791,000	791,000	791,000	791,000
Subtotal: Forward funded		882,650	954,650	922,000	929,000	958,000
Student Financial Assistance						
Pell Grants -- maximum grant (NA)	NA	3,300	3,500	3,500	3,650	3,650
Pell Grants -- Regular Program	D	7,639,717	8,356,000	8,308,000	8,692,000	8,571,000
Federal Supplemental Educational Opportunity	D	621,000	691,000	691,000	691,000	691,000
Emergency SEOG--Hurricane Floyd	D	10,000	-	-	-	-
Federal Work Study	D	934,000	1,011,000	1,011,000	1,011,000	1,011,000
Federal Perkins Loans						
Capital Contributions	D	100,000	100,000	100,000	100,000	100,000
Loan Cancellations	D	30,000	60,000	40,000	75,000	60,000
Subtotal: Perkins Loans		130,000	160,000	140,000	175,000	160,000
LEAP program	D	40,000	40,000	-	70,000	70,000
Total: Student Financial Assistance		9,374,717	10,258,000	10,150,000	10,639,000	10,503,000
Current year		9,374,717	10,258,000	10,150,000	10,639,000	10,503,000
FY 02						
Federal Family Education Loan Program						
Federal Administration	D	48,000	48,000	48,000	48,000	48,000
Higher Education						
Aid for Institutional Development						
Strengthening Institutions	D	60,250	63,000	73,000	65,000	73,000

Labor, Health Human Services and Education Appropriations

($ in 000s)

		2000 Comparable	Budget Request	House Passed Post Supp.	Senate Passed	Conference
Hispanic Serving Institutions	D	42,250	62,500	68.500	62,500	68.500
Dual-Degree Programs for Minority Institut	D	-	40.000	-	-	-
Strengthening Historically Black Colleges (	D	148,750	169,000	185.000	169.000	185.000
Strengthening historically black graduate in	D	31,000	40,000	45,000	40,000	45,000
Strengthening Alaska / Native Hawaiian In	D	5,000	5,000	5,000	6,000	6,000
Strengthening Tribal Colleges	D	6.000	9.000	12.000	15.000	15.000
Subtotal: Institutional development		293.250	388.500	388.500	357,500	392,500
Program Development:						
Fund for the Improvement of Postsec. Ed.	D	74.999	31,200	31.200	51.247	131.200
Minority Science and Engineering Improve	D	7.500	8,500	8.500	8,500	8,500
International Education & Foreign Language						
Domestic Programs	D	62,000	62,000	67,000	62.000	67,000
Overseas Programs	D	6,680	10,000	10,000	10,000	10,000
Institute for International Public Policy	D	1,022	1,022	1,022	1,022	1,022
Subtotal: International Ed and Foreign Langua		69,702	73,022	78,022	73,022	78,022
Interest Subsidy Grants	D	12,000	10,000	10,000	10,000	10,000
Federal TRIO Programs	D	645,000	725,000	760,000	736,500	760,000
GEAR UP	D	200,000	325,000	200,000	225,000	200,000
Byrd Honors Scholarships	D	39,859	41,001	39,859	41,001	41,001
Javits Fellowships	D	20,000	10,000	10,000	11,000	10,000
Graduate Assistance in Areas of National Nee	D	31,000	31,000	31,000	33,000	31,000
Learning Anytime Anywhere Partnerships	D	23,269	30,000	10,000	30,000	30,000
Teacher Quality Enhancement Grants	D	98,000	98,000	98,000	98,000	98,000
Child Care Access Means Parents in School	D	5,000	15,000	15,000	10,000	15,000
Loan Forgiveness for Child Care	D	-	-	-	10,000	10,000
Demonstration in Disabilities / Higher Educatio	D	5,000	5,000	5,000	5,000	5,000
Underground Railroad Program	D	1,750	1,750	-	1,750	1,750
Community Scholarship Mobilization	D	1,000	-	-	-	-
GPRA data/HEA program evaluation	D	3,000	3,000	3,000	3,000	3,000
Total: Higher Education		1,530,329	1,795,973	1,688,081	1,704,520	1,824,973
Howard University						
Academic Program	D	185,540	190,096	192,500	190,096	192,500
Endowment Program	D	3,530	3,530	3,600	3,530	3,600
Howard University Hospital	D	30,374	30,374	30,374	30,374	30,374
Total: Howard University		219,444	224,000	226,474	224,000	226,474
College Housing and Acad. Facilities Loans (C	D	737	737	737	737	737
HBCU Capital Financing Program -- Federal Ad	D	207	208	207	208	208

Labor, Health Human Services and Education Appropriations

($ in 000s)

		2000 Comparable	Budget Request	House Passed Post Supp.	Senate Passed	Conference
Education Research, Statistics, and Improvement						
Research and Statistics:						
Research, Development, and Disseminatio	D	-	198,567	-	-	-
Research	D	103,567	-	103,567	113,567	113,567
Regional Educational Laboratories	D	65,000	-	65,000	65,000	65,000
Statistics	D	68,000	84,000	68,000	68,000	68,000
Assessment:						
National Assessment	D	36,000	38,000	36,000	36,000	36,000
National Assessment Governing Board	D	4,000	4,500	4,000	4,000	4,000
Subtotal: Assessment		40,000	42,500	40,000	40,000	40,000
Total: Research and Statistics		276,567	325,067	276,567	286,567	286,567
Fund for the Improvement of Education	D	244,232	137,150	145,000	142,152	343,000
International Education Exchange	D	7,000	8,000	7,000	10,000	10,000
Civic Education	D	9,850	9,850	10,000	12,000	12,000
Eisenhower Professional Dvp. Federal Activitie	D	23,300	-	23,300	23,300	23,300
Eisenhower Regional Math & Science Ed. Con	D	15,000	15,000	15,000	15,000	15,000
Javits Gifted and Talented Education	D	6,500	7,500	7,500	7,500	7,500
America's Tests	D	-	5,000	-	-	-
National Writing Project	D	9,000	10,000	10,000	10,000	10,000
Total: ERSI		591,449	517,567	494,367	506,519	707,367
Departmental Management						
Program Administration	D	382,934	413,184	382,934	395,871	400,000
Office for Civil Rights	D	71,200	76,000	71,200	73,224	73,224
Office of the Inspector General	D	34,000	36,500	34,000	35,456	35,456
Total: Departmental Management		488,134	525,684	488,134	504,551	508,680
Student Loans						
New Annual Loan Volume						
Federal Family Education Loans (FFEL)	NA	25,540,000	26,902,000	26,902,000	26,902,000	26,902,000
Federal Direct Student Loans (FDSL)	NA	14,855,000	15,613,000	15,613,000	15,613,000	15,613,000
Total Outstanding Loan Volume						
Federal Family Education Loans (FFEL)	NA	281,700,000	303,900,000	303,900,000	303,900,000	303,900,000
Federal Direct Student Loans (FDSL)	NA	54,200,000	65,400,000	65,400,000	65,400,000	65,400,000
Total: Elementary and Secondary Education		22,942,899	24,826,192	23,518,713	26,087,094	26,561,266
Total: Department of Education		37,944,687	42,494,646	39,542,049	42,674,645	43,150,953
Current Year		25,496,924	30,046,883	27,094,286	27,926,303	28,402,611

Labor, Health Human Services and Education Appropriations

($ in 000s)

	2000 Comparable	Budget Request	House Passed Post Supp.	Senate Passed	Conference
FY02	12.447.763	12.447.763	12.447.763	14,748.342	14.748,342

June 2, 2000

MEMORANDUM FOR BRUCE REED

From: Andrew Rotherham

Re: Teacher Tax Proposal

You asked for a brief analysis of a proposal to exempt some or all of teacher salaries from federal income taxes.

There are two models for a proposal of this nature. First, Representative George Miller (CA) has introduced a bill in the House (HR 2611) that would exempt qualified teachers in high poverty communities earning up to $120,000 annually from federal income tax. The Miller bill has not been officially scored, but unofficial estimates put the cost at approximately $4 billion annually.

Second, in California, Governor Gray Davis recently proposed to exempt teachers from state income tax there. This will save a teacher there earning $30,000 annually approximately $500 and a teacher earning $50,000 approximately $1,350. Not all the details of the Davis proposal have been developed yet. His proposal has met with mixed reaction within the state including some criticism from teachers and groups representing teachers.

To consider a proposal of this nature at the national level, several threshold questions must be answered:

Do all teachers or only teachers in high poverty areas receive a tax-benefit?

The Miller bill would extend the federal tax benefit only to teachers in high poverty school districts (defined as 50 percent or more students receiving free and reduced price lunch). The Davis proposal extends the benefit to all teachers in the state.

By limiting the exemption to high poverty districts the proposal gains the advantage of being a recruitment initiative targeted to high need areas. This deflects criticism that it is just a political gimmick in an election year and that it is simply a way to dodge the thornier issue of directly raising teacher salaries.

Do all teachers or only certified teachers receive the benefit?

The Miller proposal requires that teachers be certified to be eligible and that middle and high school teachers have demonstrated expertise or an academic major in the subject that they teach. These provisions dovetail with the President's teacher quality proposals.

The Davis proposal would also require that teachers be certified although it is silent on the issue of out-of-field teaching.

Because it would be difficult from a compliance point of view to make the initiative performance-based in a meaningful way, requiring certification and in-field qualifications is the best proxy for quality that can be incorporated. Not including include provisions of this nature would put the initiative at odds with the President's teacher quality agenda.

Exempt the entire salary or just a portion of it?

Both the Davis proposal and the Miller bill would exempt salary up to a capped amount (adjusted gross of $120K for Miller).

There are pros and cons, fiscal and otherwise, as to whether a total or partial exemption is more advantageous. I believe that a partial exemption has more political appeal because it is again easier to sell as a recruitment piece.

Are administrators, principals, and other officials eligible or only teachers?

While there are legitimate shortages in administrator and principal positions it becomes difficult to broaden the initiative beyond teachers without encountering political issues. For example, if administrators and other non-teaching personnel including security and/or health related personnel are included it becomes even harder to argue why the initiative should not be expanded to include nurses and police officers.

Other Issues

There are legitimate implementation issues associated with this proposal. Local circumstances dictate a variety of hiring practices with regard to teachers and so broad based policies can create confusion. For example, in school districts without a teacher shortage, fully qualified teachers are often used as substitute teachers until fulltime positions become available. Under this proposal would these teachers be eligible?

The Miller bill does not appear to answer this question because it is more focused on teacher qualification than teacher status. Because of variances in the operations of schools and school districts from state to state, the issues need to be examined in any legislative proposal.

Recommendations:

If you decide to pursue a proposal of this nature, I recommend that the proposal provide an exemption from federal income tax up to the national average for starting teachers ($25,735). Under this model the exemption would entirely cover the starting salary of many new teachers and give a sizeable tax-break to existing teachers. The exemption should be contingent upon both certification and subject area expertise (at the middle and high school levels) and should apply only to high poverty communities. Hence, rather than a broad-based tax-break this initiative would be a targeted federal effort to help high poverty school districts attract high quality teachers.

Short of an exemption proposal a smaller—and hence less politically potent—option would be to exempt teacher recruitment bonuses and performance bonuses from federal taxes. Although this option is smaller scale, by incorporating performance bonuses the proposal would gain an additional quality component.

Pros and Cons:

Two prominent issues quickly emerged in California after Davis proposed his initiative. First, why should an initiative of this nature help only teachers as opposed to fire fighters, police officers, nurses, etc? Second, if your goal is to raise teacher salaries, then why not just raise teacher salaries directly rather than through indirect subsidies?

Davis addressed the first issue head-on by arguing that while there are many worthwhile professions that because teaching is such an imperative one and because the teacher shortage is so acute it requires immediate and special action. Davis cited the 1958 National Defense Act as an example of how a pressing educational need requires immediate leadership and action. This argument has the same relevance nationally. Davis also pointed out that California does give special inducements to some other fields including peace officers.

The argument about teacher salaries is easier to refute on a national basis. Despite the President's class size initiative and the Higher Standards-Higher Pay initiative in the FY2001 budget we can argue that directly raising salaries for teachers is not primarily a federal issue and that initiatives like this are a better way to address this issue from the national level.

A third point that was raised in California and would probably arise in connection with this proposal is, why not private schools? Davis argues that the government's responsibility is the public schools and that government attention should be focused there.

The overriding "pro" for this proposal is that it is a direct way to help teachers, is easy to understand, and is politically attractive. Although some education groups in California have criticized the Davis proposal some of this criticism seems to be based more on some simmering tensions related to other issues than this particular proposal. As preliminary polling seems to indicate, this is popular proposal.

Important Facts:

Number of teachers nationwide:	Approximately 2.7 million[1]
Average annual salary for teachers[2]:	$39,347

[1] National Center for Education Information

Highest state, Connecticut:	\$51,727 (131.5% of national average)
Lowest state, South Dakota:	\$27,839 (70.8 % of national average)
Annual starting salary[3]:	\$25,735
Highest state, Alaska:	\$33,162 (128.8 % of national average)
Lowest state, North Dakota	\$19,146 (74.3 % of national average)

[2] American Federation of Teachers: 1998 Salary Survey
[3] ibid.

Cal-Fed School Infrastructure Coalition

August 10, 2000

TO: KAREN TRAMONTANO

FROM: Bob Canavan

SUBJECT: Meeting Request - September 8, 2000

On September 8, over 30 members of the California Federal School Infrastructure Coalition will be in Washington, D.C. for meetings concerning current federal proposals for public school modernization. The group of representatives from across the state includes school superintendents, architects, investment bankers and representatives of the State of California.

Coalition members would like to meet with you briefly to discuss the efforts of the statewide coalition on school modernization and to talk about the Administration's efforts on school modernization and current federal proposals before Congress.

The coalition members would like to schedule a time to meet with you on Friday, September 8th. Bob Canavan is coordinating our meetings and he can be reached at 202-462-5911. We will provide you with a list of participants in advance of the meeting.

Thank you.

$\boxed{\text{Anaheim, CA}}$
23,000 students

4 track - double session - year round

1/2 portables

no cafeterias

1 auditorium

80% free + reduced price lunch

10:30 am - 1:30 pm lunch - no shade structures (5)

Constructing first multipurpose

O:\KIN\KIN00.311 62675 S.L.C.

AMENDMENT NO.____ Calendar No.____

Purpose: To provide that community-based organizations may receive grants to carry out 21st Century Community Learning Centers programs.

IN THE SENATE OF THE UNITED STATES—106th Cong., 2d Sess.

(no.) ______

(title) ______

Referred to the Committee on ______ and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Gregg

Viz:

On page 55, line 5, insert before the period the following: "*Provided further*, That, notwithstanding part I of title X of the Elementary and Secondary Education Act of 1965 or any other provision of law, a community-based organization that has experience in providing before- and after-school services shall be eligible to receive a grant under that part, on the same basis as a school or consortium described in section 10904 of that Act, and the Sec-

let's look

retary shall give priority to any application for such a grant that is submitted jointly by such a community-based organization and such a school or consortium".

Bill Page 67; (Senate) Lines 20-21

2. The Senate bill specifies that $40,000,000 shall be for the Goals 2000: Educate America Act. The House bill does not include funding for Goals 2000. 38,000,000

Bill Page 68; (Senate) Lines 8-17 HR

3. The Senate bill includes a proviso stating that a community-based organization that has experience in providing before- and after-school services shall be eligible to receive a grant on the same basis as a school or consortium. It further states that the Secretary shall give priority to any applications jointly submitted by a community-based organization and a school or consortium. The House bill contains no similar language.

Bill Page 67; (Senate) Line 13 SR

4. Technical. The Senate bill inserts "The Office of Elementary and Secondary Education" in the heading. The House bill does not.

REPORT LANGUAGE

1. The Senate Report (page 247) states that the total increase for parental assistance, $7,000,000, is for violence prevention initiatives. The House report contains no similar set aside. HWA

2. The Senate Report (page 247) urges the Department to stipulate that at least 50% of each parental assistance grant award shall be used only for parents as teachers programs. The House report does not address this matter. Silent

Hispanic Education Action Plan
FY '01 Request vs. Conference and FY '00
(BA in millions)

Program	FY 2000	FY 2001		Increase Over FY00	
	Enacted Level	President's Budget	Conference Level	President's Budget	Conference
State Agency Migrant Program	354.689	380.000	380.00	25.311	25.311
Comprehensive School Reform Demonstrations	170.000	0*			
High School Equivalency Program (HEP)	15.000	20.000	20.00	5.000	5.000
College Assistance Migrant Program (CAMP)	7.000	10.000	10.00	3.000	3.000
Bilingual Education	248.000	296.000	279.00	48.000	31.000
Adult Education	470.000	555.500	490.50	85.500	20.500
Hispanic-serving Institutions (HSIs)	42.250	62.500	68.50	20.250	26.250
Federal TRIO Programs	645.000	725.000	760.00	80.000	115.000
Migrant Youth Job Training Program (DOL)	5.000	5.000	5.00	0.000	0.000
Migrant and Seasonal Youth Opportunity (DOL)	10.000	15.000	10.00	5.000	0.000
HEAP w/out Title I, GEAR UP, LEP Research	**1,966.939**	**2,069.000**	**2,023.000**	**272.061**	**226.061**
Title I grants to local educational agencies	7,941.397	8,357.500	8,251.720	416.103	310.323
HEAP, Including Title I	**9,908.336**	**10,426.500**	**10,274.720**	**688.164**	**536.384**
GEAR UP*	200.000	325.000	200.00	125.000	0.000
Limited English Proficient (LEP) Research		10.000	0.00	10.000	0.00
Total, Including Title I, GEAR UP, LEP Research	**10,108.336**	**10,761.500**	**10,474.720**	**823.164**	**536.384**

*** The FY 2001 Hispanic Agenda includes two new programs: 1) GEAR UP, and 2) LEP Research. Comprehensive School Reform Demonstrations is no longer included in HEAP in FY 2001, so it is not included in the calculations for the increase.**

The Department of Education (ED) will present four issues where they believe the Administration should reconsider the HCFA's current policy toward Medicaid reimbursement for school-based health services. These issues are Medicaid reimbursement for:

(1) Section 504 children;
(2) development of the Individualized Education Program (IEP);
(3) IDEA Child Find activities; and
(4) "free care" provided to the entire student body in school-based health clinics.

These are all policy calls, not legal calls. That is, while current law does not <u>require</u> Medicaid to reimburse schools for any of these purposes, current law <u>allows</u> HCFA to do so.

Background -- the Medicaid "Free Care" Principle

HCFA has uses something called the "free care" principle to help set Medicaid reimbursement policy, and help protect the Medicaid program from assuming responsibility for costs which should be borne by another entity. While not specifically in statute, the free care principle emerges from the Third Party Liability (TPL) provisions in the Social Security Act (SSA), which require State Medicaid agencies to take reasonable measures to determine the legal liability of third parties who are liable to pay for services.

The free care principle precludes Medicaid from paying for activities which are available to the public free of charge, and for which no other source of reimbursement are pursued. For example:

- If a school clinic were to provide physicals to its entire student body free of charge, regardless of Medicaid eligibility, <u>neither the physical itself nor the related administrative activities could be billed to Medicaid</u>, even for the Medicaid-eligible children.

- If the clinic provided free physicals to only Medicaid-eligible children, and charged a fee and/or pursued other third-party payment for the physicals provided to non-Medicaid children, the school would be allowed to seek Medicaid reimbursement for this service.

Current law provides two specific exceptions to the free care principle: (1) services provided under the MCH Block Grant; and (2) services included in a student's IEP pursuant to the IDEA. The latter exception, the relevant exception in this case, is below:

> **§1903(c)** Nothing in this title shall be construed as prohibiting or restricting, or authorizing the Secretary to prohibit or restrict, payment under subsection (a) for medical assistance for covered services furnished to a child with a disability because such services are included in the child's individualized education program established pursuant to part B of the Individuals with Disabilities Education Act or furnished to an infant or toddler with a disability because such services are included in the child's individualized family service plan adopted pursuant to part H of such Act.

Section 504 Children

Section 504 of the Rehabilitation Act of 1973 is a civil rights-like provision which prohibits recipients of federal funds to discriminate against individuals on the basis of their disability. ED is the agency responsible for ensuring that schools comply with Section 504. ED's Section 504 regulations require schools provide individuals with disabilities the services and accommodations necessary, including medical services, to allow them to receive a public education.

If a school complies with the IDEA for a child with a disability, they are de facto in compliance with Section 504. But, a child is with a disability is covered under the IDEA only if his disability requires that he receive special education. A child with mental retardation, for instance, would be covered under IDEA because her disability necessitates that she receive special education. A quadriplegic with the same mental capacity as her nondisabled peers, on the other hand, would not require special education, and would thus not be covered by the IDEA. She would, however, be eligible for appropriate accommodations under Section 504. Similar to the IDEA, schools are required to establish an Individualized Service Plan (ISP) for non-IDEA Section 504 students. This plan is similar to an IEP, in that it describes the services the child must receive in order to access the public school and its curriculum.

Most students with disabilities are covered by both the IDEA and Section 504. Currently, there are approximately six million IDEA-eligible students with disabilities in the nation. In comparison, there are about 700,000 school-aged students who are covered only by Section 504.

HCFA's current policy is that it will not reimburse schools for the medical services or administrative costs schools must provide children with disabilities under Section 504. Under Section 504, the school is responsible for providing these medical services to students with disabilities, not the Medicaid program. Moreover, §1903(c) only provides an exception to the free care principle for services included in an IEP pursuant to the IDEA; this provision cannot be read to also require Medicaid to pay for ISP services pursuant to Section 504.

ED argues that, while Section 504 imposes a requirement that schools provide medical services to eligible students with disabilities, as a civil rights law the federal government provides no funding to help schools comply with this requirement. The Administration should not, ED argues, require schools to comply with Section 504 and then "pull the rug out" from under the schools when they try to access funding sources in which to pay for this requirement.

ED, moreover, does not view §1903(c)'s silence on Section 504 children as deliberate; rather, it believes that these students were simply missed in this exception. Congress was trying to deal with an ambiguity in current statute, and may have unintentionally missed Section 504.

Child Find and IEP Development: In addition to providing special education and related services to students with disabilities, the IDEA also requires schools to: (1) identify, locate, and evaluate students with disabilities, generally known as "child find" activities; and (2) develop, and annually update, an IEP for each special education student, which documents the nature and extent of the child's disability, and the special education and related services the child will require.

HCFA's current policy is to not reimburse schools under Medicaid for the cost of either IDEA child find or IEP Development. These services, according to HCFA, are administrative procedures required by the IDEA, not the Medicaid statute. Absent the IDEA, HCFA argues, neither IDEA child find or IEP development would occur; as such, Medicaid should not be responsible for the costs of these activities. Second, HCFA argues that the §1903(c) exception does not apply to these IDEA activities. §1903(c) only relates to "services" included in a student's IEP, not the development of the IEP or identifying children who may be eligible under the IDEA. Since §1903(c) doesn't require Medicaid to pay for these activities, it is HCFA policy that Medicaid will not pay for them.

HCFA will, however, pay for special education services that may be required during the IEP development phase. If, for instance, a student with a disability needs his hearing tested in order to determine the extent of his hearing loss, Medicaid will pay for the service, but not the associated administrative expenses.

While HCFA believes that there are related activities, such as Medicaid outreach, which are claimable under Medicaid, it generally does not allow reimbursement for IDEA child find. Medicaid will reimburse entities, including schools, for "outreach" activities, which intend to enroll eligible children and families into the Medicaid program.

ED believes that much of Child Find should be claimable under Medicaid. IDEA child find, according to ED, supplements Medicaid enrollment outreach, in that it identifies children who could benefit from receiving Medicaid services (i.e., children who have disabilities, and who are Medicaid eligible). [HCFA response – firefighter analogy.]

Finally, ED believes that it could be difficult, if not impossible, for school personnel to distinguish between which activities are "Medicaid outreach" and which are "IDEA child find." The inability to make this distinction, ED argues, could cause a chilling effect, where schools do not try to get reimbursed for this purposes out of fear of doing it incorrectly. [check this]

As for IEP development, ED believes that some of the costs related to the development of the IEP, such as meetings to coordinate or review a student's needs for health-related services that are covered under Medicaid, should be reimbursable under Medicaid. Some of the elements of the IEP meeting – for instance, consultations between medical professionals – would occur absent the IDEA. HCFA has argued that, if there are any typical Medicaid administrative activities performed during the IEP meeting, they are already incorporated into the service rate.

Health Care/Nursing Services Provided to an the Entire School Population: ED's final issue does not deal specifically with children with disabilities. Rather, it relates to services that might be provided in school clinics and/or by school nurses, such as physicals, screenings, and other routine medical services. As noted above, under the free care rule, Medicaid will only pay for these services in schools if the school charges a fee to non-Medicaid children and/or pursues other third party payers to cover this service.

ED argues that Medicaid should pay for these services regardless of how the school treats the non-Medicaid eligible population (ED still agrees that Medicaid should only reimburse for Medicaid-eligible children). According to ED, HCFA's current policy punishes schools who are trying to do good. Many schools have school populations which are predominantly, though not entirely, enrolled in the Medicaid program. Requiring schools to pursue third party payers for non-Medicaid children, and/or charge these children for the cost of a particular service, may discourage school clinics from providing these services at all. [According to ED, there is already a non-statutory veterans exception to the free care principle? -- check]

Highlights

The federal government provides support for education well beyond programs funded through the Department of Education (ED). Federal support for education, excluding estimated federal tax expenditures,[1] was an estimated $115.6 billion in fiscal year 1999 (FY 99), an increase of $52.8 billion, or 84 percent, since FY 90. After adjustment for inflation, federal support for education increased 47 percent between FY 90 and FY 99 (see tables 1A and 1B, page 5).

- For FY 99, on-budget federal funds for education programs were estimated to be $82.8 billion—an increase of 60 percent since FY 90 in current dollars or an increase of 28 percent after being adjusted for inflation. Off-budget support and nonfederal funds generated by federal legislation (predominantly postsecondary education loans) were estimated at $32.8 billion, a rise of 193 percent in current dollars between FY 90 and FY 99 and 134 percent in constant dollars (see tables 1A and 1B, page 5).

- Between FY 80 and FY 99, after being adjusted for inflation, federal on-budget program funds for elementary and secondary education increased 24 percent; postsecondary education funds declined 18 percent; other education funds (which include funds for libraries, museums, cultural activities, and miscellaneous research) increased 87 percent; and funds for research at universities and university-administered research and development centers increased 66 percent (see table 2B on page 7).

- Between FY 90 and FY 99, federal on-budget funds for elementary and secondary education increased 44 percent in constant dollars, postsecondary education funds increased 6 percent, other education funds increased 36 percent, and research funds at colleges and universities increased 22 percent (see table 2B on page 7).

- In FY 99, ED outlays totaled $34.5 billion, reflecting an increase of 32 percent after being adjusted for inflation from FY 80 and an increase of 19 percent between FY 90 and FY 99. ED's share of total federal on-budget education funds rose from 38 percent in FY 80 to 45 percent in FY 90 and dropped to 42 percent in FY 99 (see figure 2, page 8 and table 3, page 9).

- Between FY 80 and FY 99, estimated federal tax expenditures, after being adjusted for inflation, increased 41 percent. Between FY 90 and FY 99, they went up 57 percent. Estimated federal tax expenditures share of total federal support in education was 32 percent in FY 99.

- Over 58 percent of federal education support, excluding estimated federal tax expenditures, went to educational institutions in FY 99. Another 20 percent was used for student support. The remaining 22 percent went to banks and other lending agencies, libraries, museums, and federal institutions (derived from tables 7A and 7B, pages 16–17).

- Schools and colleges derive 11 percent of their FY 99 revenues from the federal government, with the remaining revenues coming from state and local governments, individuals, and private organizations. Of the estimated $618.6 billion in direct expenditures by schools and colleges in FY 99, revenues from federal sources amounted to $67.4 billion and revenues from other sources amounted to $551.2 billion (see tables 9A and 9B, pages 22–23).

- The estimated federal share of expenditures of educational institutions declined from 14 percent in FY 80 to 10 percent in FY 90 and up to 11 percent in FY 99. Among elementary and secondary educational institutions, the federal share declined from 12 percent in FY 80 to 7 percent in FY 90 and 8 percent in FY 99. Among institutions of higher education, the federal share declined from 18 percent in FY 80 to 14 percent in FY 90 and 15 percent in FY 99 (see tables 9A and 9B, pages 22–23).

[1] Definitions of federal tax expenditures and other technical terms are in the Definitions section of this report on page 29.

Contents

• In FYs 80, 89, 90, and 99, federal support was distributed across levels and other educational purposes as follows (see tables 1A and 1B, page 5 and tables 2A and 2B, pages 6–7):

Level	FY 80	FY 89	FY 90	FY 99[1]
	[In billions of **current** dollars]			
On-budget	$34.5	$48.3	$51.6	$82.8
Elementary and secondary	16.0	19.8	22.0	39.7
Postsecondary	11.1	13.3	13.7	18.2
Libraries, museums, and other	1.5	3.2	3.4	5.8
Research at educational institutions	5.8	12.0	12.6	19.2
Off-budget support and nonfederal funds[2]	4.9	11.3	11.2	32.8
Total	39.3	59.5	62.8	115.6
	[In billions of **constant** FY 99 dollars]			
On-budget	$68.7	$62.9	$64.6	$82.8
Elementary and secondary	31.9	25.8	27.5	39.7
Postsecondary	22.2	17.3	17.1	18.2
Libraries, museums, and other	3.1	4.1	4.2	5.8
Research at educational institutions	11.6	15.6	15.8	19.2
Off-budget support and nonfederal funds[2]	9.7	14.7	14.0	32.8
Total	78.4	77.5	78.6	115.6

[1] Estimated.
[2] Off-budget support and nonfederal funds generated by federal legislation. For more detailed discussion see Off-Budget Support and Nonfederal Funds section on pages 12–14.
NOTE: Because of rounding, details may not add to totals.
SOURCE: U.S. Department of Education, Office of the Undersecretary, unpublished data, and National Center for Education Statistics, compiled from data appearing in U.S. Office of Management and Budget, *Budget of the United States Government*, fiscal years 1982 to 2000; National Science Foundation, *Federal Funds for Research and Development*, fiscal years 1980 to 1999; and unpublished data obtained from various federal agencies. (See table A in appendix.)

• The federal agencies providing the largest amounts of education program funds in FY 99 were (see table 3, page 9):

Agency	FY 80	FY 89	FY 90	FY 99*
	[In billions of **current** dollars]			
Dept. of Education	$13.1	$21.7	$23.2	$34.5
Dept. of Health and Human Services	5.6	7.0	8.0	14.9
Dept. of Agriculture	4.6	5.8	6.3	10.9
Dept. of Labor	1.9	2.3	2.5	5.2
Dept. of Defense	1.6	3.7	3.6	3.9
Dept. of Energy	1.6	2.6	2.6	3.6
National Science Foundation	0.8	1.5	1.6	2.8
National Aeronautics and Space Administration	0.3	1.0	1.1	1.8
Dept. of Veterans Affairs	2.4	0.9	0.8	1.6
	[In billions of **constant** FY 99 dollars]			
Dept. of Education	$26.2	$28.2	$29.0	$34.5
Dept. of Health and Human Services	11.2	9.1	10.0	14.9
Dept. of Agriculture	9.1	7.5	7.8	10.9
Dept. of Labor	3.7	3.0	3.1	5.2
Dept. of Defense	3.1	4.9	4.5	3.9
Dept. of Energy	3.2	3.3	3.2	3.6
National Science Foundation	1.6	1.9	2.0	2.8
National Aeronautics and Space Administration	0.5	1.3	1.4	1.8
Dept. of Veterans Affairs	4.7	1.2	0.9	1.6

* Estimated.
SOURCE: U.S. Department of Education, Office of the Undersecretary, unpublished data, and National Center for Education Statistics, compiled from data appearing in U.S. Office of Management and Budget, *Budget of the United States Government*, fiscal years 1982 to 2000; National Science Foundation, *Federal Funds for Research and Development*, fiscal years 1980 to 1999; and unpublished data obtained from various federal agencies. (See table 3 and tables A, B, and C in appendix.)