

ISSUE BRIEF

SUMMARY AND ANALYSIS OF PRESIDENT OBAMA'S EDUCATION BUDGET REQUEST

Fiscal Year 2011

FEDERAL EDUCATION BUDGET PROJECT, EDUCATION POLICY PROGRAM

FEBRUARY 2010

President Barack Obama submitted his second budget request to Congress on February 1st, 2010. The detailed budget request includes proposed funding levels for federal programs and agencies in aggregate for the upcoming five to ten fiscal years, and specific fiscal year 2011 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 2011 appropriations bill that will set specific funding levels for federal education programs. Fiscal year 2011 begins October 1, 2010.

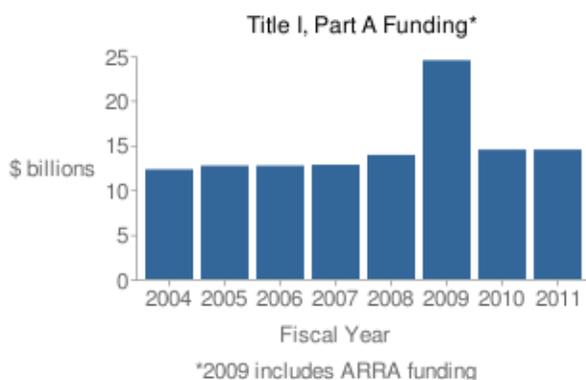
The president's 2011 budget request marks the second time the Obama administration has submitted funding recommendations for every federal education program and a comprehensive list of new education policy initiatives. The administration has proposed a \$49.7 billion budget for education programs subject to the annual appropriations process (excluding Pell Grants), up from \$46.2 billion in fiscal year 2010. This issue brief provides a summary and analysis of the president's fiscal year 2011 education budget request.

K-12 Education

Elementary and Secondary Education Act Title I Funding

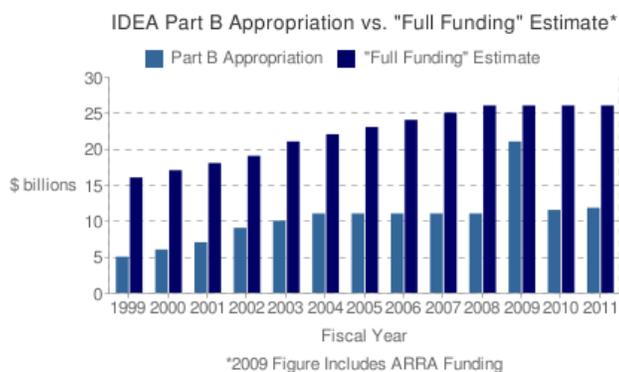
- The fiscal year 2011 budget request includes \$14.5 billion for Elementary and Secondary Education Act (ESEA) Title I, Part A grants to local education agencies (LEAs), the same as in fiscal year 2010. Additionally, the budget request provides some details on the administration's proposed Elementary 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, states would be required to define "effective teacher" and link student achievement data to teachers. Additionally, "adequate yearly progress" would be replaced by school performance based on student growth rather than achievement levels.
- Title I School Improvement grants, a separate funding stream specifically for school improvement activities in schools identified as in need of improvement, would increase by \$354 million from fiscal year 2010 levels to

\$900 million. The president's proposal would rename the program School Turnaround Grants and require that states use certain intervention models during the turnaround process. The Obama administration also requested a significant increase in funding for the School Improvement Grant program in its 2010 request, but Congress ignored the request and kept funding for 2010 at 2009 levels.



Special Education Funding

- The president's fiscal year 2011 budget request includes a \$250 million increase in regular funding for special education grants to states under Part B of the Individuals with Disabilities Education Act (IDEA) to \$11.8 billion. Both preschool grants and grants for infants and families would receive funding at 2010 levels under the president's 2011 budget proposal.



Innovation and Other Initiatives

- The 2011 budget request includes \$1.4 billion to expand the Race to the Top program created by the American Recovery and Reinvestment Act (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 additional funding would extend the program into 2011 and open up the competition to additional states that do not receive grants during the initial iteration of the program as well as school districts that need incentives to implement comprehensive reforms to increase student achievement.
- The president's fiscal year 2011 budget request includes \$500 million in funding for the Investing in Innovation fund (i3) created by the ARRA. These funds are intended to supplement the \$650 million in competitive grants already provided in the ARRA legislation of 2009 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 Obama administration requested \$100 million in new funding for i3 in its 2010 budget request, but Congress did not provide it in the 2010 appropriation.
- The 2011 budget request consolidates several existing education programs that support innovation. New programs under the consolidation include a \$490 million Expanding Education Options program that would provide funding for charter schools and other school choice measures, and a \$100 million College Pathways and Accelerated Learning program to increase high school graduation rates.

New Programs Created by 2011 ESEA Consolidation (\$ millions)

Excellent Instructional Teams

Effective Teachers and Leaders	\$2,500
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Teacher and Leader Innovation Fund	\$950
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Teacher and Leader Pathways	\$405
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Effective Teaching and Learning for a Complete Education

Effective Teaching and Learning: Literacy	\$450
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Effective Teaching and Learning: Science, Technology, Engineering, and Mathematics	\$300
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Effective Teaching and Learning for a Well-Rounded Education	\$265
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Expanding Educational Options	\$490
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College Pathways and Accelerated Learning	\$100
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Supporting Student Success

Successful, Safe and Healthy Students	\$410
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Total Consolidated Program Funding	\$5,870
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Pre-Consolidation 2010 Program Funding	\$5,302
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Source: U.S. Department of Education

- Other program consolidations included in the 2011 budget request focus on improving instruction and learning under certain subject areas. These consolidations would result in three new larger programs. A \$450 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 \$300 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 \$265 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 class room.

- The 2011 budget request includes a \$200 million increase from the fiscal year 2010 funding level for the Promise Neighborhoods program, bringing total funding up to \$210 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 research, development, and dissemination budget by \$61 million over the 2010 funding level to \$261 million in 2011. This increase will primarily support research and evaluation of state and local reform efforts funded by the Race to the Top program.

Teachers and School Leadership

- The president’s 2011 budget request consolidates nine 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, \$950 million for a new Teacher and Leader Innovation Fund, and \$405 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

- The fiscal year 2011 president's budget proposal reports updated costs for each student loan program—the Federal Family Education Loan (FFEL) program and the

Direct Loan program. The FFEL program subsidizes private lenders who make loans to students pursuing a higher education, and the Direct Loan program provides nearly identical loan terms for borrowers, but loans are financed directly by the federal government. According to the estimates included in the 2011 budget proposal, new FFEL program loans made in 2010 will cost the government \$0.32 for every \$100 lent. The administration's figures assume that no FFEL loans will be made after 2010, and that all federal student loans will be made through the Direct Loan program. In comparison, direct loans made in fiscal year 2010 will earn \$6.21 for every \$100 lent and loans made in 2011 will earn \$5.27. These figures reflect the lifetime costs or returns of all loans made in a given year. The cost difference between the two programs is the basis for the administration's proposal to eliminate the FFEL program.

for other entitlement programs like Social Security. The proposal sets the maximum award in fiscal year 2011 at \$5,710 and makes annual increases equal to the change in the consumer price index plus 1 percentage point. The budget reflects a cost of \$34.8 billion for the program in 2011. The maximum grant for fiscal year 2010 was set at \$5,550 and cost \$32.3 billion. Savings from the administration's proposal to eliminate the Federal Family Education Loan Program would be used to fund the new Pell Grant entitlement. It should be noted that legislation pending in Congress (the Student Aid and Fiscal Responsibility Act, H.R. 3221) partially adopts the president's proposal by establishing some entitlement funding for the Pell Grant program, but would leave most funding for the program under the annual appropriations process.

- The president's budget request for fiscal year 2011 would make changes to the Perkins Loan program. The same proposal was included in the 2010 budget request. Perkins loans are provided to college students with greater financial need. The federal government provides loan capital and institutions of higher education manage the funds as a revolving pool of loans. The program currently provides \$1.1 billion in low-interest loans to 490,000 students each year. Under the president's budget request, available loan funds each year would increase to \$6.0 billion and the number of recipients would grow to 2.4 million. Additionally, the federal government would make the loans directly instead of funding a revolving loan pool at individual schools. Schools, however, would still play a role in determining which students receive loans. The proposal would charge students interest while they attend school, unlike the current program. It would also change the loan cancellation benefits available to borrowers so that they are the same as those in the Direct Loan program.
- Two existing higher education grant programs, the Academic Competitiveness Grants (ACG) and the National Science and Mathematics Access to Retain

Federal Student Loan Subsidy Estimates * (%)

	FY 2010	FY 2011
Direct Loans	-7.75	-6.88
Admin Costs	1.54	1.61
Total (Direct Loan)	-6.21	-5.27
FFEL	-0.22	0.00
Admin Costs	0.54	0.00
Total (FFEL)**	0.32	0.00

**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 president's fiscal year 2011 budget proposes to eliminate the FFEL program.*

Source: White House Office of Management and Budget

- The 2011 budget proposal would make the Pell Grant program for low-income college students an entitlement. The same proposal was included in the 2010 budget request. Currently, the program is subject to annual appropriations funding and student grant levels are determined each year by Congress. The proposal would make funding for the program automatic, much like it is

Talent (SMART) grants, are set to expire under current law in fiscal year 2011. The president's 2011 budget request does not include an extension of these programs and does not propose any further funding. The programs provide grants to Pell Grant-eligible college students and were funded under legislation enacted in 2006. Academic Competitiveness Grants are awarded to first- and second-year students who complete a rigorous high school curriculum and maintain a 3.0 GPA. SMART grants are awarded to third- and fourth-year college students majoring in a science and who maintain a 3.0 GPA. The president's budget request notes that the demand for the programs has been less than expected, but does not give any explicit reasons for the decision not to seek an extension.

- In September 2009 the U.S. House of Representatives passed the Student Aid and Fiscal Responsibility Act (H.R. 3221), and a companion version of the bill is likely to be considered in the Senate. The president's budget request states that the administration supports the pending bill and that its budget request is consistent with the House-passed legislation. H.R. 3221 would adopt the president's student loan proposals and part of its Pell Grant proposal, but also includes a variety of new spending programs that are absent from key U.S. Department of Education documents detailing the president's 2011 budget request. These programs include community college and K-12 school construction funding, grants to Historically Black Colleges and Universities, grants to states for early childhood education programs, grants for community college reform, and a competitive grant fund to increase college access and completion. H.R. 3221 would provide \$4.6 billion for these initiatives in fiscal year 2011. An Office of Management and Budget appendix to the president's 2011 budget request lists some of these programs and \$4.5 billion in proposed funding for fiscal year 2011, although funding listed for some individual programs differs from the House-passed bill.

Program Cuts and Eliminations

- Under discretionary programs (those subject to appropriations), the fiscal year 2011 budget request includes six education program eliminations, which collectively received \$123 million in fiscal year 2010. 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 made by the previous administration.

Education Program Eliminations

Program	Fiscal Year 2010 Funding (\$ millions)
Leveraging Educational Assistance Partnership Program	\$64
B.J. Stupak Olympic Scholarship	\$1
Byrd Honors Scholarship	\$42
Historic Whaling and Trading Partners	\$9
Legal Assistance Loan Repayment	\$5
Underground Railroad Educational and Cultural	\$2

Source: U.S. Department of Education

- The budget request proposes a significant reduction in funding for the Fund for the Improvement of Education Programs of National Significance (FIE), cutting the program to \$25 million in 2011 from \$125 million in 2010. This funding decrease reflects the elimination of earmarks in the program.
- 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 \$103 million in Tech Prep funding will be

added to the 2010 CTE State Grants funding level of \$1.2 billion for a total 2011 budget request of \$1.3 billion.

- Under mandatory programs (those not subject to annual appropriations funding), the administration proposes eliminating the Federal Family Education Loan (FFEL) program. The program subsidizes private lenders who make loans to students pursuing a higher education. All student loans would be made instead through the Direct Loan program, which provides nearly identical loan terms for borrowers, but the federal government finances loans, not private lenders. The president's

proposal would also terminate subsidies provided to federal student loan guaranty agencies under the FFEL program. Guaranty agencies are state or private non-profit agencies that provide some administrative and service functions for the federal government under the FFEL program. According to the administration, elimination of the FFEL program will result in savings of \$45.6 billion from July 2010 through fiscal year 2020.

Discretionary Education Funding Changes Requested in President Obama's Fiscal Year 2011 Budget (Selected Programs)*

K-12 Education			
Program	Fiscal Year 2010 Appropriation (\$ millions)	Fiscal Year 2011 Request (\$ millions)	Change
Title I, Part A Grants to LEAs	\$14,492	\$14,492	0%
Individuals with Disabilities Education Act Part B	\$11,505	\$11,755	2%
Race to the Top*	\$0	\$1,350	N/A
School Improvement (Turnaround) Grants	\$546	\$900	65%
English Learner Education	\$750	\$800	7%
Innovation Fund**	\$0	\$500	N/A
Assessing Achievement	\$411	\$450	10%
Research, Development, and Dissemination	\$200	\$261	30%
Promise Neighborhoods	\$10	\$210	2000%
Higher Education			
Program	Fiscal Year 2010 Appropriation (\$ millions)	Fiscal Year 2011 Request (\$ millions)	Change
Pell Grants (includes ARRA funding)	\$26,988	\$34,878	29%
Work Study	\$980	\$980	0%
TRIO Programs	\$853	\$853	0%
Supplemental Education Opportunity Grants	\$757	\$757	0%
GEAR UP	\$323	\$323	0%
Fund for the Improvement of Postsecondary Education	\$159	\$64	-60%
Academic Competitiveness Grants***	\$1,336	\$0	-100%

* 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.

*** Program funded with mandatory funds.

Source: U.S. Department of Education



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