



NEW AMERICA FOUNDATION FEDERAL EDUCATION BUDGET PROJECT

Ten Questions on President Bush's Education Budget Request Fiscal Year 2009

K-12 EDUCATION

► **1)** The administration proposes increasing No Child Left Behind (NCLB) Title I grants to school districts by 2.9 percent, essentially an increase matching inflation. It also proposes redirecting a greater proportion of Title I funds to high schools. Does this mean that school districts will have to cut Title I funding for K-8 schools, since districts will effectively receive the same level of funding as in the previous year? How will this affect the student achievement in grades 3 through 8?

► **2)** The administration's budget proposes shifting \$100 million from the NCLB's Title II "Improving Teacher Quality State Grants" program to a "Teacher Incentive Fund" program that supports state and local performance-based compensation initiatives and incentives for teachers to serve in challenging schools. These activities already are allowed under the large and flexible Improving Teacher Quality State Grants program. Why, when the administration is generally trying to consolidate programs and get rid of duplicative ones, does the budget slice off funding for this smaller duplicative program?

► **3)** The newly proposed "Pell Grant for Kids" program includes a provision that scholarship recipients would be required to take an assessment in each grade and subject as required under NCLB's Title I program. Would there be any accountability for the private schools if the test results show that students are not achieving? What would the consequences be for failure to make adequate yearly progress? If there are only a few students taking the test at a given private school, how would schools provide the public with the information required under NCLB accountability standards?

► **4)** The budget request proposes replacing the 21st Century Learning Community Learning Centers with a new 21st Century Learning Opportunities program, transferring funding to voucher-like scholarships for extended learning activities. The administration argues that the Learning Centers were not improving academic outcomes, and that a scholarship system would be more effective, because states can identify high-quality programs for parents. But states are currently required to ensure the quality of the after-school centers they choose to fund; why would they be any better at identifying high quality choices for parents? How would the new program differ from the Title I Supplemental Educational Services provision, under which states are struggling to evaluate the quality and academic outcomes of extended learning activities?

HIGHER EDUCATION: STUDENT LOANS

► **5)** The Federal Family Education Loan (FFEL) program and the Direct Loan program show similar per loan costs for 2008 and 2009, with the FFEL program showing a slight cost advantage for the first time. However, page 364 of the Budget Appendix notes that costs are higher for the Direct Loan program, because it holds nearly 100 percent of student loans that have defaulted (under FFEL and Direct Loans) and have been rehabilitated through consolidation.



Can per loan program costs be accurately compared when high-default risk FFEL loans are dumped into the Direct Loan program? If OMB and the Department of Education corrected cost estimates for this bias, how would the costs change? Which program would be cheaper for taxpayers if costs were controlled for borrower differences?

► **6)** Federal funds held by state guaranty agencies used to pay loan default claims under the Federal Family Education Loan (FFEL) program nearly doubled to \$1.1 billion in 2007 from \$579 million in 2006. Are the federal funds held by guaranty agencies in excess of what is needed to pay default claims, and if so, would the administration recommend recalling those funds?

► **7)** 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 borrowers and Federal Family Education Loan (FFEL) borrowers who refinance into direct lending.

The budget request would limit eligibility to new borrowers who take out loans after October 1, 2009. If the proposal is enacted, how many borrowers now eligible for public service loan forgiveness will lose eligibility? And what types of shifts in the loan volume does the administration foresee between direct lending and the program that the administration cites as the need for the change in eligibility rules?

► **8)** The loans for short-term training proposal would create a new and relatively small loan program, subsidizing \$362 million in loans in 2009 to help dislocated and unemployed workers obtain training. Given the administration's overarching goal of reducing smaller and duplicative education programs, why not use existing student loan programs for this goal instead of establishing a new program administered by two agencies (the Departments of Labor and Education)?

HIGHER EDUCATION: GRANTS

► **9)** The budget includes a \$652 million cancellation of the \$960 million Congress has made available for the Academic Competitiveness and SMART Grant programs, citing insufficient program participation rates. Why are participation rates not high enough to use all available funding, and does the administration recommend any action to increase participation? Also, the programs expire after the 2010-11 academic year. Does the administration have a position on whether they should be extended?

HIGHER EDUCATION: TAX BENEFITS

► **10)** The administration is proposing a new higher education tax credit worth up to \$1,000 annually on contributions to 529 college savings plans, while maintaining other overlapping higher education tax benefits. Four years ago the administration wanted to "revise and simplify" rules regarding the three largest existing higher education tax credits. Why has the administration abandoned the goal of simplification, and what steps will be taken to ensure the 529 credit does not make the interaction between the higher education tax credits more confusing?