



Issue Brief

Summary and Analysis of President Obama's Education Budget Request

Fiscal Year 2010

By Education Policy Program, New America Foundation

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President Barack Obama submitted his first budget request to Congress on May 7, 2009. This request follows the initial summary budget request he submitted in February that included only aggregate funding levels for federal programs and agencies. 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 2010 funding levels for individual programs subject to appropriations. Although presidential budget requests are typically released in February, initial releases from a new administration are often delayed several months because the president begins his term in late January. Congress has already adopted its fiscal year 2010 budget resolution, a set of general guidelines to govern legislation considered later this year. Now, it will use the president's budget request to inform its consideration of tax and spending legislation, including the fiscal year 2010 appropriations bill that will set specific funding levels for federal education programs. Fiscal year 2010 begins October 1, 2009.

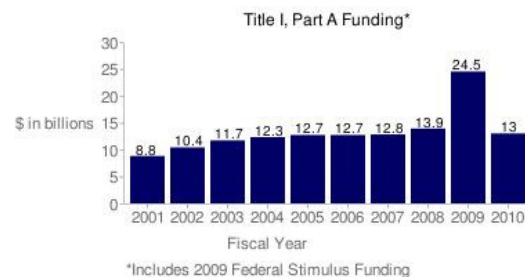


The president's 2010 budget request marks the first time the Obama administration has submitted funding recommendations for every federal education program and a comprehensive list of new education policy initiatives. The administration has proposed a \$46.7 billion budget for education programs subject to the annual appropriations process, up from \$45.4 billion in fiscal year 2009.[1] This issue brief provides a summary and analysis of the president's fiscal year 2010 education budget request.

K-12 Education

Elementary and Secondary Education Act Title I Funding

- The fiscal year 2010 budget request includes \$13.0 billion for Elementary and Secondary Education Act (ESEA) Title I, Part A grants to local education agencies (LEAs). This is \$1.5 billion less than the regular 2009 allocation. It should be noted, however, that supplemental 2009 funding totaling \$10.0 billion was provided for the program through economic stimulus legislation, the American Recovery and Reinvestment Act (ARRA), and much of the supplemental funding will be used by LEAs in 2010. The \$1.5 billion reduction in regular funding would occur under Title I, Part A funds distributed through the Basic Grant formula. The 2010 budget request proposes funding for the Concentration, Targeted, and Education Finance Incentive Grant formulas at 2009 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 \$1.0 billion from fiscal year 2009 levels to \$1.5 billion. The president's proposal would require states and LEAs to spend at least 40 percent of those funds on middle and high schools identified as in need of improvement under the No Child Left Behind Act (the most recent reauthorization of ESEA). This requirement aims to stem the growing number of Title I high school students who drop out before graduation.

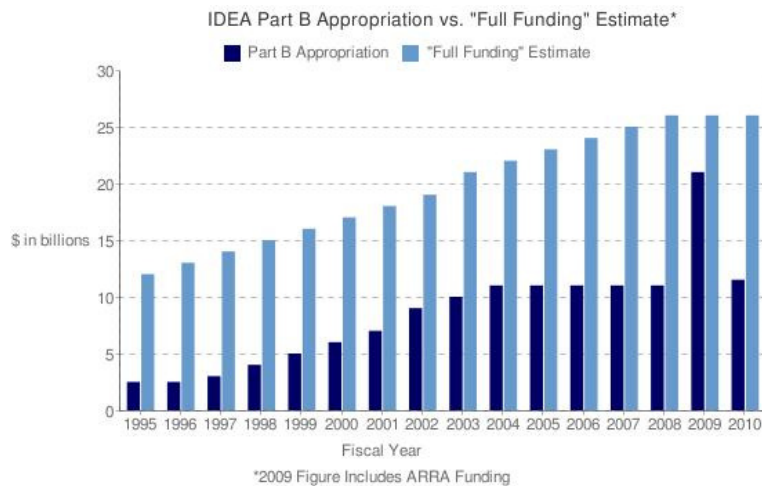


Special Education Funding

- The president's fiscal year 2010 budget request includes no increase in regular funding for special education grants to states under Part B of the Individuals with Disabilities Education Act (IDEA). Funding would remain at \$11.5 billion for 2010. It should be noted, however, that supplemental 2009 funding totaling \$11.3 billion was provided for the program through economic stimulus legislation, the ARRA, and much of the supplemental funding will be used by states and school districts in fiscal year 2010. Both preschool grants and grants for infants and families would receive funding at 2009 levels (not including ARRA funding) under the president's budget proposal.

Innovation and Other Initiatives

- The president's fiscal year 2010 budget request includes an additional \$100 million in funding for the What Works and Innovation Fund created by the ARRA. These funds are intended to supplement the \$650 million in competitive grants already provided to support LEAs and partnerships that have demonstrated progress in improving student achievement. Funds can be used to study, expand, or scale up current efforts.



- The budget request would fund a new program called the High School Graduation Initiative with \$50 million. This initiative would support local activities to improve high school graduation rates through dropout prevention and other coordinated activities.
- Striving Readers, funded at \$35 million in fiscal year 2009, would receive \$370 million under the president's proposed budget. This proposal would double funding for the existing Adolescent Literacy Grants and create a new \$300 million program called Early Literacy Grants. These grants would provide funding to local education agencies to engage in activities that improve student reading skills and comprehension.
- The administration proposed a large increase in Charter School Grants, requesting a \$52 million expansion of the program compared to the \$216 million provided in fiscal year 2009. The administration also proposed fiscal year 2010 funding for the Voluntary Public School Choice program and the Magnet School Assistance program at the prior year levels of \$26 million and \$105 million, respectively.
- The president's fiscal year 2010 budget request includes a new \$10 million line item for a program called Promise Neighborhoods. The program would provide competitive grants to non-profit organizations to open comprehensive education programs like the Harlem Children's Zone in New York City.

Teachers and School Leadership

- The Obama administration's first education budget proposal would dramatically increase funding for the Teacher Incentive Fund to \$517 million from \$97 million in fiscal year 2009. This includes \$487 million for traditional Teacher Incentive Fund activities and an additional \$30 million for a new National Teacher Recruitment Campaign. These funds seek to support state and local education agency efforts to recruit new teachers and implement performance-based compensation systems in hard-to-staff schools and subject areas.
- The Improving Teacher Quality State Grants program would receive \$2.9 billion and the Teacher Quality Partnership program \$50 million, the same levels as fiscal year 2009. Several other teacher programs also would be funded at prior year levels. However, the president's budget proposal does include a new \$15 million line item for Teach for America, which in the past has been funded under the Programs of National Significance, Funds for the Improvement of Education program.

- The president's fiscal year 2010 budget would increase funding for the School Leadership program to \$29 million, up \$10 million from the 2009 level. These funds help high-need schools recruit, train, and retain effective principals and assistant principals through efforts like incentive systems and mentoring.

Higher Education

- The fiscal year 2010 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, new FFEL Program loans made in 2009 will earn a positive return for the government of \$1.03 for every \$100 lent, while those made in 2010 will cost \$0.50 for every \$100 lent. (The administration's figures assume that all federal student loans will be made through the Direct Loan program in the final three months of fiscal year 2010.) In comparison, direct loans made in fiscal year 2009 will earn \$2.09 for every \$100 lent and loans made in 2010 will earn \$1.57. 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.
- The 2010 budget proposal would make the Pell Grant program for low-income students an entitlement. Currently, the program is subject to annual appropriations funding and student grant levels are determined each year. The proposal would set the maximum award at \$5,550 and make subsequent annual increases equal to the change in the consumer price index plus 1 percentage point. The maximum grant award for fiscal year 2009 is \$5,350 and the program costs \$25.4 billion. The administration estimates that the proposal will cost \$28.7 billion in fiscal year 2010. Savings from the administration's proposal to eliminate the Federal Family Education Loan Program would be used to fund the new Pell Grant entitlement.
- The president's budget request for fiscal year 2010 would make changes to the Perkins Loan program. Perkins loans are provided to college students with greater financial need. Loan capital is provided by the federal government 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 each year. Under the president's budget request, available loan funds each year would increase to \$5.8 billion. Additionally, the federal government would make the loans directly instead of funding loan pools 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 cancellation benefits available to borrowers so that they are the same as those in the Direct Loan program.
- The president's fiscal year 2010 budget request includes \$500 million in 2010 and \$2.5 billion over five years for a new college access and completion fund. This funding will be distributed for both state and national activities in a method to be determined later by Congress. The new fund would aim to increase postsecondary degree attainment rates, especially for low-income students. States would be allowed to use some of the funding to cover the cost of postsecondary education outreach and information activities currently performed by federal student loan guaranty agencies.

Federal Student Loan Subsidy Estimates* (%)		
Office of Management and Budget	FY 2009	FY 2010
Direct Loans	-5.29	-3.70
Admin Costs	3.20	2.13
Total (Direct Loan)	-2.09	-1.57
FFEL	-1.59	-0.08
Admin Costs	0.56	0.58
Total (FFEL)	-1.03	0.50
Congressional Budget Office (March 2009 Baseline Budget Estimate)	FY 2009	FY 2010
Direct Loans	-24.13	-17.22
Admin Costs**	N/A	N/A
Total (Direct Loan)	-24.13	-17.22
FFEL	-16.14	-2.38
Admin Costs**	N/A	N/A
Total (FFEL)	-16.14	-2.38
*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 request also contains a number of smaller proposed changes to a variety of programs. It nearly doubles, to \$21 million, the funding available for historically black colleges and universities capital financing program, an initiative that helps those institutions secure low-interest loans. The request also calls for the elimination of the portion of the Fund for Improvement of Postsecondary Education that is allocated to earmarks and special projects chosen by Members of Congress. In fiscal year 2009, \$91 million was spent for those purposes. Finally, the request proposes an increase of \$100 million for Federal Student Aid Administration. In fiscal year 2009, \$753 million was allocated to this fund, which covers the administrative costs of the federal government's two main student loan programs. The request is for the increase in administrative costs associated with the administration's proposed student loan reform.

Program Cuts and Eliminations

- Under discretionary programs (those subject to appropriations), the fiscal year 2010 budget request includes 11 proposed education program eliminations, which collectively received \$482 million in fiscal year 2009. Programs suggested for termination include Safe and Drug-Free Schools and Communities State Grants, Even Start, Civic Education, and Student Mentoring. Several of the proposed program eliminations were also identified in past budget requests made by the previous administration. The budget request proposes a significant reduction in funding for the Education Technology State Grants program, cutting the program to \$100 million in 2010 from \$270 million in 2009. However, the request notes that \$600 million in supplemental funds were provided in the American Recovery and Reinvestment Act.

- The Safe and Drug-free Schools and Communities State Grants program is the largest proposed discretionary education program elimination in the fiscal year 2010 budget. The program received \$295 million in funding in 2009. The administration concludes that the program has significant structural flaws and proposes to increase 2010 funding for the Safe and Drug-Free Schools and Communities National Programs by \$111 million, which it believes is better able to support the necessary interventions.

- 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 loans are financed directly by the federal government, 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 between \$20.0 billion and \$21.0 billion in savings over the next five fiscal years.

Education Program Eliminations (in millions)	
Program	Fiscal Year 2009 Funding
Character Education Program	\$12
Civic Education	\$33
Even Start	\$66
Javits Gifted and Talented Education Program	\$7
National Institute for Literacy	\$6
Safe and Drug Free Schools and Communities State Grants	\$295
Student Mentoring Program	\$47

**Major Discretionary Education Funding Changes Requested in President Obama's
Fiscal Year 2010 Budget (Selected Programs)***

K-12 Education			
Program	Fiscal Year 2009 Appropriation (in millions)	Fiscal Year 2010 Request (in millions)	Change
Title I, Part A Grants to LEAs	\$14,492	\$12,992	-10%
School Improvement Grants	\$546	\$1,516	183%
Safe and Drug-Free Schools and Communities State Grants	\$295	\$0	-100%
Safe and Drug-Free Schools and Communities National Activities	\$140	\$251	79%
Teacher Incentive Fund	\$97	\$517	433%
Striving Readers	\$35	\$370	957%
Educational Technology State Grants	\$270	\$100	-63%
Even Start	\$67	\$0	-100%
IES Research & Development	\$167	\$224	34%
Charter School Grants	\$216	\$268	24%
ARRA State Fiscal Stabilization Funds Innovation Fund	\$650	\$100	N/A
Higher Education			
Program	Fiscal Year 2009 Appropriation (in millions)	Fiscal Year 2010 Request (in millions)	Change
Pell Grants (includes ARRA funding)	\$25,364	\$28,654	48%
Fund for the Improvement of Postsecondary Education	\$134	\$47	-65%
Supplemental Education Opportunity Grants	\$757	\$757	0%
Work Study	\$980	\$980	0%
*Excludes American Recovery and Reinvestment Act(ARRA) funding unless noted.			

[1] These figures exclude the Pell Grant appropriation in fiscal year 2009 for purposes of comparison. The president's 2010 budget request proposes to make the program an entitlement and remove it from annual appropriations. Similarly, all supplemental Department of Education appropriations provided by the American Recovery and Reinvestment Act are also excluded.

The New America Foundation, 1899 L Street, N.W., Suite 400, Washington, DC 20036
<http://www.newamerica.net>

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