Issue Brief

Key Questions on the Obama Administration's 2014 Education Budget Request

Education Policy Program

April 2013

President Barack Obama submitted his fiscal year 2014 budget request to Congress on April 10, 2013. The request includes proposed funding levels for all federal programs and agencies for a 10-year budgetary window and identifies specific fiscal year 2014 proposed funding levels for programs subject to the annual congressional appropriations process.

This year, the budget was officially released two months after it was due on Capitol Hill and after the House and Senate each voted to pass a budget resolution, formally initiating the 2014 budget process. Though the budget request includes dozens of policy proposals, it is not legislation or law. Even those policy changes not funded through the annual appropriations process (i.e. mandatory programs) are subject to congressional approval. However, the president's annual budget request provides a window into the White House's priorities for the next year.

The New America Foundation has reviewed the president's proposals and generated a list of key questions that policymakers, the media, stakeholder groups, and the public should ask about the proposals.

Early Learning and PreK-12 Education

1) The president's budget proposes to partner with states to provide high-quality pre-kindergarten programs for all low- and moderate-income 4-year-olds, funded with $75.0 billion over 10 years through a 94-cent increase in the federal tobacco tax. The corresponding budget documents provide some guidance on how quality will be defined, mentioning full-day programs, small class sizes and low child-adult ratios, but they are silent on other issues.

   How specifically will quality be defined? Will pre-K teachers be required to earn bachelor's degrees or demonstrate specialization in early childhood education? What about states that want to make more investments in pre-K, but cannot meet the match required by the federal government? What safeguards will be put into place to ensure that the funding would not become another siloed funding stream? And will any guidance be issued to encourage states to – in the long-term – fund pre-K and kindergarten the same way 1st through 12th grade are funded?

2) The president's proposal includes $300 million for the Promise Neighborhoods program, a $240 million increase over last year. Some of the program's funds will reside under a new inter-agency header, Promise Zones, in which housing, criminal justice, education, and economic growth efforts are all deployed within a single geographical area. The number of awards will be split between planning grants and implementation. Is the administration counting on sustaining this higher level of funding for the program moving forward? Should a relatively new program bring on so many new communities, rather than focusing on deepening services for existing grantees?

3) The president proposes $300 million for new competitive grants to encourage high schools to strengthen college and career readiness by redesigning traditional programs and creating partnerships with community colleges and employers so that students graduate with college credit and career skills. How would the Department of Education identify high-quality models that are likely to improve students' postsecondary readiness, and would certain criteria be prioritized? Would grantees be required to match any of the funding?

   And how would the High School Redesign competition interact with similar proposals? Dual enrollment, Advanced Placement (AP), early college high schools, and other accelerated programs would be supported in the president's proposed $102 million College Pathways and Accelerated Learning initiative. The administration would simultaneously overhaul Career and Technical Education programs within high schools that operate under the Perkins Act through a $1.1 billion budget request. And an additional $32 million would supplement Perkins funds to address local workforce needs and support adult learners by allowing them to earn high school and college credit through dual enrollment. How would the department ensure these efforts complement, rather than compete with, one another?

4) The president's budget request includes $659 million for a School Turnaround Grants program. This would maintain spending for state School Improvement Grants (SIG), but would also expand the program to include all priority schools under No Child Left Behind (NCLB) waivers and add $125 million in competitive funding for districts to build capacity and maintain progress in schools nearing the end of their 3-year SIG interventions. Will the department issue guidance to encourage schools to add early learning efforts, like pre-K and full-day kindergarten, as part of school turnarounds? And what will the criteria be for districts applying for the new capacity-building grants? How will the department define successful district strategies to support persistently low-achieving schools? Districts' lack of capacity has been one prominent criticism of the SIG program, but given that over $3 billion has been spent on SIG already, is the additional $125 million too little, too late?

5) The president proposes $215 million for the Investing in Innovation program (i3), an increase of $66 million. But nearly all of the increase ($64 million) would go toward a new program called Advanced Research Projects in Agency-Education (ARPA-ED) modeled after similar efforts in the Departments of Defense and Energy. The i3 fund provides competitive grants to school districts, nonprofits, and consortia to implement, validate, or scale up promising reform efforts. Would the i3 program continue to focus on certain reform initiatives, like teacher and leader effectiveness, or would the program shift focus to other areas, including early learning and student achievement in STEM subjects? Would ARPA-ED share the i3 focus? And how will the Obama administration ensure that ARPA-ED avoids redundancy with the Institute for Education Sciences?

6) The president proposes to flat-fund the Assessing Achievement program at $389 million, which would replace State Assessments funding in NCLB. The Common Core assessment consortia, PARCC and SmarterBalanced, have been supported with $360 million in 2009 stimulus funds, set to expire in the fall of 2014 – before the tests are fully administered in the spring of 2015. The two consortia would be eligible to compete for an additional $9 million in funding under Assessing Achievement, while the remaining $380 million would be allocated by formula to states.

   Given pressure for additional assessments in PreK-3rd grade and untested subjects, technology upgrades and increased bandwidth, formative assessments, improved test security, aligned curriculum and professional development, and other supports, will states have sufficient resources to transition to the Common Core assessments while also maintaining and improving their other assessments? And is $9 million sufficient to complete and sustain the work of the Common Core assessment consortia during their first year of full implementation? What guidance will the department provide to help states and the consortia prioritize their activities heading into the critical 2014-15 school year?

Higher Education

7) The president proposes expanding the recently enacted, more generous Income-Based Repayment plan for federal student loans, Pay As You Earn, to all borrowers rather than just new borrowers as of October 1, 2007, and eliminating the tax on loans forgiven for borrowers. Last year, the New America Foundation argued for those exact policy changes – provided that Congress and the administration first address the perverse incentives and windfall benefits the program will provide to graduate and professional students and the schools that enroll them.

   If Pay As You Earn is expanded to all borrowers and loan forgiveness benefits are made tax-free, as the president is proposing, isn't it even more important to rein in the program's windfall benefits and perverse incentives? Does the administration have any thoughts on how to address these issues while maintaining the program's benefits for lower-income and lower-debt borrowers?

8) The president proposes setting interest rates on student loans at the 10-year Treasury note plus an additional 0.93, 2.93, and 3.93 percent for Subsidized and Unsubsidized Stafford and Grad PLUS loans, respectively. The rate would adjust every year for newly issued loans based on the Treasury rate, but is fixed the life of the loan. The proposal closely mirrors one originally proposed by the Education Policy Program's Jason Delisle.

   Unlike Delisle's proposal, the interest rate in the president's budget for Subsidized Stafford loans is lower than those for other loans. However, the Income-Based Repayment program makes the lower rate on Subsidized Stafford loans an unnecessary benefit, given that loans can always be paid as a low percentage of income regardless of the interest rate. What is the justification for the lower rate? Why provide an extra benefit for borrowers when Income-Based Repayment is available for struggling borrowers? Couldn't the budgetary resources used to provide the lower rate be put toward the Pell Grant program instead, where they are certain to help low-income students?

9) The president proposes a program that would allow non-accredited providers of learning to receive federal funding for two-year degrees that are both free to the student and high-quality, with demonstrable outcomes. The goal of Pay for Success is to provide students with alternate pathways for high-quality, low-cost higher education. Providers would

front the costs and be reimbursed only when and if students succeed. This would allow learning acquired and/or certified through means as varied as MOOCs, work-based training, AP exams, and more to be packaged together to create a free, coherent, high-quality competency-based degree.

The budget documents indicate that demonstrated competencies, passage of field-appropriate licensing tests, and job placement are possible indicators of success. How will these indicators be determined? Will the agreed-upon indicators be transparent? How will the outcomes be verified? Will additional measures include acceptance of the two-year degrees for transfer by four-year institutions? How would this work if the "degrees" are not accredited? If students can demonstrate competencies and the outcomes are solid, what would be the justification for not accrediting these new degree programs? How would findings from this experiment on an outcomes-focused delivery model inform the broader conversation around higher education quality?

10) Providing students and families with better information in order to help them make more informed college-going choices is a recurring theme in the budget. It is highlighted as an area for state reform in the proposed $1.0 billion Race to the Top College Affordability and Completion competition and given as an example of an area to study under a $67.0 billion proposed higher education/financial aid research and evaluation program. And the president unveiled his College Scorecard in the 2013 State of the Union address to provide better, more actionable data to students in a user-friendly manner. Yet one of the main indicators on the Scorecard—employment—is essentially blank. Although the department has said that it is working to provide the information, it is not clear how or when that will occur. Given bipartisan interest in better postsecondary outcomes data, what is the department's plan to provide accurate employment data to students? Does the president plan to make the Scorecard mandatory? If so, when? If the department wants to encourage states to provide better information, shouldn't it also lead by example?

MAIN OFFICE
1899 L Street, NW
Suite 400
Washington, DC 20036
Phone 202 986 2700
Fax 202 986 3696

CALIFORNIA OFFICE
921 11th Street
Suite 901
Sacramento, CA 95814
Phone 916 448 5189

NEW AMERICA FOUNDATION
WWW.NEWAMERICA.NET