



ISSUE BRIEF

FEDERAL FUNDING FOR EDUCATION

Fiscal Year 2012 Funding and the Budget Control Act of 2011

Since Congress finalized the Fiscal Year 2012 appropriations process last December, federal deficit reduction and budget containment have consumed most legislative debates. Followed by a series of budget cuts to PreK–12 education programs totaling more than \$835 million in FY2011, the House of Representatives began the budget process for FY2012 with a projected \$18.2 billion cut to labor, health and human services and education programs. However, the enactment of the *Budget Control Act of 2011* superseded this funding cut and established a new overall budget allocation for FY2012 that was higher, which ultimately provided slight increases to Title I grants for disadvantaged students and special education. Although the *Budget Control Act* establishes overall budget levels for fiscal years 2012 and 2013, the law slates additional budget cuts.

After FY2012, the scale of the *Budget Control Act's* projected across-the-board budget cuts could significantly affect K–12 education and early education programs since the law calls for additional decreases of at least \$1.2 trillion from the overall budget over the next ten years. Also, since the Joint Select Committee on Deficit Reduction that was created by the Act to develop recommendations for the \$1.2 trillion reduction could not reach an agreement by November 23, the law now calls for across-the-board budget cuts to most programs that could affect Department of Education funding by more than \$4 billion. This could impede the ability of school districts and states to sustain resources for programs that close achievement gaps, raise graduation rates, and retain highly effective teachers, for example, especially while states continue to face record budget shortfalls. (For more information regarding the Budget Control Act's across-the board cuts, or sequestration process, slated for January 2013, please refer to the [attached letter](#) to Congress.)

Fiscal Year 2013 Budget Process

As of April 2012, Congress is holding a number of hearings on the President's budget request for Fiscal Year 2013. U.S. Secretary of Education Arne Duncan has testified before the House Appropriations Subcommittee for Labor, Health & Human Services, and Education as well as the Committee on Education & the Workforce regarding the Department's budget proposal, which includes requests for school repairs and modernization, teacher and staff stabilization funding, and new grant programs for teacher effectiveness. However, the budget request would level fund both Title I and special education (Individuals With Disabilities Education Act). – the two largest federal education programs that benefit the majority of school districts. These two programs operate as federal mandates and requirements by which school districts and states comply in order to receive federal funding that helps provide students and schools with a range of resources (e.g., early intervention services for students with special needs, individualized education programs that enable students with disabilities to be involved in and make progress in the general education curriculum, math and reading coaches, language arts instruction, health and dental screenings, counseling and social services coordination, preschool, and other support services).

Specifically, the budget request to Congress proposes an overall increase of \$1.7 billion for education programs. Although the proposal includes the overall increase, it recommends level funding for both Title I grants for disadvantaged students and special education (IDEA) grants at the current FY2012 levels. As reflected in the U.S. Department of Education's waiver process, the budget proposal would give school

districts the authority to use the 20 percent set aside in Title I for their own "locally determined" reforms and intervention programs, rather than for supplemental services or school choice.

The budget request includes a \$25 billion proposal for school modernization grants to states and districts that would provide infrastructure repairs and renovations to an estimated 35,000 schools.

In addition, the proposal would provide \$25 billion to state and local governments to help retain and hire teachers and first responders.

A \$5 billion request for a one-time competitive grant program, called RESPECT—Recognizing Educational Success, Professional Excellence and Collaborative Teaching—is included to "help states and school districts pursue bold reforms at every stage of the [teaching] profession," including reforms for colleges of education; creating new career ladders for teachers; merit pay; establishing more leadership roles and responsibilities for teachers; improving professional development and increasing time for collaboration among teachers; providing greater individual and collective autonomy in the classroom in exchange for greater accountability; creating evaluation systems based on multiple measures; and, reshaping tenure.

According to the budget proposal, this initiative aims to "rebuild the teacher profession by radically changing how we prepare, credential, support, advance and compensate teachers. As in other high-performing countries, we must elevate the teaching profession through a higher bar for entry; better training, including mentoring; higher compensation; a more flexible and collaborative work environment; meaningful evaluation and rewards for excellence; and opportunities for career advancement, both in the classroom and in school leadership teams."

Teacher Quality grants would receive level funding under a new program category of "Effective Teachers and Leaders State Grants," with a 25 percent set aside by the Department to "recruit, train and support effective teachers and school leaders, including effective science, technology, engineering, and mathematics [STEM] teachers, and to invest in efforts to enhance the teaching and leadership professions."

Almost \$337 million is proposed for "Effective Teaching and Learning" programs in literacy and STEM subjects as competitive grant programs to state education agencies for comprehensive state and local efforts to improve instruction, especially in high-needs schools. In awarding the STEM grants, the Department would give priority to states that have adopted and are implementing a set of K-12 college and career ready standards in at least mathematics; and, states would be required to make subgrants to high-need school districts.

\$400 million is proposed for a new "Teacher and Leader Innovation Fund" (currently the Teacher Incentive Fund) for competitive grants to states and districts to implement programs that identify, reward, retain and advance effective teachers, principals and school leadership teams in high-needs schools.

In other areas of the budget proposal, funding for Race to the Top (RTT) would be increased by \$300 million, bringing total funding to \$850 million, with a continued component for the RTT Early Learning Challenge Fund. Investing in Innovation grants would be level funded at \$150 million; and the Promise Neighborhoods grant program would receive a \$50 million increase for total funding of \$100 million.

Child nutrition: The U.S. Department of Agriculture (USDA) budget for five child nutrition programs in the Healthy, Hunger-Free Kids Act (including school lunch & breakfast) includes an increase of about \$1.5 billion for FY13 to reflect projected increases in food costs and participation.

The increase reflects the 6 cent reimbursement increase available October 2012 for schools that comply with new national school meal standards. Funding levels nevertheless remain far below the actual cost of implementing the standards. The USDA budget also includes \$35 million for competitive grants to help schools purchase equipment needed to comply with the new standards and expansion of the school breakfast program that could assist up to 10,000 schools.

For Impact Aid payments, the budget request proposes the elimination of the federal properties program (\$67 million) that would affect [more than 200 districts](#) in areas where the federal government is the largest property owner and the districts receive federal payments because of the limited property tax base.

Please refer to the attached [chart](#) that compares the budget request to current FY2012 funding levels.

The budget request also calls for the renewal of Build America Bonds (BABs), which can be used by municipalities and school districts, similar to the Qualified School Construction Bond (QSCB) program that was authorized through the economic stimulus. Bond proceeds would be used for school construction, renovation and repairs, and land acquisition. However, the proposal calls for a cap on the amount of certain tax deductions, including the interest on bonds issued by states and local governments. Specifically, bondholders would no longer be able to receive the full benefit of the tax-exempt interest they paid for when purchasing the bonds, which could raise borrowing costs for school districts and other units of government.

NSBA's overarching concern about the budget proposal is the need to increase investments in the foundation programs, Title I and IDEA, which would be level funded in the President's budget. Level funding would result in a reduction in services to students when the impact of inflation, enrollment increases and an increase in students in poverty are considered. In addition, the impact that the Budget Control Act could have on education funding exists. Beginning in January 2013, education programs could be cut by more than \$4 billion if the budget sequestration process (across-the-board budget cuts) were to proceed as legislated in the Budget Control Act, which seeks to cut an additional \$1.2 trillion in expenditures from the federal budget.

NSBA Policy Resolutions

Targeted Investments in Public Education: As the federal budget is realigned to meet deficit reduction goals, NSBA urges targeted investments in public education that will leverage increased economic growth and productivity that will strengthen American competitiveness in the global economy and ultimately help reduce the national debt. NSBA urges Congress and the Executive Branch to appropriate and administer accelerating investments in public education that support local efforts to continue raising student achievement. Further, NSBA continues to urge Congress to appropriate full funding for Title I and the Individuals with Disabilities Education Act (IDEA) mandates.

Impact Aid: NSBA urges Congress authorize and fully fund Impact Aid to local districts to help support the education of all students whose parents or legal guardians reside and/or work on federal tax-exempt property or within local school districts that include federal tax exempt property.

Tax-exempt Financing: NSBA supports the utilization of tax-exempt bonds for school construction and other capital improvement projects and opposes any efforts to limit the issuance, tax exempt status and advance refunding of such bonds through changes in the federal tax code.

FY2013 RECOMMENDATIONS

Increasing the federal share of funding for special education is paramount, and should be addressed before considering future funding for newly created programs that may not have demonstrable results for program

effectiveness. Specifically, funding for competitive grant programs should be weighed against the need to address Congress' promise to fund the federal share of a 36-year-old mandate (IDEA) that has superseded other local budget priorities for the majority of school districts and communities.

In its December 2010 report, the National Commission on Fiscal Responsibility and Reform states, "...we must invest in education, infrastructure, and high-value research and development to help our economy grow, keep us globally competitive, and make it easier for businesses to create jobs." However, there is a challenge to realizing this investment under drastically reduced discretionary spending levels for domestic programs without a realignment of policy priorities.

Next Steps: Budget proposals are slated for consideration by the full House and Senate Budget Committees, as congressional hearings are underway. The House Budget Committee has reported legislation for an FY2013 budget resolution. NSBA will continue to keep you apprised of these developments, along with corresponding action alerts, as the budget and appropriations process moves forward.

NSBA POSITION

IDEA must be fully funded—as well as the mandates from the *No Child Left Behind Act* and any new requirements. Local school districts will need capacity-building support for professional development, curriculum development, course materials and instructional changes needed to meet federally sponsored standards and assessments. NSBA also opposes general budget reductions by formula, such as across-the-board-cuts, which circumvent Congress' responsibility to set funding priorities among government functions. NSBA supports increased investments of at least \$1 billion each for IDEA and for Title I for FY2013.

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