Making sense of the annual appropriations process and the federal education budget can be a frustrating task for education advocates, state and local policymakers, the media, and the public. With the fiscal year 2013 budget and appropriations process now complete and the 2014 process just beginning, now is an opportune time to assess how federal education programs have been, and are likely to be, affected by these developments.

This issue brief provides a recap of the recently finalized fiscal year 2013 budget process, with a breakdown of how that process affected federal education programs. It also provides an analysis of the early stages of the fiscal year 2014 budget process, including the congressional budget resolutions and the president’s budget request, and how they will shape education policy in the coming year.

Budget Control Act of 2011
Any contemporary discussion of the federal budget process must begin with the Budget Control Act of 2011 (BCA). That law has already had a big impact on federal education funding and will continue to weigh heavily on upcoming budget decisions.

Congress and the president adopted the BCA as part of an agreement to raise the limit on outstanding federal debt. The law established a bipartisan congressional “supercommittee” to develop legislation that would reduce the budget deficit by $1.5 trillion over 10 years, either through spending reductions, tax increases, or both. The committee ultimately failed in that mission, triggering a fallback plan also included in the BCA.

The fallback plan was meant to ensure that $1.2 trillion in deficit reduction would occur over 10 years, even if the supercommittee failed. The BCA designed three different ways to produce this automatic deficit reduction, which is to be split equally among defense and non-defense programs. Firstly, funding provided through the annual appropriations process for fiscal year 2013 would be reduced mid-year by a uniform percentage across all programs (with some programs exempt), called “sequestration.” Secondly, funding for some entitlement programs would be reduced by a uniform percentage, and those reductions would remain in place in subsequent years. Thirdly, future appropriations funding would be subject to lower limits than those put in place initially under the BCA.
Recap: Fiscal Year 2013 Education Appropriations

Fiscal year 2013 appropriations for federal education programs can best be understood as two distinct segments: before the BCA-mandated sequestration and after sequestration. Sequestration interrupted the federal appropriations process mid-year, separating the second half of the year from the first with a blunt, across-the-board reduction in funding.

Nearly all federal education programs are funded through the annual appropriations process. This means that Congress must appropriate a new funding package for most education programs by the start of each fiscal year, which begins October 1 of the preceding calendar year (i.e. fiscal year 2013 began on October 1, 2012). As the start of fiscal year 2013 approached, Congress opted to pass a temporary appropriations bill (a continuing resolution, or CR) from October 1, 2012 through March 27, 2013. The CR funded federal education programs at $68.4 billion, slightly above the prior year’s level due to a 0.612 percent increase applied to all programs.[2]

The "Fiscal Cliff" Deal and the American Taxpayer Relief Act

Though sequestration was originally set to take effect on January 2, 2013 and would have reduced education appropriations provided in the CR on that date, lawmakers reached a last-minute “fiscal cliff” agreement postponing sequestration. The American Taxpayer Relief Act, which extended or made permanent a series of expiring tax provisions, delayed sequestration until March 1, 2013.[3] The law also reduced the size of the 2013 sequester from an 8.2 percent reduction in appropriations funding to a 5.0 percent reduction.[4,5]

The American Taxpayer Relief Act included changes to education tax benefits. It extended through 2017 the $2,500 American Opportunity Tax Credit for undergraduate students or their families, which was set to sunset at the end of 2012 and revert to the less-generous Hope tax credit. The extension will cost $67.3 billion over 10 years. It also permanently extended benefits provided through Coverdell education savings accounts, employer-provided educational assistance credits, and the student loan interest deduction, at a combined $21 billion, 10-year cost. The law also retroactively extended through 2013 the classroom expenses deduction for K-12 teachers and the $4,000 higher education tuition deduction, both of which expired at the end of 2011.[6]

March 1 Sequestration

Because Congress and the president did not reach an agreement to cancel sequestration, across-the-board...
spending reductions began on March 1. Sequestration reduced the funding levels Congress originally set for education programs in the CR by 5.0 percent, applied to nearly all federal education programs subject to the annual appropriations process.[7] Table 5 at the end of this brief details funding levels for education programs.

Some federal education programs funded as entitlements were also subject to sequestration. The Department of Education raised the origination fees it charges for federal student loans as required by sequestration.[8] School nutrition programs and the Pell Grant program, however, which are funded as entitlement programs (only partially in the case of Pell Grants), are exempt from spending reductions under sequestration.

Importantly, most large federal education programs won’t immediately face cuts. The two biggest K-12 programs, Title I grants to local educational agencies and IDEA Part B special education grants to states, are primarily funded one year in advance. That is to say, they receive their appropriations for a given school year in two parts: some from the current year appropriation, but mainly from the following year’s.[9] That means most of the reductions in Title I and IDEA funding due to sequestration will be effectively delayed until the 2013-14 school year.[10]

On the other hand, school districts that rely heavily on federal funding – those that receive funding under the Impact Aid program – will be most affected by sequestration. They will also feel the effects sooner than other districts because Impact Aid funds are from current-year appropriations, not advance appropriations.[11]

**Continuing Resolutions and Fiscal Year 2013 Funding**

At the end of March, prior to the expiration of the first continuing resolution on March 27, Congress and the president adopted legislation that extended funding for education programs through the remainder of fiscal year 2013, but at the lower levels set by the sequester. That second CR finalized the fiscal year 2013 appropriations process. Appropriations funding for education programs total an estimated $65.98 billion for fiscal year 2013 after sequestration.

There were, however, a few exceptions to the spending reductions required under sequestration in the final CR for fiscal year 2013. The final law restored funding to fiscal year 2012 levels for the Child Care and Development Block Grant discretionary program, and it restored some of the reduced funding for Head Start (both programs are funded through the Department of Health and Human Services). Funding was also adjusted for the Javits fellowship program, and restored for the military tuition assistance program administered by the Department of Defense, which had suspended new applications in response to sequestration.

Table 5 at the end of this brief details funding levels for key education programs for fiscal years 2012 through 2014. The U.S. Department of Education has not yet provided post-sequestration funding levels for fiscal year 2013, however, so only estimated numbers are available.

**Look Ahead: Fiscal Year 2014 Budget Process**

**The President’s Fiscal Year 2014 Budget Request**

President Obama released his fiscal year 2014 budget request on April 10, 2013, two months after the statutory deadline. The budget includes a 2014 discretionary spending limit of $1.057 trillion, which exceeds the Budget Control Act limit triggered when the supercommittee failed to reach an agreement, but aligns closely with the initial limit set by the Act. The White House argues that other proposals in its budget request will reduce the deficit over time in an amount sufficient to offset the restoration of appropriations funding.
The White House budget includes a number of changes to education policy, but also proposes static funding levels for some key programs. The budget would provide $71.2 billion in appropriations funding for the U.S. Department of Education in fiscal year 2014. At that amount, funding for the agency would be restored above its pre-sequestration level, which for fiscal year 2013 totaled $68.4 billion. The two largest K-12 education programs, Title I grants to local educational agencies and IDEA special education grants to states, would receive funding equal to fiscal year 2013 pre-sequester levels.

The president proposes a new 10-year, $75.0 billion preschool program for low- and moderate-income children, funded as a mandatory spending program through an increase in the federal tobacco tax. In higher education, he proposes a $1.0 billion competition to promote college affordability and completion under the Race to the Top program. The budget also includes a plan to change the inflation index by which many federal programs and tax laws are adjusted annually. The proposed change to the Chained CPI, instead of the Consumer Price Index, would affect education programs, including education tax benefits and the Pell Grant program.[12] Education tax benefits indexed to inflation would be slightly reduced, and a five-year automatic inflationary increase in the maximum Pell Grant would be lower.[13]

The president proposes to tie interest rates on federal student loans to the interest rates on U.S. Treasury notes, though rates would still be fixed for the life of the loan. The budget would also allow borrowers with older student loans to use the new Pay As You Earn repayment plan, a form of income-based repayment (it is currently available only for new borrowers as of October 1, 2007). The budget also includes a plan to promote competency-based learning for free, two-year degrees.

The Pell Grant program, which was exempt from sequestration, would be flat-funded at the fiscal year 2013 level. Meanwhile, the maximum grant would grow from $5,645 in 2013 to $5,785 due to an automatic increase scheduled in law. The president’s budget also includes supplemental funding for the Pell Grant program in future years to enhance the regular appropriation, though that funding would fall short of the amounts needed to maintain the program in its current form (discussed further on page 7).

The president’s budget is rarely adopted by Congress as presented. The president, however, must ultimately sign any appropriations or other spending bill for it to become law. As such, his budget proposal offers a strong signal for which education policies and spending bills can prevail in the upcoming legislative process.

House and Senate 2014 Budget Resolutions

The House and Senate had already begun the first stages of the fiscal year 2014 budget process by the time the president’s budget request was released in April 2013. In March, each chamber passed a 2014 budget resolution. Although it is unclear whether the House and Senate will ultimately work out the differences between the two resolutions to pass a joint resolution, action thus far sheds some light on the likely debates and fiscal pressures affecting education policy.

The annual budget resolution is an agreement between the two legislative chambers that establishes appropriations and mandatory (non-appropriations) spending and revenue levels for the next 10 fiscal years, as well as sets various rules and procedures that will govern the budget process in the House and Senate. The budget resolution, however, is not legislation and does not become law, nor is it presented to the president for his signature or veto. Instead, it serves as a set of self-imposed rules and guidelines that Congress uses to shape spending and revenue legislation considered later in the year.

The budget resolution can have both direct and indirect effects on education funding. One of its most important
functions is to establish an overall limit on appropriations funding for the upcoming fiscal year, known in technical terms as a 302(a) allocation. The budget resolution can also trigger a special “reconciliation” process that can significantly affect education policy. Those two areas – appropriations limits and reconciliation – are discussed below with respect to the fiscal year 2014 budget process.

Fiscal Year 2014 Appropriations Limits

As Congress begins work to draft fiscal year 2014 appropriations bills, the overall limit on appropriations funding – the 302(a) allocation – adopted in the budget resolutions will guide that process. The 302(a) allocation to the House and Senate Appropriations Committees establishes the size of the pie from which all appropriations spending for the upcoming year will be carved. A smaller pie can mean lower allocations to the Labor, Health and Human Services, and Education Appropriations Subcommittees, leading lawmakers to reduce funding for specific education programs or terminate entire programs.

The House and Senate budget resolutions differ on appropriations limits for fiscal year 2014. The House limit is $966.4 billion, aligned with the Budget Control Act spending caps triggered when the supercommittee failed.[14] That is a reduction of nearly $18 billion compared to the fiscal year 2013 funding level in place after the sequester, but is closer to a $77 billion reduction compared to the funding level in place before the sequester.[15]

While the House limit is aligned with the BCA limits in aggregate, that figure masks a disproportionately large spending reduction for non-defense programs, diverting $55 million from non-defense spending to defense programs and adjusting the caps accordingly.[16] The funding reduction would make room for more spending on defense programs in the fiscal year 2014 appropriations process – and reduce available spending on education and other non-defense programs. As the House develops its version of an education appropriations bill later this year, such a reduction in overall appropriations limits – particularly, the limit on the non-defense category – would almost certainly translate into further spending reductions for education programs beyond those already in place due to the sequester. It is still too early in the appropriations process, however, to know which education programs the House limits would affect.

The Senate’s budget resolution sets an appropriations limit of $1.058 trillion for fiscal year 2014, the limit originally set forth under the Budget Control Act before the supercommittee failed, but higher than the one now in law under the BCA.[17] Senate Appropriations Committee Chair

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>President’s Budget Requests</td>
<td>--</td>
<td>1,047</td>
<td>1,057</td>
</tr>
<tr>
<td>House Budget Resolutions</td>
<td>--</td>
<td>1,028</td>
<td>966</td>
</tr>
<tr>
<td>Senate Budget Resolutions</td>
<td>--</td>
<td>1,047*</td>
<td>1,058</td>
</tr>
<tr>
<td>BCA Limit Pre-Sequester</td>
<td>--</td>
<td>1,043</td>
<td>1,058</td>
</tr>
<tr>
<td>BCA Limit Post-Sequester</td>
<td>--</td>
<td>984**</td>
<td>966</td>
</tr>
<tr>
<td><strong>Enacted</strong></td>
<td>1,043</td>
<td>984</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Sources: New America Foundation, White House Office of Management & Budget, Budget Control Act, Congressional Budget Resolutions

*The Senate used the Budget Control Act limit in lieu of a budget resolution for fiscal year 2013.

**The initial fiscal year 2013 spending limit triggered by the supercommittee’s failure totaled $1.043 trillion; after sequestration, that spending limit totals $984 billion.

Note: All figures exclude supplemental funding for some military operations, disaster response, and emergencies. 2012 figures are excluded for clarity.
Barbara Mikulski (D-MD) has expressed that she plans to disregard the BCA limits and instead follow the pre-sequestration, $1.058 trillion limit for fiscal year 2014.[18] As is the case in the House, it is still too early in the appropriations process to know what funding the Senate will propose for individual education programs.

It should be noted that the Budget Control Act of 2011 and a fiscal year 2014 joint budget resolution can have overlapping effects. For example, the House- and Senate-passed budget resolutions and the BCA each sets a limit on appropriations funding for fiscal year 2014. The BCA is a law, however, and takes precedence over any funding limits Congress adopts in a resolution. Should appropriations funding exceed the limit in place under the BCA, lawmakers will also have to pass a law that overrides the BCA spending limit or that “turns off” the new sequester that would result from an appropriations bill exceeding the overall BCA limit.

Thus, much of the debate around the fiscal year 2014 appropriations bills will likely focus on whether or not Congress and the president will choose to override the caps in the BCA to restore funding for education and other programs to their pre-sequester levels. That likely sets up a significant conflict in the fiscal year 2014 appropriations process, with implications for education funding. As was mentioned earlier, an overall appropriations limit that conforms to the BCA and the House-passed budget resolution will almost certainly force spending reductions for some education programs.

As Congress begins the fiscal year 2014 appropriations process, lawmakers will begin drafting bills that follow the spending limits set out in their respective budget resolutions. Ultimately, however, lawmakers must agree on the same overall appropriations limit by the time the process is complete.

### Budget Reconciliation

If Congress ultimately reaches agreement on a joint budget resolution, lawmakers may choose to include special "reconciliation" instructions. The original purpose of the reconciliation process was to allow Congress to expeditiously enact legislation at the end of a fiscal year that would make minor adjustments to spending and revenue.[19] Historically, however, congressional majorities have used the process to pass large-scale policies, mainly because reconciliation allows the Senate to circumvent a filibuster. Like the budget resolution itself, a reconciliation bill requires only a simple majority vote to pass, and debate is limited. Congress has used the reconciliation process seven times since 1990 to enact major changes in education policy, most recently in 2010 under the Health Care and Education Reconciliation Act.[20]

The House 2014 budget resolution includes budget reconciliation instructions for eight committees, including the Education and Workforce Committee, to each draft legislation that would produce $1.0 billion in deficit reduction over the next 10 years. The House budget notes that the $1.0 billion figure is a “placeholder” for possible negotiations with the Senate. Meanwhile, the Senate budget resolution includes reconciliation instructions only for the Finance Committee, which does not have jurisdiction over education programs other than tax benefits.

It seems unlikely at this stage that the House and Senate will work out the differences between their respective budget resolutions. Because reconciliation instructions only have force in the Senate under a joint budget resolution (one passed in identical form in both chambers), that would leave no opportunity for the majority to use the reconciliation process this year. Should the House and Senate adopt a joint resolution, though, legislation affecting education programs could progress under reconciliation.
Other Key Education Policy Topics

Pell Grant Funding in Fiscal Year 2014 Appropriations

Over the past several years, Congressional Budget Office (CBO) cost projections for the Pell Grant program revealed that the program was spending more per year than Congress had budgeted. That forced lawmakers to make a series of budget decisions, on numerous occasions, to allocate more funding to the program on a temporary basis.\[21\]

The CBO projected last year that for fiscal year 2014, lawmakers would again have to allocate additional funding to the Pell Grant program – about $5.8 billion to supplement the annual appropriation and maintain the current level of benefits. However, the CBO updated its estimate this year and announced that supplemental funding would be unnecessary because the program was operating at lower costs that expected. Based on that information, lawmakers can fund the program at current fiscal year 2013 levels and still provide the same benefits through the program.

Further, CBO reported that Congress had actually overfunded the program in recent years, leaving a cumulative surplus of $9.2 billion, which can be applied to the program to reduce near-term funding needs. In the longer term, however, lawmakers will still need to allocate more supplemental funding to the program or reduce the benefits it provides, because past supplemental funding will run out in fiscal year 2015. Table 3, below, shows this funding cliff and details how much supplemental funding the program will need in coming years to continue operating in its current form.

The president’s fiscal year 2014 budget includes a series of proposals that would partially address the funding cliff, but still falls short of the projected funding needed to maintain the program by approximately $6 billion over the next five years and $51 billion over the next 10 years.\[22\]

Congress and the president will ultimately need to develop a plan to provide more funding to the program or reduce its benefits. It is unclear whether they will do so this year or postpone those difficult decisions until next year, or even later.

Interest Rates on Federal Student Loans

Current interest rates on federal student loans reflect changes made in both 2006 and 2011.\[23\] Undergraduate loans carry rates of 3.4 percent for Subsidized Stafford loans and 6.8 percent for Unsubsidized Stafford loans. Another type of loan, PLUS loans for parents of

<table>
<thead>
<tr>
<th>Table 3. Pell Grant Funding Cliff: Increase in Appropriation Necessary to Sustain Current Policy ($ in billions, budget authority)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012 Estimate</strong></td>
</tr>
<tr>
<td>Funding Cliff</td>
</tr>
<tr>
<td><strong>Update: 2013 Estimate</strong></td>
</tr>
<tr>
<td>Funding Cliff</td>
</tr>
</tbody>
</table>

*Sources: New America Foundation, Congressional Budget Office*

*Note: Funding cliff calculation based on $22.8 billion regular annual appropriation. Assumes Congress applies the accumulated $9.2 billion surplus to fiscal years 2014 and 2015 funding so that it may maintain the $22.8 billion in funding provided in the annual appropriation for fiscal year 2012.*
undergraduates and graduate students who exhaust Unsubsidized Stafford eligibility, charges a 7.9 percent rate.

Historically, interest rates on Subsidized and Unsubsidized Stafford loans were the same. However, Congress passed a law in 2007 to temporarily set interest rates on Subsidized Stafford loans at 3.4 percent for the 2011-12 school year.[24] President Obama proposed, and Congress enacted, a one-year extension of that policy in mid-2012 at a cost of $6 billion.[25] Because Congress and the president opted to extend the 3.4 percent interest rate for only one year of loans, newly issued Subsidized Stafford loans will revert to a 6.8 percent interest rate under current law on July 1, 2013.

Instead of another one-year extension, the president’s fiscal year 2014 budget would change interest rates on all types of federal student loans issued as of July 1, 2013. Specifically, rates on newly issued loans would be fixed for the life of the loan, but each year’s worth of loans would carry rates based on the 10-year Treasury note at the time of issuance, plus a mark-up.[26]

The day before the president released his fiscal year 2014 budget, three Republican Senators introduced a bill that would set interest rates on student loans by a similar formula.[27] The bill, sponsored by Senators Tom Coburn (R-OK) and Richard Burr (R-NC), along with Senate Health, Education, Labor, and Pensions Committee Ranking Member Lamar Alexander (R-TN), differs from the president’s proposal only in the mark-up used to set interest rates.[28] While the president proposes three different mark-up rates by loan type, the Senate bill would use a 3.0 percentage point mark-up added to the rate on 10-year U.S. Treasury notes for all loan types. Table 4, below, compares interest rates under both proposals.

The president’s proposal would, compared to current law, cost $25 billion in the first five years, but produce budget savings of $15 billion over 10 years.[29] The Senate bill, according to a year-old estimate, would cost $29 billion in the first five years and save $6 billion over 10 years.[30] The Senate bill would cost more and save less than the president’s proposal because it would result in lower rates for PLUS loans.

The reason the proposals show initial costs, but savings over 10 years is twofold. First, budget agencies estimate the effects of proposed legislation compared to current law. Interest rates on future cohorts of student loans under current law are 6.8 percent or 7.9 percent, depending on the type, in perpetuity. Based on projections for rates on the 10-year Treasury note, both the president’s proposal and the Senate proposal would set interest rates on newly issued loans below rates in current law, but in later years rates are expected to be higher than those in current law. The lower rates result in a budget cost, and the higher rates result in budget savings.

Some lawmakers support another one- or two-year extension of the expiring 3.4 percent interest rate on Subsidized Stafford loans and no changes to rates on other student loans. Others, including student advocacy groups, support the concept behind the president’s proposal, but want future interest rates capped at a nominal level.[31]

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Current Law</th>
<th>Proposed Reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AY 2012-13</td>
<td>AY 2013-14</td>
</tr>
<tr>
<td>Subsidized Stafford</td>
<td>3.4</td>
<td>6.8</td>
</tr>
<tr>
<td>Unsubsidized Stafford</td>
<td>6.8</td>
<td>6.8</td>
</tr>
<tr>
<td>Grad and Parent PLUS</td>
<td>7.9</td>
<td>7.9</td>
</tr>
</tbody>
</table>

*Sources: New America Foundation, Congressional Budget Office*
These proposals will surely be debated in the coming weeks as the expiration of the 3.4 percent interest rate approaches on July 1, 2013.

**What to Watch Before the Start of Fiscal Year 2014**

The fiscal year 2013 appropriations process was as complicated and uncertain as ever. But now that it is complete, education policy stakeholders can begin to assess its impact on education programs – and what it portends for the fiscal year 2014 budget process.

Although the fiscal year 2014 process has already begun, its possible outcomes remain hazy. Education policy will likely receive some attention later this year, however, prior to the expiration of the 3.4 percent interest rate on Subsidized Stafford student loans at the end of June. Outside of the appropriations process, a bill either reforming interest rate policies or extending the lower 3.4 percent rate will likely move before July 1. Other student loan reform efforts may be attached to that bill as a vehicle to advance further policy changes through Congress.

The fiscal year 2014 budget process is shaping up to be contentious and unpredictable. Although the process will not be interrupted by sequestration this year, further reduced spending caps set forth in the Budget Control Act of 2011 will likely influence both budget negotiations and the final outcome. The biggest issue before lawmakers with respect to the fiscal year 2014 appropriations process thus far is whether to follow the limits in place under the Budget Control Act or roll back those spending reductions, either completely or in part. That decision will likely be the first of many that significantly influence funding for education programs.
Table 5. Federal Education Appropriations by Fiscal Year
($ in billions, budget authority)

<table>
<thead>
<tr>
<th>Program</th>
<th>2012 Appropriation</th>
<th>2013 Funding (Pre-Sequester)</th>
<th>2013 Funding (Post-Sequester)*</th>
<th>2014 President’s Budget**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pell Grants – Appropriations Funding</td>
<td>22.82</td>
<td>22.82</td>
<td>22.82</td>
<td>22.82</td>
</tr>
<tr>
<td>Title I grants to local education agencies</td>
<td>14.52</td>
<td>14.52</td>
<td>13.79</td>
<td>14.52</td>
</tr>
<tr>
<td>IDEA special education state grants</td>
<td>11.58</td>
<td>11.58</td>
<td>11.00</td>
<td>11.58</td>
</tr>
<tr>
<td>Impact aid basic support payments</td>
<td>1.15</td>
<td>1.15</td>
<td>1.10</td>
<td>1.15</td>
</tr>
<tr>
<td>Work-Study grants</td>
<td>0.98</td>
<td>0.98</td>
<td>0.93</td>
<td>1.13</td>
</tr>
<tr>
<td>TRIO Programs</td>
<td>0.84</td>
<td>0.84</td>
<td>0.80</td>
<td>0.84</td>
</tr>
<tr>
<td>Supplemental Educational Opportunity Grants</td>
<td>0.73</td>
<td>0.73</td>
<td>0.70</td>
<td>0.73</td>
</tr>
<tr>
<td>Race to the Top</td>
<td>0.55</td>
<td>0.55</td>
<td>0.52</td>
<td>1.00</td>
</tr>
<tr>
<td>Title I School Improvement Grants</td>
<td>0.53</td>
<td>0.53</td>
<td>0.51</td>
<td>0.66</td>
</tr>
<tr>
<td>Teacher Incentive Fund</td>
<td>0.30</td>
<td>0.30</td>
<td>0.28</td>
<td>0.00</td>
</tr>
<tr>
<td>Investing in Innovation</td>
<td>0.15</td>
<td>0.15</td>
<td>0.14</td>
<td>0.22</td>
</tr>
<tr>
<td>Striving Readers</td>
<td>0.16</td>
<td>0.16</td>
<td>0.15</td>
<td>0.00</td>
</tr>
<tr>
<td>Fund for the Improvement of Education</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
<td>0.05</td>
</tr>
<tr>
<td>Safe and Drug-Free Schools, national programs</td>
<td>0.06</td>
<td>0.06</td>
<td>0.06</td>
<td>0.00</td>
</tr>
<tr>
<td>Promise Neighborhoods</td>
<td>0.06</td>
<td>0.06</td>
<td>0.06</td>
<td>0.30</td>
</tr>
<tr>
<td>Statewide data systems</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
<td>0.09</td>
</tr>
<tr>
<td>Other education programs</td>
<td>13.59</td>
<td>13.87</td>
<td>13.18</td>
<td>16.13</td>
</tr>
<tr>
<td><strong>Total Education Appropriations</strong></td>
<td><strong>68.11</strong></td>
<td><strong>68.39</strong></td>
<td><strong>65.98</strong></td>
<td><strong>71.21</strong></td>
</tr>
</tbody>
</table>

Sources: New America Foundation, U.S. Department of Education

*Post-sequestration figures reflect an estimate by the New America Foundation. Actual figures from the U.S. Department of Education were not publicly available as of publication.

**Numbers reflect proposed funding for programs as configured under current law, not the president’s proposal to consolidate programs.
Notes


5 Sequestration for non-defense mandatory spending was applied as 5.1 percent, originally estimated at 7.6 percent. Pell Grant funding was exempted from the provision, but student loan origination fees were increased accordingly.


7 The size of the cuts was originally assumed to be about 8.2 percent for non-defense discretionary programs, the category that encompasses most education programs. However, on January 1, lawmakers reached a last-minute “fiscal cliff” agreement that resolved a series of expiring tax provisions and delayed sequestration until March 1. The agreement reduced the size of the sequester from $109 billion to $85 billion, compensating for the delay with certain specified spending cuts instead. The White House Office of Management and Budget memo that triggered the sequester stated that cuts to non-defense discretionary programs would be only 5.0 percent. White House Office of Management and Budget, “Issuance of the Sequestration Order Pursuant To Section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as Amended” (March 1, 2013). http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-06.pdf.

8 For Direct Subsidized and Direct Unsubsidized Loans where the first disbursement of the loan is after the sequester takes effect, the current loan fee of 1 percent of the principle amount of a loan will increase to approximately 1.05 percent. For Direct PLUS Loans to both parents of undergraduates and to graduate and professional student borrowers, the current loan fee of 4.0 percent will increase to approximately 4.2 percent. “Impact of Sequestration on the Title IV Student Financial Assistance Programs.” U.S. Department of Education (March 1, 2013): http://ifap.ed.gov/eannouncements/030113ImpactofSequestrationonTitleIVFSAProg.html.


26 The mark-up on the 10-year Treasury note rate under President Obama’s proposal would be 0.93 percentage points for Subsidized Stafford loans, 2.93 percentage points for Unsubsidized Stafford loans, and 3.93 percentage points for PLUS loans. The interest rate on 10-year Treasury notes is currently 1.7 percent. U.S. Department of Education, “FY 2014 Department of Education Justifications of Appropriation Estimates to the Congress: Student Loans Overview” (April 2013). http://www2.ed.gov/about/overview/budget/budget14/justifications/index.html.


30 Congressional Budget Office estimate produced for congressional staff in 2012.

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