

**REPORT: Bush Administration FY 2003 Budget Proposals
Affecting Education**

House Appropriations Committee
Democratic Staff

Overall Summary

For the 2003 school year, the Bush Administration proposes \$50.3 billion for the discretionary programs of the Department of Education (ED), a program level increase of \$1.4 billion or 2.8 percent over the appropriations provided for the 2002 school year. After accounting for inflation, the budget proposes no real growth for education programs. Overall, the Bush Budget is \$7.2 billion below the level targeted in Bush's own education bill.

If enacted, the FY 2003 Bush request would be the smallest annual dollar and percentage increase provided for ED since FY 1996. Last year, Congress provided an annual increase of \$6.7 billion or 15.9 percent for ED's discretionary programs, maintaining a five-year average annual growth rate at 13 percent.

Department of Education Discretionary Appropriations <i>(\$ in billions)</i>				
Fiscal Year	Appropriation	Increase Over Prior Year		
		Dollars	Percent	
1998	29.9	3.3	12.2 %	
1999	33.5	3.6	12.1 %	
2000	35.6	2.1	6.2 %	
2001	42.2	6.6	18.6 %	
2002*	49.0	6.7	15.9 %	
2002-1998 Average Annual Increase			13.0%	
2003 Request**	50.3	1.4	2.8%	
<p><i>*FY2002 includes emergency supplemental appropriations and comparable costs of Administration's FY2003 federal retirement accrual accounting proposal, and excludes proposed \$1.276 billion Pell Grant supplemental and proposed offsets from projects and programs not requested by the Administration.</i></p> <p><i>**FY2003 includes OMB scorekeeping adjustment of -\$797.0 million for student aid administration mandatory offset. FY2003 budget authority totals \$51.1 billion excluding this adjustment.</i></p>				

The ED FY 2003 request includes discretionary increases of \$3.1 billion for Title 1, special education, literacy, school choice and a limited number of other programs, but these increases are offset by \$1.8 billion in cuts to 57 programs, for a net increase in the ED discretionary budget of

\$1.4 billion. Programs funded under the No Child Left Behind Act are cut, in the aggregate, by \$87 million below current-year levels. Seventy-one programs are frozen at last year's levels. Three new programs are proposed: Credit Enhancement for Charter School Facilities (\$100 million), Choice Demonstration Fund (\$50 million), and a Vocational Rehabilitation Incentive Grant Program (\$30 million).

57 Education Programs Totaling \$1.8 Billion Are Cut

The Bush budget eliminates 40 education programs funded at \$1.0 billion in FY 2002 and another 17 programs are cut by \$709 million below last year's level. These reductions include the elimination of all Congressional earmarks. Some of the largest program reductions include:

- -\$162.5 million for Rural Education.
- -\$142.2 million for Smaller Learning Communities.
- -\$75 million for Comprehensive School Reform.
- -\$62.5 million for Preparing Teachers to Use Technology.
- -\$50 million for Teaching American History.
- -\$40 million for Parental Assistance Centers.
- -\$32.5 million for School Counselors.
- -\$30 million for Arts in Education.
- -\$16.2 million for Civic Education.

Flexibility For State Education Grants Means A Budget Freeze

With the exception of Title 1 and special education, the Bush budget level-funds the major education state grant programs. Under the No Child Left Behind Act, states and school districts have new flexibility to transfer funds among some of these programs to address local needs. However, in the ED budget, flexibility is synonymous with a budget freeze. State grant programs frozen at the FY 2002 level include:

- 21st Century After School Program (\$1.0 billion).
- Bilingual and Immigrant Education State Grant (\$665 million).
- Teacher Quality State Grant (\$2.85 billion).
- Education Technology State Grant (\$700.5 million).
- Safe and Drug Free Schools State Grant (\$472 million).
- Innovation Education State Grant (\$385 million).
- State Assessments (\$387 million).

College Student Assistance Is Frozen Despite Increasing Tuition

The Bush FY 2003 budget freezes the maximum Pell Grant at \$4,000, despite rising tuition in public colleges resulting from declining state

revenues. On average, for the 2001 academic year, tuition and fees charged by public four-year colleges and private four-year colleges increased 7.7 percent and 5.5 percent, respectively, over the previous year. As state legislatures start their 2002 sessions, many predict that state finances (and tuition increases) will be worse than last year. For example, Ohio State University just proposed that students entering school this summer pay 35 percent higher tuition, and that current OSU students pay nine percent higher tuition, than they would have previously due to state budget reductions.

Pell Grant Supplemental. President Bush also proposes a \$1.3 billion FY 2002 supplemental for Pell Grants to close a shortfall caused by unanticipated increases in college student enrollment. The Administration proposes to offset the additional spending by canceling \$1.3 billion from “amounts appropriated for projects or activities that were not requested in the President’s FY 2002 budget. While the Administration states that these rescissions should come from unrequested earmarks and low-priority programs, the budget language would allow the Administration to cancel appropriations up to \$1.3 billion from any activity in the FY 2002 Labor, HHS, Education bill for which Congress provided more than the President requested.

The Administration has indicated, however, that it does not consider its proposal to cancel the \$1.3 billion in labor, health and education appropriations to be a rescission proposal. In fact, OMB has advised that it has no plans to submit a formal rescission message to Congress. If no such rescission message is submitted, the Departments of Labor, HHS, and Education, and the Institute of Museum Services must move forward to obligate FY 2002 LHHS Act appropriations and may not withhold funds appropriated for Congressional earmarks beyond the period during which they would normally be obligated. (More detailed information about the Pell Grant shortfall is provided in Attachment A to this summary.)

Funding for the campus-based programs is frozen at last year’s levels with no increases to offset inflation or to address increasing secondary and post-secondary enrollments, with the exception of the Leveraging Educational Assistance Partnerships (LEAP) program. LEAP, currently funded at \$67 million, is proposed to be terminated. Campus-based programs frozen at current level include:

- College Work Study (\$1.0 billion).
- Supplemental Education Opportunity Grants (\$725 million).
- Perkins Loans (\$167.5 million).
- TRIO (\$802.5 million).
- GEAR UP (\$285 million).

Background on the Pell Grant Shortfall

Administration Proposal to Cancel Unrequested Projects and Programs

As part of the FY 2003 budget submission, the Administration requests a FY 2002 supplemental totaling \$1.276 billion for the Pell Grant Program to close a budget shortfall caused by unanticipated increases in college enrollments. To pay for the additional Pell grant spending, the Administration's budget proposes to cancel \$1.276 billion to be derived "from amounts appropriated for projects or activities that were not included in the President's Budget transmitted to Congress on April 9, 2001." In effect, the President is proposing to rewrite the FY 2002 Labor, HHS, Education and Related Agencies Appropriations Act (LHHS Act) just a month after he signed it.

While the Administration indicates that this cancellation of budget authority should come from unrequested earmarks and "low-priority" programs, the actual bill language, if enacted, would allow the Administration to cancel appropriations totaling \$1.276 billion from any activity in the FY 2002 LHHS Act for which Congress provided more than the amount the President requested. The FY 2002 LHHS Act includes \$7.2 billion more than the President proposed. For example, it exceeds the President's request by \$1.289 billion for Title 1 grants to school districts, \$205 million for bilingual education programs, \$243 million for NIH, \$102 million more for youth training programs, and \$300 million more for low-income home energy assistance programs. All of these amounts could be cancelled if the proposed bill language was adopted.

On February 4th, the OMB director advised the Committee that the Secretary of Education would provide a list that includes unrequested earmarks in the FY 2002 LHHS Act, plus "low-priority" programs totaling \$2.1 billion. The letter indicates that Congress should select which projects and programs should be cancelled. Secretary Paige provided a list of "low-priority" programs on February 5th, that includes such programs as \$105 million for the community (health) access program, \$68 million for a youth health improvement media campaign, and \$163 million for rural schools.

For a rescission proposal, the Impoundment and Control Act requires that the President submit to Congress a special rescission message outlining the amount of the budget authority to be rescinded and providing the justification for the rescission. If a special rescission message is submitted, Congress has 45 calendar days of "continuous session" in order to complete action on the rescission proposal. "Continuous session" excludes adjournments of three days or more. After expiration of the 45-

day window, if Congress does not approve the proposed rescission, the funds proposed for rescission must be made available for obligation. The Administration may not resubmit the same rescission proposal for reconsideration. As a practical matter, the Appropriations Committees usually handles rescission proposals as part of its regular consideration of appropriations bills.

It is important to note that if the President does not submit such a rescission message, he may not withhold or delay the obligation of appropriated funds. Further, the Administration has indicated that it does not consider its proposal to cancel the \$1.276 billion in labor, health and education appropriations to be a rescission proposal. In fact, OMB has advised that it has no plans to submit a rescission message. In short, the Administration proposal to cancel Congressional earmarks and “low priority” programs appears to be more of a budget gimmick and a public relations move to embarrass the Congress than a serious effort to rescind earmarks.

Despite the proposed cancellation of \$1.276 billion in budget authority, the Departments of Labor, HHS, and Education, and the Institute of Museum Services must move forward to obligate FY 2002 LHHS Act appropriations and may not withhold funds appropriated for Congressional earmarks beyond the period during which they would normally be obligated.

Background on the Pell Grant Shortfall

The Pell Grant Program is an appropriated entitlement program. Once Congress specifies a maximum Pell grant level, all students who qualify can receive an award. In the FY 2001 Omnibus Appropriations Act, Congress specified a maximum Pell grant of \$3,750 for the current (2001) academic year and appropriated \$8.756 billion for the program. Due to the recession (which was exacerbated by the September 11th attacks), college enrollment last year increased significantly over anticipated levels. The number of Pell grant applicants increased 7.7 percent compared with a 2.5 percent growth rate projected by the Department of Education. The increase in enrollment of independent students with children was particularly large - 12 percent over the prior year compared with a one percent increase projected by the Department of Education.

As a result of the additional eligible students, an additional \$1.276 billion is needed to meet Pell grant commitments, of which \$860 million is for the current academic year and \$416 million is for the upcoming (2002) academic year. The additional \$860 million for the current academic year is a cost that normally would have been financed in the FY 2001 LHHS bill, but now must be financed out of FY 2002 appropriations. Because of uncertainties in estimating Pell grant costs, the Pell Grant Program has "borrowing authority". Current year costs can be "borrowed" from the next year's appropriation. In past years, the Pell Grant Program has run deficits as high as \$2.0 billion.

Last year, the Administration requested a maximum Pell grant award of \$3,850 and Congress increased it to \$4,000 to provide additional assistance to needy low-income students. Both the House-passed, Senate-passed, and the final conference version of the FY 2002 LHHS Act specified a \$4,000 maximum Pell grant. In order to fund the increased Pell award, Congress appropriated \$10.314 billion, \$558 million more than the Administration requested. This increase, however, is not enough to retire the shortfall in the current academic year and pay for the increase in the maximum grant. The reason is, in part, because the shortfall has grown from \$117 million projected by the Administration in January 2001 to \$860 million in February 2002.

At the time of conference negotiations on the FY 2002 LHHS Act, the Administration was aware of the 2001 shortfall, but did not submit a budget amendment or supplemental request to address it. If Congress had enacted the Administration's Pell grant budget request of \$9.756 billion, the maximum Pell grant would have been **cut** below the current level of \$3,750 in the 2002 academic year.

The conference report on the FY 2002 LHHS Act (House Report 107-342) acknowledged that additional funding would be needed for Pell grants and urged the Administration to submit a supplemental request.

For FY 2003, the Administration proposes to freeze the maximum Pell grant award at \$4,000, providing no additional assistance to college students, despite rising tuition at public colleges and universities driven by declining state revenues. In addition, the budget proposes appropriations language to give the Secretary the authority to reduce Pell awards if appropriations are insufficient to fully fund the maximum grant.

The table below summarizes information on FY 2001-2003 Pell grant requests and Congressional appropriations.

PELL GRANT PROGRAM

<u>Fiscal Year</u>	<u>Administration Request</u>		<u>Congressional Appropriation</u>	
	<u>Dollars</u>	<u>Maximum Grant</u>	<u>Dollars</u>	<u>Maximum Grant</u>
FY 2001	8,356,000	3,500	8,756,000	3,750
FY 2002	9,756,000	3,850	10,314,000	4,000
FY 2002 Supplemental	1,276,000		n.a.	n.a.
FY 2003	10,863,000	4,000	n.a.	n.a.

Administration List of "Low Priority" Programs

The following is the list of "low-priority" programs submitted by the Department of Education for potential cancellation.

	FY 2002 Appropriation
Department of Labor	
Youth Offenders	55,000,000
Department of Health and Human Services	
Denali Commission	20,000,000
Community Access Program	105,000,000
National Campaign to Change Children's Health Behavior	68,400,000
National Youth Sports	17,000,000
Department of Education	
Dropout prevention programs	10,000,000
Close up fellowships	1,500,000
Principal recruitment	10,000,000
National Board for Professional Teaching Standards	10,000,000
Community service State grants	50,000,000
Alcohol abuse reduction	25,000,000
Mentoring programs	17,500,000
Preparing tomorrow's teachers to use technology	62,500,000
Elementary and secondary school counseling	32,500,000
Smaller learning communities	142,189,000
Department of Education	
	<u>FY 2002 Appropriation</u>
Javits gifted and talented education	11,250,000
Star schools	27,520,000

Foreign language assistance	14,000,000
Physical education for progress	50,000,000
Community technology centers	32,475,000
Exchanges with historical whaling and trading partners	5,000,000
Arts in education	30,000,000
Parental assistance information centers	40,000,000
Women's educational equity	3,000,000
National writing project	14,000,000
Civic education	27,000,000
Rural education	162,500,000
Occupational and employment information	9,500,000
Tech-prep demonstration	5,000,000
Demonstration projects to ensure quality higher education for students with disabilities	7,000,000
Thurgood Marshall legal educational program	4,000,000
Underground railroad program	2,000,000
Eisenhower regional mathematics and science education consortia	15,000,000
<u>Regional technology in education consortia</u>	<u>10,000,000</u>