

DEPARTMENT OF EDUCATION

Statement by

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Secretary of Education

on the

U.S. Department of Education Fiscal Year 2013 Budget Request

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to talk about President Obama's fiscal year 2013 budget for the Department of Education. While the President's overall 2013 request reflects his strong commitment to achieving long-term deficit reduction, his request for education recognizes that we can't cut back on investments like education if we want to ensure America's continued economic prosperity. Indeed, as he outlined in his 2012 State of the Union address, President Obama believes that education is a cornerstone of creating an American economy built to last.

FISCAL YEAR 2012 APPROPRIATION

I want to begin by thanking the Chairman, the Ranking Member, and other Members of this Subcommittee for your work on the 2012 appropriation for education. As always, I know that you faced some real challenges in reaching agreement on the 2012 budget, but I believe the final appropriation reflected a reasonable balance of continued support for programs designed to leverage change and improvement in our education system, as well as reductions in lower-priority activities.

In particular, I want to thank you for your continued support for the Race to the Top and Investing in Innovation (i3) programs. We believe both of these programs are creating incentives and promoting new thinking at the State and local levels around how to transform teaching and learning so that all students graduate high school college- and career-ready, as well as helping to improve the productivity of our education system. One of the biggest challenges confronting State and local leaders across the Nation is how to do more with less, and we think Race to the Top and i3 are encouraging the right conversations about how to make this happen in education.

I was also pleased that you agreed to double the funding for our Promise Neighborhoods initiative. One of the unfortunate side-effects of the growing income inequality in our Nation over the past 30 years, and something that does not receive nearly enough attention in our national political debates, is a significant increase in child poverty rates. According to the Census Bureau, about one-fifth of America's children live in poverty, and if you look at the free- or reduced-price lunch counts used to measure poverty in most school districts, the share of poor children may reach as high as 50 percent in many States. That's unacceptable, and part of our response has to be improving educational opportunity for children in high poverty communities by giving them access to effective schools and strong systems of family and community support. We think Promise Neighborhoods can help break the cycle of poverty in some of these communities, and I really appreciate your support for this initiative.

We also recognize the Committee made some difficult choices with respect to the Pell Grant program. For example, beginning in July, students who do not have a high school diploma or its recognized equivalent will no longer be able to qualify for a Pell Grant by passing a test

demonstrating their ability to benefit from postsecondary education. Other changes to statutory provisions that determine financial need and eligibility duration will either reduce or eliminate Pell Grant awards for some existing recipients. We very much appreciate the Committee's work to maintain the maximum Pell Grant award at its current level. But going forward we also want to work with you to ensure that any changes made to keep the Pell Grant program on solid footing aren't done in such a way that suddenly ends benefits for students that are already in the program. We are concerned that such retroactive changes move the goalposts on students and could make them more likely to drop out.

PRESIDENT OBAMA'S 2013 BUDGET REQUEST

Turning to 2013, the overall discretionary request for the Department of Education is \$69.8 billion, an increase of \$1.7 billion, or 2.5 percent, over the 2012 level. Within this total, we have four key priorities: (1) continuing to provide incentives for State and local K-12 reform, (2) improving affordability and quality in postsecondary education, (3) elevating the teaching profession, and (4) strengthening the connections between school and work and better aligning job training programs with workforce demands.

PROVIDING INCENTIVES FOR REFORM

First, our request includes \$850 million for Race to the Top, an increase of \$301 million over the 2012 level, for additional competitive awards that would support groundbreaking education reforms in five core reform areas: implementing rigorous standards and assessments, using data to improve instruction; recruiting, preparing, and retaining effective teachers and principals; turning around our lowest-performing schools; and improving State early learning

systems. In 2013, our budget specifically proposes to provide resources for the Race to the Top: Early Learning Challenge.

The 2013 request also would encourage reform and innovation through a \$150 million request for the Investing in Innovation (i3) program to develop, evaluate, and scale up promising and effective models and interventions in the areas of improving early learning outcomes; increasing achievement in science, technology, engineering, and mathematics (STEM); and increasing productivity to achieve better student outcomes more cost-effectively. The i3 request also would support a new Advanced Research Projects Agency: Education, or ARPA-ED, that would pursue breakthrough developments in educational technology and learning systems, support systems for educators, and educational tools.

We also are seeking \$100 million in 2013 for Promise Neighborhoods, an increase of \$40 million over the 2012 level. The request would expand support for projects that provide a continuum of family and community services and ambitious education reforms designed to combat the effects of poverty and improve education and life outcomes, from birth through college to career, for children and youth within a distressed geographic area.

AFFORDABILITY AND QUALITY IN POSTSECONDARY EDUCATION

A second priority in our 2013 request is improving affordability and quality in higher education. As President Obama said in his State of the Union address, “Higher education can’t be a luxury—it is an economic imperative that every family in America should be able to afford.” Unfortunately, the cost of college is rising to levels that are increasingly unaffordable for too many American families. Our work with you over the past 3 years to secure historic Federal investments in student financial assistance and tax credits have helped students and families deal with rising college costs, but Federal student aid cannot keep pace with these rising costs indefinitely. Instead, we need larger reforms that address the root causes of rising college costs, while also creating incentives to provide greater quality and value to students and preserve access for low-income individuals.

The President’s 2013 request includes three proposals that would begin to support such reforms. First, we are asking for \$1 billion to fund the first year of Race to the Top: College Affordability and Completion, a new competition based on the successful Race to the Top K-12 model, to drive systemic State reforms that increase affordability, quality, and productivity while preserving access. Funds would be awarded to States with a strong commitment to and a high-quality plan for increasing college affordability and quality, which could be demonstrated in ways such as maintaining a consistent State financial commitment to higher education, improving alignment between K-12 and postsecondary education and across colleges, operating institutions that stabilize or contain the growth in what students pay for college, publicizing

institutional value in terms of the return on investment and other outcomes, and making use of data to drive policy. Funds would be used by States and public institutions to boost quality, innovation, and productivity and provide greater value to students through improved undergraduate experiences, new paths to credit attainment and degrees, and increased capacity, among other purposes.

Second, we would expand and reform the Campus-Based Aid programs—Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study, and Perkins Loans—to provide \$10 billion in student financial aid for use at those colleges that provide the best value to students by enrolling and graduating students from low-income families, restraining net prices, and demonstrating good value. Most of this expansion would come through reform of the Perkins Loan program, which would be operated similarly to the current Direct Loans program. We also are asking for a \$150 million increase for Federal Work-Study, for a total of more than \$1.1 billion to support reforms that would encourage postsecondary institutions to offer students more meaningful work-study opportunities that will help to prepare them for work and life after graduation. This increase would start moving us toward our goal of doubling work-study opportunities for students within 5 years.

Third, our request includes \$55.5 million for a “First in the World” fund that would help postsecondary institutions, including private institutions, and nonprofit organizations to develop, evaluate, or scale up innovative and effective strategies for improving college completion outcomes while lowering costs and increasing the quality and capacity of higher education. Awards could be used to support activities such as using technology to redesign coursework, improving early college preparation to mitigate the need for remediation, and developing and

implementing competency-based instruction and assessment, among other activities. We also would reserve up to \$20 million in First in the World funding to support innovative activities at minority-serving institutions.

These initiatives would help protect the significant taxpayer investment in Federal postsecondary student aid programs by creating incentives for States and public and private postsecondary institutions to provide good value to students at an affordable price and move us closer to meeting President Obama's 2020 goal for college completion.

Our 2013 request also would maintain this investment in Federal student aid, including full funding of the \$5,635 maximum award in the 2013-2014 award year and the elimination of projected shortfalls for the 2014-2015 award year. The 2013 request would provide \$22.8 billion in discretionary budget authority for Pell, the same level as 2012, along with mandatory funding provided in prior legislation. The total amount available would exceed program costs in the 2013-2014 award year by \$1.5 billion, representing the first step in addressing the funding cliff in 2014. Further, we would make a down payment toward addressing the long-term Pell gap through three reforms in the student loan programs: (1) expanding and reforming the Perkins Loan program, (2) limiting the in-school interest subsidy for subsidized Stafford Loans to 150 percent of the normal program length, and (3) reducing excessive payments to guaranty agencies that rehabilitate student loans. The mandatory budget authority and outlay savings from these proposals would total \$14 billion over 10 years.

In addition to investing in Pell Grants, our request proposes to freeze the subsidized Stafford Loan interest rate, which is set to double on July 1, at the current rate of 3.4 percent. With the economy still in recovery, the Administration believes it would be inappropriate to raise

rates and burden students with greater debt at this time. The President's Budget also proposes to make the American Opportunity Tax Credit permanent, so that 9 million households can continue receiving up to \$10,000 in tax credits for college over 4 years.

Finally, the President's budget also would continue support for key existing programs supporting college access and completion, particularly for minority and disadvantaged students. The request includes almost \$840 million for the Federal TRIO programs and \$302 million for the GEAR UP program, which helps nearly three-quarters of a million middle and high school students prepare for and enroll in college. The 2013 budget also would provide nearly \$600 million in combined discretionary and mandatory funding for the Aid for Institutional Development programs, which support institutions that enroll a large proportion of minority and disadvantaged students, as well as \$221 million in combined discretionary and mandatory funding for the Aid for Hispanic-Serving Institutions programs.

ELEVATING THE TEACHING PROFESSION

The third major priority in the 2013 President's request is to elevate the teaching profession so that all students will have access to effective teachers. With the support of this Committee, we have been working to help States and school districts implement performance-based compensation and strengthen teacher evaluation systems. While we remain committed to furthering these important reforms, we recognize that on their own, they are too narrowly focused to affect the change we need in the teaching profession to out-educate and out-compete the rest of the world.

We are proposing to jumpstart a transformation of the teaching profession through a temporary \$5 billion mandatory initiative that would help States and districts pursue bold

reforms at every stage of the profession, including attracting top-tier talent into the profession and preparing them for success, creating career ladders with competitive compensation, evaluating and supporting the development of teachers and principals, and getting the best educators to the students who need them most.

In addition, we are asking this Committee to support a new 25-percent set-aside of Effective Teachers and Leaders State Grant funds under Title II of the ESEA. This increased set-aside—approximately \$617 million—would fund efforts to recruit, train, and support effective teachers and school leaders; recruit and prepare effective science, technology, engineering, and mathematics teachers; and enhance the teaching and school leadership professions. Our request also includes a \$100 million increase for the proposed Teacher and Leader Innovation Fund, for a 2013 total of \$400 million to support bold approaches to improving the effectiveness of the education workforce in high-need schools and districts.

Finally, our budget includes \$190 million in mandatory funding for a new Presidential Teaching Fellows program that would provide formula grants to States that meet certain conditions to award scholarships of up to \$10,000 to talented individuals attending the most effective programs in the State. These individuals would be trained in a high-need subject and would commit to teach for at least 3 years in a high-need school. To be eligible for funds, States would measure the effectiveness of their teacher preparation programs based on student achievement data of their graduates, among other measures; hold teacher preparation programs accountable for results; and upgrade licensure and certification standards.

ALIGNING JOB TRAINING AND EDUCATION WITH WORKFORCE DEMANDS

In addition to funding for reforming traditional postsecondary education and reshaping the teaching profession, the 2013 request for education includes key discretionary and mandatory investments aimed at improving the connections between school and work and strengthening the alignment of job training programs with workforce demands.

For example, the President is seeking \$8 billion in mandatory funds over 3 years for a community college initiative, jointly administered by the Departments of Education and Labor, that would improve access to job training across the Nation and support State and community college partnerships with businesses to build the skills of American workers. Increased investment in community colleges would help ensure our country has one of the most skilled workforces in the world. An additional \$1 billion over 3 years would expand Career Academies and increase by 50 percent the number of students in these programs. Career academies have been shown to reduce high school dropout rates and prepare students for careers that lead to high earnings.

And our discretionary request includes \$1.1 billion to support the reauthorization and reform of the Career and Technical Education (CTE) program, which is currently set to expire at the end of fiscal year 2012. The Administration's reauthorization proposal would transform CTE by increasing the focus on outcomes and career pathways that ensure that what students learn in school is more closely aligned with the demands of the 21st century economy, while creating stronger linkages between secondary and postsecondary education. The proposal would also promote innovation and reform in CTE.

SUPPORT FOR AT-RISK STUDENTS AND ADULTS

Finally, the President's 2013 budget for education would maintain our longstanding commitment, which I know is shared by this Committee, to formula grant programs for students most at risk of educational failure. For example, the request includes \$14.5 billion for the reauthorized Title I College- and Career-Ready Students program (currently Title I Grants to Local Educational Agencies), as well as nearly \$534 million to support new awards under a reauthorized School Turnaround Grants program (currently School Improvement Grants), which would help school districts undertake fundamental reforms in their lowest-achieving schools. We also are asking for \$732 million for a reauthorized English Learner Education program, which would help States and school districts ensure that English Learners meet the same college- and career-ready standards as other students.

In Special Education, the \$11.6 billion request for Individuals with Disabilities Education Act Grants to States would help States and school districts pay the additional costs of educating students with disabilities, while a \$20 million increase for the Grants for Infants and Families program would complement efforts to improve State early learning systems through the Race to the Top—Early Learning Challenge program.

The 2013 request also provides significant resources to help adults pursue educational and employment opportunities, including \$595 million for Adult Basic and Literacy Education State Grants to help adults without a high school diploma or equivalent to become literate and obtain the knowledge and skills necessary for postsecondary education, employment, and self-sufficiency, and a total of \$3.2 billion in mandatory and discretionary funds for Vocational

Rehabilitation (VR) State Grants and complementary programs to help States and tribal governments to increase the participation of individuals with disabilities in the workforce.

POTENTIAL IMPACT OF SEQUESTER

Before I conclude my testimony today, I want to briefly address an issue that we are increasingly hearing questions about at the Department of Education: the potential impact of a 2013 sequester on Federal education funding. While the Department has yet to complete a detailed analysis of how a sequester would be implemented, we believe the impact would be both significant and very negative. In a word, a large sequester could be devastating. It would jeopardize our Nation's ability to develop and support an educated, skilled workforce that can compete in the global economy. Along with other deep cuts in defense and non-defense spending, this potential harm to our economic competitiveness is why the threat of a large, indiscriminate sequester is a powerful incentive to spur action to reduce the deficit. By design, the sequester is bad policy, bringing about deep cuts in defense and non-defense spending and threatening continued economic growth and prosperity.

Although the Administration is continuing to analyze the potential impact of the sequester, CBO has said that in 2013 it would result in a 7.8 percent cut in non-security discretionary accounts that are not exempt from the sequester. It would be impossible for us to manage cuts of that magnitude and still achieve our fundamental mission to prepare our students from the earliest ages for college and careers.

For example, a 7.8 percent reduction in funding for large State formula grant programs that serve over 21 million students in high poverty schools and 6.6 million students with special

needs could force States, school districts, and schools to slash teacher salaries, lay off teachers, or reduce services to these needy children. More specifically, the resulting \$1.2 billion cut to Title I could mean denying funding to nearly 4,000 schools serving more than 1.6 million disadvantaged students, and more than 16,000 teachers and aides could lose their jobs.

Similarly, for the critical Part B Grants to States program under the Individuals with Disabilities Education Act, the estimated 7.8 percent reduction in funding required by a sequester would mean the loss of over \$900 million, which could translate to the loss of 10,000 special education teachers, aides, and other staff providing essential instruction and other support to children with disabilities. Because of the indiscriminate nature of a sequester, the story would be the same across all Department activities: we would no longer be able to provide essential Federal support that helps pay for the costs of educating students with disabilities, improving achievement for students from low-income families, turning around failing schools, advancing education reforms designed to help our kids compete in the global economy, supporting the students of military families, providing work-study jobs for postsecondary students, or helping parents pay for college.

It's also important to note that even without the sequester, discretionary spending has already been cut in nominal terms for 2 straight years. Under the Budget Control Act targets, non-security discretionary spending is on a path to reach its lowest level as a share of GDP since the Eisenhower Administration. So the impact of the significant cuts in Federal support for education that I have described would be magnified, coming on top of already lower levels of Federal education funding as well as reduced State and local education spending resulting from the recent financial crisis and economic recession. At a time when we are just starting to see strong signs of renewed economic growth, as well as the positive impact of historic education

reforms that will contribute to future growth and prosperity, it just makes no sense at all to undermine this progress through a sequester of Federal discretionary spending.

The President has been clear that Congress needs to avoid a sequester by passing a balanced deficit reduction measure including targeted savings that total at least as much as the \$1.2 trillion that was required by the Budget Control Act. The President's 2013 request reflects such a balanced proposal, and I believe Congress should enact it and cancel the sequester. There would still be deficit reduction, but not the mindless and harmful across-the-board cuts that could be required by a large sequester. We all agree on the need for significant deficit reduction, and we want to work with Congress on a balanced approach toward this goal that combines fiscal responsibility with investments in education that will help children and our economy.

CONCLUSION

In conclusion, the 2013 budget for education reflects the President's determination to make the investments necessary to secure America's future prosperity, even as he works with Congress on long-term deficit reduction and fiscal sustainability goals. Our request would sustain and build on current reforms in K-12 education, help launch a nationwide conversation on the need for greater affordability and quality in our postsecondary education system, put the Pell Grant program on a more secure financial footing, and more closely link education with workforce demands and employment outcomes. At the same time, we would maintain strong support for longtime formula grant programs that provide significant and essential assistance in helping States, school districts, and schools to meet the needs of all students, including students from low-income families, students with disabilities, and English learners. I look forward to

working with the Committee to secure support for the President's 2013 budget and help America educate its way to, as the President put it, "an economy that's built to last."

Thank you. I would be happy to answer any questions you may have.