

FACTSHEET – PRESIDENTIAL BUDGET REQUEST FOR FY 2014

The President's FY 2014 Budget Request was released on April 10th, and reflects a number of similar proposals from previous years as well as some new. Overall, the Department of Education sees a 4.5% increase in funding over pre-sequestration levels. For higher education, President Obama requests several new competitive funding streams, and outlines recommended changes to other programs. While the budget request does not outright repeal sequestration, it reinstates funding in a number of areas, through other targeted cuts.

PELL GRANTS

The Pell Grant program is on solid ground for FY 2014 based on current projections. The budget allows for an automatic statutory increase to Pell that will bring the maximum award to \$5,785. This is an increase of \$140 over current levels. The budget also calls for \$3 billion in surplus funds to be applied to future funding. Additionally, it calls for changes to the Perkins loan program, and reducing payments to guaranty agencies that rehabilitate defaulted student loans. Savings generated by those changes will be funneled into the Pell Grant program generating enough funding to keep the program in the black through the 2015 – 2016 award year.

INSTITUTIONAL AID

Under the budget request, Perkins loans would be set at the same variable rate as unsubsidized Stafford loans, in addition to getting a large increase. Under the budget proposal, funding available for Perkins loans would increase from \$1 billion to \$8.5 billion. The federal government would also take over the origination of these loans similar to that of Federal Direct lending, rather than the current system of utilizing an institutional revolving fund. However, institutions would still have control over student eligibility.

Supplemental Education Opportunity Grants (SEOG) see funding level to pre-sequestration funding, however all of the campus-based aid programs are subject to a formula change under the proposal. For SEOG, the allocation formula would be adjusted to provide more funding for lower-priced institutions that “enroll and graduate higher numbers of Pell-eligible students and restrain tuition increases.” Institutions that fail to meet this standard would see their allocations redirected.

Federal Work Study also once again sees a large increase under the President's proposal. The additional \$150 million proposed for the program would be used to double the number of participants and institutions over the next few years. Additionally, like SEOG the funding allocation formula would also be tied to rewarding institutions that are a good value.

PERKINS CAREER AND TECHNICAL EDUCATION (CTE)

While the President requests level funding for CTE State Grants, funding for CTE National Programs received an additional infusion of \$10 million over pre-sequestration levels. The budget makes clear that the Administration's framework for the reauthorization of the Perkins Act, released in April of 2012, played a substantial role in deciding funding allocations among the various CTE programs. Specifically, the Budget notes that the increase in funding for National Programs is intended to support the implementation process of a reauthorized Perkins Act. The \$10 million funding increase would be coupled with up to \$32 million requested in the Higher Education account to “establish or expand dual

enrollment programs that target local workforce needs.” National Program funding would also be used to enhance the CTE data collection process.

FEDERAL STUDENT LOAN INTEREST RATES

On July 1st, interest rates on unsubsidized Stafford loans are set to double from 3.4% to 6.8%. The President’s budget calls for changes to how these interest rates are determined, as well as rates on Perkins loans. The budget calls for a shift to variable rates that would be in tied to U.S. Treasury securities. In doing so, subsidized Stafford loans would be set at a rate equal to the 10-year Treasury note, plus 0.93 percentage points. The 10-year Treasury note is currently at 1.75 percent, so this change would actually lower rates below current levels. For unsubsidized Stafford loans, it would be the rate of the 10-year Treasury note, plus two percentage points, and for loans aimed at parents and graduate students the increase would be three percentage points. These rates would be set annually and fixed for the life of the loan. There would, however, not be an interest rate cap.

PAY AS YOU EARN

In lieu of a rate cap on Stafford loans, the Administration is proposing an expansion of the student loan Pay As You Earn (PAYE) initiative to all federal borrowers regardless of when their loans were obtained. Under this program, student loan payments are capped at 10 percent of discretionary income, and forgiven after 20 years of repayment.

COMMUNITY COLLEGE TO CAREER FUND

Administered dually by the Department of Education and the Department of Labor, the Community College to Career Fund is an \$8 billion investment with the goal of training and placing two million skilled workers in high-demand jobs. It is divided into several funding streams, with the centerpiece being significant investment in community college and business partnerships. The program is built upon existing successful models between industry and community colleges aimed at targeting specific skills that lead to high-growth and in-demand jobs.

NEW PROGRAMS

The Administration is once again including funding for a \$1 billion higher education Race to the Top – College Affordability and Completion program, as well as \$260 million for the proposed First in the World Fund. The Race to the Top funds would be competitive awards given to states that propose comprehensive plans that address college costs and affordability, and increased degree attainment. Modeled after the K-12 Investing in Innovation (I3) program, grants from the First in the World Fund would be awarded competitively for innovations aimed at boosting postsecondary attainment while controlling costs.

There is also additional funding in the budget aimed at a number of school safety initiatives, and a \$300 million program aimed at high school redesign. This program would have local education agencies partner with postsecondary institutions, as well as business to provide high school students with college credit and career-related experience.

TAXES

The Administration proposes the permanent extension of the American Opportunity Tax Credit (AOTC). AOTC was recently renewed for 5 years under the fiscal cliff deal. This Administration also, however proposes limiting itemized deductions as a way to generate tax reform savings. The charitable giving tax deduction was listed as one of those areas to limit itemized deductions.

FEDERAL APPROPRIATIONS CHART

PROGRAM	FY 2012	FY 2013 ⁱ (Continuing Resolution HR 933)	FY 2013 ⁱⁱ After Sequestration	President's FY 2014 Budget Request
Pell Grant Maximum	\$5,550	\$5,645	\$5,645	\$5,785 ⁱⁱⁱ
SEOG	\$734,599,000	\$733,130,000	\$696,473,000	\$734,599,000
Federal Work Study	\$976,682,000	\$974,729,000	\$925,992,000	\$1,126,682,000
Career and Technical Education State Grants (Perkins)	\$1,123,030,000	\$1,120,784,000	\$1,064,745,000	\$1,123,030,000
Adult Basic and Literacy Education	\$594,993,000	\$593,803,000	\$564,113,000	\$594,993,000
TRIO	\$839,392,000	\$837,713,000	\$795,828,000	\$839,932,000
GEAR UP	\$302,244,000	\$301,640,000	\$286,558,000	\$302,244,000
Title I Grants to LEAs	\$14,516,457,000	\$14,487,424,000	\$13,763,053,000	\$14,516,457,000
IDEA State Grants	\$11,577,855,000	\$11,554,699,000	\$10,976,964,000	\$11,577,855
WIA State Grants	\$2,603,300,000	\$2,598,093,000	\$2,468,189,000	\$2,683,766,000
Strengthening Institutions	\$80,623,000	\$80,462,000	\$76,439,000	\$80,623,000
Hispanic Serving Institutions	\$100,432,000	\$100,231,000	\$95,220,000	\$100,432,000
Asian American and Native American Pacific Islander Serving Institutions	\$3,199,000	\$3,193,000	\$3,033,000	\$3,119,000
Tribally Controlled Colleges and Universities	\$25,713,000	\$25,662,000	\$24,378,000	\$25,713,000
Predominately Black Institutions	\$9,262,000	\$9,243,000	\$8,781,000	\$9,262,000

- i. The FY 2013 CR funds education programs in FY 13 at their FY 12 level minus a .02% across-the-board cut prior to the sequester cuts.
- ii. This chart assumes any item listed in the FY 12 Consolidated Appropriations Act (including the committee report and table) is a separate program, project or activity. The sequester cuts shown are based on the OMB ordered cut of 5.0% from the March 27 CR levels.
- iii. Figure based on current projections.