



Federal Update – February 6, 2008

This update covers:

- Overview of President Bush's FY09 Budget
- Higher Education Act Reauthorization to Receive House Vote
- Head Start Funding and Inflation Comparison

Questions?

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Overview of President Bush's FY09 Budget

On Monday the president released his proposed budget for the fiscal year running from October 1, 2008 through September 30, 2009. As was the case with the FY08 budget, the package limits increases for important early education programs and would eliminate Even Start. Release of the budget yesterday marks the start of the budget and appropriations process for the next fiscal year, hard on the heels of Congress passing final spending legislation for FY08 in December.

The president's budget provides the same amount for the Department of Education in 2009 as in 2008, and decreases funding for all programs under the Department of Health and Human Services by 2.4 percent from the prior year. In spite of these cuts and real-dollar decreases, the overall budget is projected to add \$407 billion to the national debt in 2009, and it is likely that the debate over the national debt will shape the dialogue over spending priorities for fiscal 2009.

Below is a program-by-program summary of the president's spending requests. (Also see Table 3 on page 6.)

- **Head Start**

The president's budget requests \$7.027 billion, \$149 million over the FY08 appropriation and an increase of 2.2 percent.

Analysis: The president's request does not provide sufficient funding to keep up with inflation from the prior year, nor would it fund program reforms and enhancements included in the Head Start reauthorization the president signed into law in December. If Congress were to adopt the president's request, funding for Head Start would be \$958 million less than the total required to adjust for inflation that has occurred since 2002.

- **Child Care and Development Block Grant (CCDBG)**

The president's budget would retain the current funding level for CCDBG at \$2.062 billion.

Analysis: The proposed flat funding continues the approach taken by the president in 2007. The House proposed a modest \$75 million increase, the Senate proposed no increase, and a conference bill split that difference. The president vetoed the Labor-HHS appropriation, and in the omnibus funding bill

approved in December CCDBG was kept at the FY07 spending level, meaning a decrease in inflation-adjusted dollars.

- **Title I Grants**

The president's request calls for \$14.3 billion, an increase of \$406 million, or 2.9 percent, over the FY08 appropriation.

Analysis: The 2.9 percent increase is modest in comparison to the 8 percent increase approved by Congress for the current fiscal year.

- **Even Start**

The president's budget would eliminate funding for Even Start in FY09.

Analysis: The president proposed eliminating program funding in his FY08 budget as well. Although Congress voted to continue funding the program in 2008, Even Start barely survived with a \$15.8 million cut, or 20 percent less than the FY07 funding level.

- **Reading First**

The president's budget asks for \$1 billion, an increase of \$607 million over the FY08 appropriations package.

Analysis: The increase is designed to restore the cuts made by Congress last year to a program that has been championed by the Bush administration. The request is likely to be rejected by the Democrat-controlled Congress, though the funding level does provide appropriators with some flexibility to redirect program funds – and could be used to support a federal pre-k incentive grant program.

- **Teacher Quality State Grants**

The president's budget cuts \$100 million, or 3.4 percent, from the FY08 level, for a total of \$2.835 billion in FY09.

Analysis: This program forms the centerpiece of Title II of the Elementary and Secondary Education Act (ESEA), providing resources to local education agencies and higher education institutions to train teachers. Title II of ESEA does not currently extend to pre-k teachers, and Pre-K Now is recommending that the reauthorization of the statute extend the benefits to pre-k teachers. A related program authorized in the Higher Education Act to support teacher training, the **Teacher Quality Enhancement Grant** program, would be eliminated under the president's budget. Combined with the president's reduction to ESEA Title II, these cuts would constitute a full-scale retreat from improving the quality and availability of training for pre-k and K-12 teachers.

- **IDEA Preschool Grants**

The president's budget proposes level funding for the IDEA Preschool Grant program at \$374.1 million.

Analysis: Congress accepted Bush's request to flat fund the program in FY08 and actually reduced funding by \$6.6 million after the total spending package received a veto threat. No expansion of funds for this program seems likely this year.

- **Federal Family Education Loan Program**

President Bush requested \$59.3 billion in total budget authority for FY09, an increase of \$3.1 billion, or 5.5 percent, over the total aid available to students in FY08.

Analysis: The Federal Family Education Loan Program is the largest discretionary funding stream in the

Department of Education for student loans. The House is expected to vote this week on a student loan relief package that includes pre-k teachers and would become part of the FFEL program (see Higher Education Act below).

- **Federal Direct Student Loan Program**

The president's budget asks for \$14.9 billion, an increase of \$764 million, or 5.4 percent, over the total made available to students through this program in FY08.

Analysis: The Direct Loan Program provides low-interest and interest-free loans for students at higher education institutions and enables students to consolidate multiple loans into one package. Prospective pre-k teachers will receive a boost under this program with the reauthorization of the Higher Education Act, which entitles them to special student loan relief provisions as public servants.

- **Rural and Low-Income Schools Program and Small Rural School Achievement Program**

Both programs are essentially flat funded under the president's request at \$85.9 million.

Analysis: These programs, which together comprise the Department of Education's Rural Education Achievement Program (REAP), give rural schools an extra boost to help them meet Annual Yearly Progress under No Child Left Behind. Funding awarded under these programs can be combined with Title I dollars and spent on pre-k programs based in qualifying rural school districts. REAP has received incremental increases since it began in 2001 as part of No Child Left Behind. More funding would give rural administrators the flexibility to implement pre-k programs in high need school districts as an effective school reform strategy.

- **English Language Acquisition State Grants**

The president's budget provides \$730 million for FY09, \$29.6 million above the FY08 budget authority – an increase of 4.2 percent.

Analysis: Part of Title III of the Elementary and Secondary Education Act, this program awards funding to school districts, which may use the funds to create and implement programs that help children obtain proficiency in English. Both school-based and community-based providers are eligible to receive this funding. The increase under the president's budget marks a shift in appropriations for this program, which received cuts from 2002 to 2006 and began regaining funds only under the FY08 appropriation.

- **Education for Homeless Children and Youth**

The president's request essentially flat funds the program in FY09 with a marginal increase of \$149.

Analysis: Congress granted an additional \$2.2 million in FY08, a 3.5 percent increase over the prior year and well above the president's request. Program funds can be used to provide pre-k for homeless children. The president's budget attempts to hold the line on further spending increases for FY09.

Higher Education Act Reauthorization to Receive House Vote

A bill to reauthorize the landmark Higher Education Act is scheduled to receive a floor vote in the House on February 7, when it is likely to be approved and move to conference with the Senate. The bill (H.R. 4137) contains several provisions designed to benefit pre-k teachers by reducing their student loan liability and increasing funding for training and professional development.

One outstanding difference remains between the House and Senate versions in their provisions for pre-k teachers: a guarantee of up to \$10,000 in loan relief for pre-k teachers who teach for five years in high-need areas through the Federal Family Education Loan Program. Together, the bill's provisions would embrace pre-k teachers as recipients of federal support for higher education in all three of the major federal student aid programs.

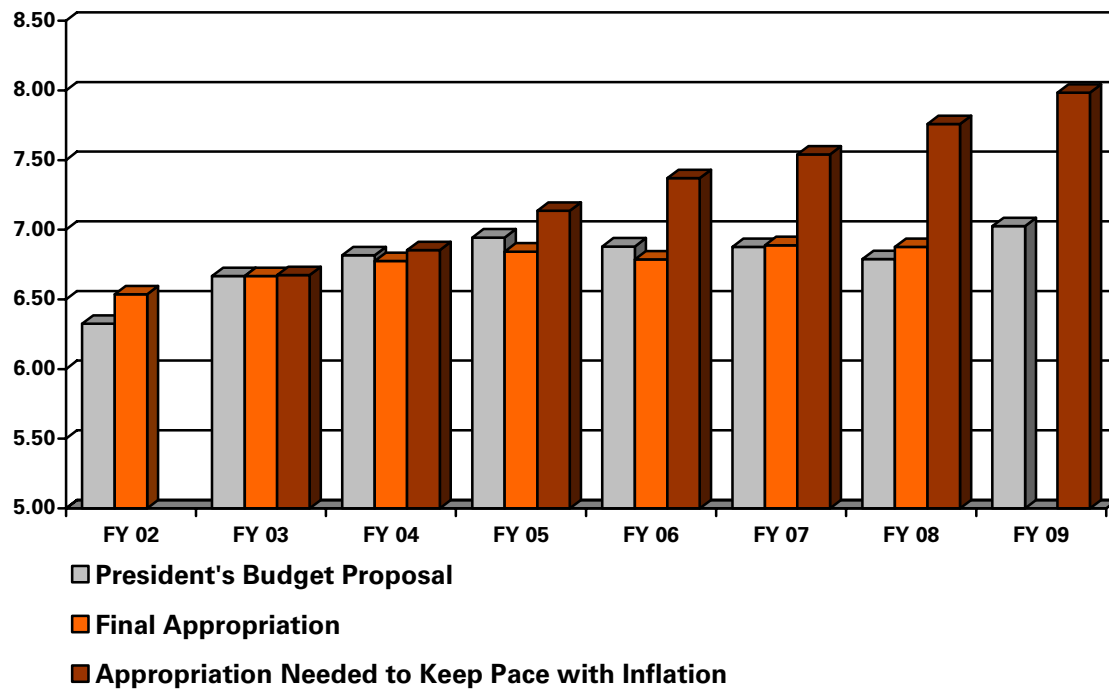
The following chart provides a comparison of provisions in the House and Senate. The close parity between the two houses increases the chances that each provision will be passed.

Table 1: Benefits to Pre-K Teachers in Higher Education Act Reauthorization Bills

	House	Senate
\$10,000 Loan Relief through Federal Family Education Loan Program	Yes	No
15 Percent of Perkins Loan Cancelled	Yes	Yes
Loan Relief as Public Servants under Direct Loan Program	Yes	Yes
Early Childhood Educator Professional Development and Career Systems Task Forces	Yes	Yes
Professional Development Partnerships between Pre-K and Higher Ed	Yes	Yes

Head Start Funding and Inflation Comparison

The chart and table on the following page compare proposed and actual appropriations for Head Start with the appropriation needed to keep pace with inflation, as measured by the Consumer Price Index. The figures show that annual appropriations for Head Start, adjusted for inflation, have decreased by millions of dollars each fiscal year since FY02.

Chart 1: Head Start Budget Requests and Final Appropriations Compared with Inflation**Table 2: Head Start Budget Requests and Final Appropriations Compared with Inflation**

(All numbers represent dollars.)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
President's Budget Proposal	6.325 B	6.668 B	6.816 B	6.944 B	6.880 B	6.876 B	6.789 B	7.027 B
Final Appropriation (FA)	6.537 B	6.668 B	6.775 B	6.843 B	6.786 B	6.889 B	6.877 B	N/A
Appropriation Needed to Keep Pace with Inflation (AI)	-	6.674 B	6.854 B	7.135 B	7.370 B	7.540 B	7.759 B	7.984 B
Difference Between FA and AI	-	(6 M)	(79 M)	(292 M)	(584 M)	(651 M)	(882 M)	N/A

Table 3: 2009 Budget Authority

	FY2008 Appropriation	FY2009 Request	Percentage Increase/Decrease
Head Start	\$6.878 billion	\$7.027 billion	+2.2%
Child Care and Development Block Grant	\$2.062 billion	\$2.062 billion	0%
Title I Grants	\$13.898 billion	\$14.304 billion	+2.9%
Even Start	\$66.5 million	\$0	-100%
Reading First	\$393 million	\$1 billion	+154%
Teacher Quality State Grants	\$2.935 billion	\$2.835 billion	-3.4%
Teacher Quality Enhancement Grants	\$33.7 million	\$0	-100%
IDEA Preschool Grants	\$374.1 million	\$374.1 million	0%
Federal Family Education Loan Program	\$56.242 billion	\$59.308 billion	+5.4%
Federal Direct Loans	\$14.103 billion	\$14.867 billion	+5.4%
Rural Education Achievement Program	\$171.9 million	\$171.9 million	0%
English Language Acquisition Grants	\$700.4 million	\$730 million	+4.2%
Education for Homeless Children and Youth	\$64.1 million	\$64.1 million	0%