

**Senate Budget Committee
Hearing on the President's FY2012 Education Budget Proposal
March 1, 2011**

Context: On March 1, the Senate Budget Committee held a hearing to receive testimony from Secretary of Education Arne Duncan on the President's FY 2012 education budget request.

Testimony and Q&A Summary: (Witness: Secretary of Education Arne Duncan).

Budget Committee Chairman Conrad (D-ND) stated in his opening remarks that while the nation must reduce spending to trim the deficit, the federal government must carefully prioritize programs. Conrad said education investments must be a high priority and any reductions should not result in changes that would harm the country over the long term. He explained OECD charts showing how the nation's global competitors are making education a priority and noted that the U.S. investments in education have declined relative to GDP, due to an increase in spending on mandatory programs. Sen. Conrad noted that a key challenge in the current education budget is the significant Pell Grant shortfall (following major shortfalls in FY10). He said Pell Grants offset less than one-third of college costs, and yet we are paying a smaller share of the cost while the overall cost of the program has increased.

Ranking member Sessions (R-AL) appreciated Secretary Duncan's recent comment to the National Governors Association that larger classrooms with effective teachers are better than smaller classrooms. Sen. Sessions remarked that we need to advance learning in the classroom, and that too often we have judged educational success on inputs, such as new buildings and the cost of education, when we know that throwing money at problem is not the answer. Sessions said the nation is in a fiscal crisis, citing the deficit as a threat to national security. He said the interest on the national debt will crowd out many programs, including education. Sen. Sessions said that while we all favor education, we cannot continue increasing the budget, and he does not think Congress will approve an increase in education spending.

Secretary Duncan testified that the education budget presents a commitment to reduce spending and be more efficient, while also making investments to secure the nation's future. The President's budget request will enable us to be globally competitive. Education also is a national security issue, given that only 25% of high school graduates are equipped to serve in the military. Secretary Duncan reviewed some of the major accomplishments in education recently, including the state-led adoption of common core standards, and the states that adopted or changed charter school laws as a result of Race to the Top. He also noted the support of higher education through further increases in lending and grants. However, the most critical role is providing flexibility to states and localities, while holding them accountable for results. Acknowledging the dissatisfaction with NCLB, Secretary Duncan emphasized the importance of reauthorizing ESEA

this year. Secretary Duncan reviewed several specific elements of the budget proposal, including increases in Title I and funding for English Language Learners. He also noted the President's request for funding to support a new round of Race to the Top (RTTT), focused on districts and with a set aside for rural communities. Investments would also continue in research and ensuring students receive a "well-rounded education." Duncan said the proposed budget would strengthen the teaching profession and early learning, and would challenge states to improve college graduation rates. Through elimination and consolidation of programs, the proposed FY12 budget also is more efficient and decreases paperwork burdens for states and districts. While there is a proposed reduction in funding for career and technical education, there is commitment to reform the program to meet current economic needs. Also, while Pell costs remain substantial, the changes proposed by the Administration in the Pell Grant and student loan programs are estimated to save more than \$100 billion over the next decade.

Discussion focus: Senators questioned Secretary Duncan on a variety of issues, but many members focused on Pell Grants.

Sen. Conrad opened his questions with more information on the current fiscal crisis, stating that the United States borrows forty cents of every federal dollar spent. He noted to Secretary Duncan that every country he visits students do homework every night, and U.S. students do not, because teachers do not assign it due to parent complaints that students have too much work. Secretary Duncan discussed how in other cultures parents demand more of their government to provide high quality education. In the U.S., he said we have to invest differently, and must challenge parents and the community to put education first and to improve faster.

Sen. Sessions stated that the debt we are leaving to our children is untenable, and asked whether Secretary Duncan agrees. Secretary Duncan responded that there are many "sacred cows" that will need to be reviewed. Sen. Sessions also asked questions about the funding increases for Pell Grants and student loans, and stated that we cannot increase spending on these items as we simply do not have the money. Secretary Duncan responded that our nation needs more students graduating from college and it is important to have more students accessing higher education through Pell Grant funding, and that tough cuts to Pell Grants were made. Sen. Sessions also expressed concern that despite consolidating programs, funding is increasing. He also referenced the concerning report, *Academically Adrift*, that colleges are expecting less and students are learning less.

Sen. Coons (D-DE) directed questions at Secretary Duncan regarding outcomes if RTTT funds were not appropriated and differences in the competition based on a district focus; concerns about changes to the Direct Loan program; and the proposed First in the World initiative. Secretary Duncan responded that the momentum gained from RTTT must be sustained, and the administration would like to see the same pace of change at the district level with a focus on rural communities. The "First in the World" competition, is similar to RTTT, but for higher education, and is aimed at building a culture around attainment and completion. With regard to the Direct Loan program, the changes are meant to make things simpler for the borrower, and one must assume that the CBO scoring is accurate.

Sen. Cornyn (R-TX) discussed concern about the federal government commandeering state budgets, resulting in fewer state funds for education. He offered the new health care law and Medicaid expansion as prime examples. Secretary Duncan reiterated that he has no interest in pouring money into the status quo, and would like to provide states with more flexibility under ESEA. The hearing became somewhat heated when Sen. Cornyn raised the issue of Texas not yet receiving its \$830 million due under the Education Jobs funding bill. While he acknowledged that an amendment requires the governor to guarantee a certain level of future spending on education in order to receive the Jobs funds, Sen. Cornyn expressed his frustration at the impasse given that Texas law prohibits the governor from committing to future funding levels. Sen. Cornyn was interested in knowing what Secretary Duncan was doing to ensure Texas was not discriminated against in the allocation of funds, and Secretary Duncan stated that discussions have become more difficult since Texas decided to sue USED. Sen. Cornyn asked what else a state was supposed to do when the federal government discriminates against it, besides bring the federal government to court. He stated that there will be continuing problems until the issue can be resolved, and that it is "unacceptable" for the federal government to "thumb its nose" at Texas. Secretary Duncan said that the children of Texas desperately need the funds and he wants to see them receive them.

Sen. Whitehouse (D-RI) directed his questions on what portions of the proposed budget focus on middle school students specifically, and concerns about the proposed budget's emphasis on extended learning time crowding out effective afterschool programs. Secretary Duncan responded generally about increasing the knowledge of STEM teachers and afterschool funding, but Sen. Whitehouse did not think these addressed middle school students specifically. Secretary Duncan acknowledged that he had a fair concern regarding the emphasis on extended day, and would continue the conversation with him.

Sen. Johnson (R-WI) quoted a Heritage Foundation report that states college tuition has increased 439%, and asked Secretary Duncan if he knows the cause(s) of the increase, including whether federal infusion of funding is the cause. Secretary Duncan responded that he did not know the cause, and did not think it was due to federal funding for student aid. Ensuring more transparency and information for students and parents is important so students and parents can make informed decisions. Sen. Johnson also asked how helpful have unions been to education, to which Secretary Duncan responded that there are places where it has been helpful for both students and adults, and places where it has not. In response to a question regarding any work that is being done to address the mismatch of available jobs with degrees and skills student have, Secretary Duncan said that USED is working with the U.S. Department of Labor and broadly mentioned successful public-private partnerships.

Sen. Begich (D-AK) focused his questions on ensuring rural America has fair opportunities to obtain competitive funding. He was particularly interested in the definition of the proposed rural set aside for RTTT, and also would like to see a rural set aside for any future Investing in Innovation (i3) competitions, in addition to flexibility regarding matching funds, as some Alaskan communities are cashless. Secretary Duncan pledged to work with Sen. Begich on the technical definition around the rural set aside, and assured the Senator that USED would be thoughtful and flexible on issues such as community matching funds.

Sen. Thune (R-SD) raised concern about shifting funding from formula to competitive, and the disadvantage to rural areas as a result of this approach. Secretary Duncan responded that 84% of

funding is still formula based, and where there are competitions, there will be a rural focus or set aside. Sen. Thune also raised questions about what USED is doing to expedite Impact Aid payments, and whether Secretary Duncan could speak to proposed changes that might affect the accreditation of Christian colleges. Secretary Duncan did not know the details on the latter, and stated that USED is working vigorously to fix the backlog of impact aid payments to states. In response to a question about USED efforts to address the issue of suicide among Native American students, Secretary Duncan said they are working closely with the BIE to address these and other issues facing Native American students.

Sen. Sanders (D-VT) asked a variety of questions, ranging from whether teachers have the right to collective bargaining, to the impact of cuts to Head Start. Secretary Duncan agreed that teachers have the right to engage in collective bargaining. In response to concern about eliminating students' ability to receive a second Pell Grant award in the same year, Secretary Duncan stated that it was done to close the funding gap, and it was a difficult, but necessary, choice. With regard to early childhood and the effect of cuts to Head Start, Secretary Duncan stated that it will make it more likely for a student to drop out if he does not have an early childhood education. Sen. Sanders also expressed concern that about the fairness of accountability systems for ELL students, and the consequences of otherwise highly performing schools and educators. Secretary Duncan said he wants to fix that in ESEA reauthorization.

Sen. Merkley (D-OR) echoed concerns about increases in competitive grants and the disadvantage to rural schools and districts. Responding to a question about the growing Pell Grant funding gap, Secretary Duncan stated that while there is unmet need, it will be important to highlight universities that are holding down costs while providing a quality education, and use the market place to drive students to those institutions. Sen. Merkley also stated that we need to have a discussion about our problem with spending money on foreign wars instead of domestic infrastructure. He also wanted to know how many STEM teachers are being laid off.

In closing remarks, Sen. Conrad requested an analysis from USED on tuition and financial aid packages to understand more clearly the issue of rising costs in higher education. He also asked Sec. Duncan to comment on what he is doing to fix NCLB. Sec. Duncan stated that he wants a law that is fair and flexible, less punitive, and accounts for growth and gain. Sen. Sessions closed by suggesting that we limit Pell Grants to students who take a minimum number of credit hours, thereby incenting individuals to finish in four years and reducing their debt. Sec. Duncan responded that in an ideal world we would do this, but given that many students are attending school part time and later in life, this would not be feasible. He did agree with the Senator's premise that focusing on completion is important.

Analysis: Many senators expressed questions or concerns about the Pell Grant shortfall, which we expect to be one of the most contentious issues in the FY11/12 education budget debate. Congress's strategy for addressing this issue will likely greatly impact the final allocations for other education priorities. Senators' continued focus on the formula vs. competitive grant issue that first emerged last year foreshadows problems for the President's requests to continue funding for RTTT and i3 in this difficult budgetary climate. Secretary Duncan's will testify before the House Appropriations Committee's Labor, HHS, Education Subcommittee on March 10.