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MEMORANDUM

FROM: Penn Hill Group
DATE: January 14, 2014
SUBJECT: FY 2014 Omnibus Bill – Education and Related Funding, and Policy Elements

The Senate and House Appropriations Committees filed an FY 2014 omnibus appropriations bill on January 13, 2014, which includes all 12 separate appropriations bills. This is the first time in several years that an appropriations bill, rather than continuing resolutions, will guide spending for Labor, Health and Human Services and Education programs. The bill text and report language can be found [here](#). (Department of Education programs are in Division H, Title III of the omnibus bill.)

Many programs are increased above FY 2013 post-sequester levels but not completely restored to their pre-sequester levels. Contrary to expectations, the large Department of Education programs (Title I, IDEA Grants to States, Career and Technical Education State Grants) are also not completely restored to their pre-sequester FY 2013 levels. In addition, signature Obama Administration initiatives such as Investing in Innovation (i3) and School Improvement Grants are funded at post-sequester levels, and Race to the Top is funded at significantly less than its pre-sequester FY 2013 level.

Please see Page 4 of this memo for a chart comparing FY 2014 funding for select education and related programs to FY2013 pre- and post-sequester levels.

The House is expected to consider the bill on Wednesday with Senate action following the House. The current Continuing Resolution (CR) expires on Saturday, January 18. Below is a summary of specific education-related funding and policy provisions included in the bill.

State Pre-K and Race to the Top

The bill includes \$250 million for Race to the Top (RTT) and requires that this funding be used for competitive awards to states for Pre-K and early childhood education programs for low- and moderate-income children. If awards are made to states for building capacity for Pre-K programs, the Secretary, according to report language, will award both low-capacity and high-capacity state grants (depending on whether a state has a state-funded Pre-K program). Also according to report language, Pre-K programs are required to include “comprehensive services and family engagement.” States are permitted to determine the amount of funding for the implementation of Pre-K programs (as opposed to just capacity – i.e. they can fund actual slots at programs). Lastly, the Secretary is required to submit a report outlining the proposed competition prior to its commencement and to consult on the criteria for the competition with Congressional Appropriations and Authorization Committees. Other than this funding in RTT, there is not a separately funded Pre-K program. The Administration requested \$750 million for this initiative. The bill does provide increases for Head Start and Early Head Start as well as the Child Care Development Block Grant. The Head Start increase, which includes Early Head Start, is approximately \$600 million over the pre-sequester FY 2013 level.

School Improvement Grants (SIG)

The bill permits funds to be used to implement a “research-proven, whole school reform model” and allows state educational agencies, with the approval of the Secretary of Education, to

establish a state-determined school improvement strategy for use under the SIG program. In addition, the bill allows states to make five-year awards (rather than the existing three-year awards).

Investing in Innovation (i3)

The bill permits the Secretary to renew i3 grants for an additional one-year period, not to exceed six total years, if the grantee is meeting its performance targets.

Charter Schools

The bill provides that the Secretary shall use not less than \$11 million to carry out the per-pupil facilities aid program and not less than \$12 million to carry out the Credit Enhancement authority. Not less than \$45 million is reserved for multiple awards to non-profit charter management organizations for replication and expansion of charter school models. Additionally the Secretary shall reserve up to \$11 million to carry out national activities. The bill further provides that funds under the charter school program may be used for grants that support Pre-K in charter schools.

Department of Education Evaluation

The bill broadens the current general provision that permits the Department to reserve up to .5% of each Elementary and Secondary Education Act (ESEA) appropriation (except for Titles I and III) for evaluation of ESEA programs by permitting evaluation funds to be pooled across programs. The Department is required to submit an operating plan describing the proposed uses of this authority and to brief the Appropriations and Authorization Committees of Congress on the activities in the plan.

Special Education

The bill includes two new provisions for special education. First, the bill includes language clarifying that in the case where a school district fails to meet its Maintenance of Effort in a given year, the school district, in the following year, has to meet the level of effort it should have met the prior year. Second, the bill allows that funding under Part B of the Individuals with Disabilities Education Act (IDEA) may be used to help states meet data collection and data capacity needs.

Higher Education

The Labor, Health and Human Services, Education (Labor HHS) and Department of Defense sections of the bill and report language include numerous provisions on higher education:

Department of Education

- *Not-for-Profit Student Loan Servicing* – The report includes language that requires the Department of Education to continue the not-for-profit (NFP) servicing contracts presently in place through the end of FY 2014. The recently enacted Bipartisan Budget Act of 2013 terminated the authority for this servicing initiative as well as its mandatory funding source. The report language further requires the Department of Education to develop a plan that streamlines the metrics used to evaluate the performance of the NFP servicers and other servicers utilized by the Department in order to inform future competitions for servicing contracts. The Secretary is directed to issue a report on the plan to the Appropriations and Authorizing Committees of Congress by March 31, 2014. The bill provides \$185 million in additional discretionary funding for student loan servicing activities.

- *First in the World* – The bill provides (within the Fund for the Improvement of Postsecondary Education) \$75 million for a new First in the World Competition providing grants to institutions of higher education to implement innovative strategies around outcomes and college affordability. This is essentially a higher education version of the current i3 program. The Department of Education is directed in report language to provide a briefing and submit a report to the Appropriations Committee on the proposed competition 30 days prior to announcing the competition.
- *National Student Loan Data System (NSLDS) and Pell Grant Graduation* – The report specifies that the NSLDS will, beginning with the 2012-2013 award year, report separately on the enrollment and graduation of Pell Grant recipients by institution of higher education.
- *Impact of Higher Education Regulations* – The report provides \$1 million for the Secretary of Education to enter into an agreement with the National Research Council to conduct a study on the impact of federal regulations on institutions of higher education. The study will provide recommendations for “consolidating, streamlining and eliminating redundant and burdensome Federal regulations and reporting requirements affecting institutions of higher education.”
- *Distance Education* – The report provides \$1.5 million for two Centers on the Study of Distance Education and Technological Advancements.
- *FAFSA addition on Foster Care* - The bill requires the Department of Education to add a new check off box on the Free Application for Federal Student Aid (FAFSA) on foster care status for the purposes of informing foster youth of their eligibility for student aid programs.

Department of Defense

- *Reporting on Advertising and Marketing* – The Secretary of Defense is directed to submit a report documenting the Department of Defense’s oversight, evaluation and enforcement activities related to the advertising and recruitment practices of institutions of higher education that accept Tuition Assistance and My Career Advancement Account education benefits. The report is due no later than June 1, 2014.

Corporation for National and Community Service (CNCS)

- *Pay for Performance Reporting* – The report requires CNCS to provide a description of the proposed use of funds for Pay for Success activities 30 days in advance of making any obligations under this authority.
- *Social Innovation Fund Pay for Performance Set-aside* – The bill provides \$70 million for the Social Innovation Fund, and up to twenty percent may be used for pay for performance activities.

Job Corps

The report includes language instructing the Department of Labor to give “due consideration” to existing high-performing contractors as part of the procurement process for Job Corps Center contracts. Under the report, the Department is expected to give consideration to student outcomes and cost effective administration of the program.

STEM Education

The bill does not adopt the proposed reorganization of STEM programs included in the Administration's FY14 Budget.

**Comparison of Select Education and Related Programs – FY 2013 and FY 2014
(in millions)**

Program	FY 2013 Pre-Sequester	FY 2013 Post-Sequester	FY 2014 Omnibus
Department of Education			
Title I (Grants to LEAs)	\$14,516.5	\$13,760.2	\$14,384.8
IDEA Part B – (Grants to States)	\$11,577	\$10,974	\$11,472
IDEA Part C – (Preschool)	\$372.6	\$353.2	\$353.2
School Improvement Grants	\$533.6	\$505.8	\$505.8
CTE State Grants	\$1,123	\$1,064	\$1,118
Race to the Top	\$549	\$520.2	\$250
i3	\$149.4	\$141.6	\$141.6
Pell Grant Maximum	\$5,645	\$5,645	\$5,730 (including mandatory add- on)
Pell Grant Discretionary Funding	\$22,824	\$22,778	\$22,778
21 st Century Community Learning Centers	\$1,151.7	\$1,091.6	\$1,149
Charter Schools	\$254.8	\$241.5	\$248
ESEA Title II (Teacher Quality State Grants)	\$2,466.6	\$2,337.8	\$2,350
ESEA Title III (English Language Acquisition)	\$732.1	\$693.8	\$723.4
Adult Education State Grants	\$595	\$593.955	\$563.955
Regional Education Laboratories	\$57.426	\$54.423	\$54.432
Comprehensive Centers	\$51.1	\$48.445	\$48.445
IES Research, Development and Dissemination	\$189.8	\$179.86	\$179.86
Special Education Research	\$49.9	\$47.3	\$54
Statewide Data Systems	\$38.1	\$36.1	\$34.44
NAEP	\$129.6	\$122.8	\$132
Advanced Placement	\$30.06	\$28.5	\$28.5
Parent Training and Information Centers	\$28.9	\$27.4	\$24.7
Ready to Learn	\$27.2	\$25.7	\$25.7
First in the World	\$0	\$0	\$75
GEAR UP	\$302.2	\$286.4	\$301.6
TRIO	\$839.9	\$796	\$838.3
Innovative Approaches to Literacy	\$28.5	\$27.7	\$25

Program	FY 2013 Pre-Sequester	FY 2013 Post-Sequester	FY 2014 Omnibus
Department of Labor			
WIA Funding (Adult, Dislocated Worker and Youth Funding)	\$2,609.5	\$2,479	\$2,588.1
Job Corps	\$1,691	\$,606	\$1,688
Department of Health and Human Services			
Head Start (including Early Head Start)	\$8,017	\$7,573	\$8,598
NIMH	\$1,489	\$1,414	\$1,446.2
NICHD	\$1,327	\$1,254	\$1,282.6
Other Agencies			
National Science Foundation	\$7,300	\$6,900	\$7,200
NSF -- Education and Human Resources		\$8.33	\$8.46
NSF -- Research and Related Activities		\$5,500	\$5,700
IMLS	\$233.4	\$219.8	\$226.9
Corporation for National and Community Service			
AmeriCorps	\$346.5	\$329.2	\$335.4
Social Innovation Fund	\$44.8	\$42.5	\$70