# FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

## FUNCTION SUMMARY

Function 500 includes funding for elementary and secondary, vocational, and higher education; job training; children and family services programs; adoption and foster care assistance; statistical analysis and research relating to these areas; and funding for the arts and humanities.

In 1998, spending for Function 500 was $61.3 billion in BA and $56.1 billion in outlays, which was a 2 percent increase over the 1997 spending level. Discretionary spending represents 76 percent of total spending in this function.

As reflected in the spending summary table, under the freeze baseline, Function 500 will increase by 5.9 percent in BA and 15.1 percent in outlays from 1998 to 2003.

Function 500 is a protected function under the BBA. The BBA intended that discretionary funding for priority functions be protected at specified levels through 2002. For Function 500, this level was $47.0 billion in BA for 1999, an increase of $294 million above the 1998 level, growing to $49.2 billion in BA in 2002.

Additionally, the BBA included savings of $1.8 billion from the 1998-2002 period for student loan programs.

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**SPENDING SUMMARY**
($ billions)

| | | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|---|---|
| Chairman's | BA | 61.3 | 63.0 | 63.3 | 64.5 | 64.9 | 68.4 |
| Mark | OT | 56.1 | 61.0 | 62.7 | 63.8 | 63.7 | 67.1 |
| BBA | BA | 61.3 | 63.0 | 63.3 | 64.5 | 64.9 | 68.4 |
| | OT | 56.1 | 61.0 | 62.7 | 63.8 | 63.7 | 67.1 |
| Freeze | BA | 61.3 | 63.0 | 62.5 | 63.1 | 62.8 | 64.9 |
| Baseline | OT | 56.1 | 61.2 | 62.7 | 63.4 | 62.5 | 64.6 |
| Chairman's Mark compared to: | | | | | | | |
| BBA | BA | -- | -- | -- | -- | -- | -- |
| | OT | -- | -- | -- | -- | -- | -- |
| Freeze | BA | -- | -- | +0.8 | +1.4 | +2.1 | +3.5 |
| Baseline | OT | -- | -0.2 | -- | +0.4 | +1.2 | +2.6 |

## DESCRIPTION OF CHAIRMAN'S MARK

**Discretionary:**

The Chairman's Mark provides for discretionary spending increases as agreed to in the BBA. For FY 1999 this function would be $47.0 billion in BA and $46.1 billion in outlays are assumed. Over the next five years, discretionary funding would total $243.1 billion in BA and $239.4 billion in outlays.

Within the discretionary spending levels agreed to in the BBA, the Chairman's Mark does not assume enactment of any of the President's new education initiatives but rather increased funding at authorized levels in current programs, while consolidating existing programs to achieve greater efficiencies in the use of federal funds for education programs. The Chairman's Mark does not assume all the President's decreases such as cuts to Impact Aid of $565 million over five years.

- **Increase funding for Special Education**. To continue working toward the current statutory federal goal of providing 40 percent of the national average per pupil expenditure per disabled child, the Chairman's Mark assumes a $2.5 billion increase in the existing education program -- Individuals with Disabilities Education Act (IDEA).

- **Education Reform Initiative**. The Chairman's Mark assumes an increase in funding of $522 million in 1999 and $6.3 billion over the next five years for the Innovative Program Strategies State Grant program. This currently existing program would be reformed to allow states and localities greater flexibility to experiment with innovative reforms in teaching and learning while expecting states to demonstrate positive results. For FY 1999 the Chairman's Mark assumes total funding for this program reach nearly $900 million. The President's budget proposes this program be terminated.

- This initiative is in response to the work of the General Accounting Office (GAO), presented before the Committee's Education Task Force. The GAO has found that 30 federal agencies administer hundreds of education programs. Specifically, GAO has identified 127 at-risk and delinquent youth programs in 15 departments and agencies; 86 teacher training programs in nine federal agencies and offices; and over 90 early childhood programs in 11 federal agencies and 20 offices and the fact that for most of these programs, little data exists whether these programs are successful. The Chairman's Mark reflects the recommendations of the Committee's Education Task Force to begin the process of eliminating this acknowledged duplication and inefficiency.

- **Increase funding for Elementary and Secondary Education**. Based on total 1998 funding for elementary and secondary education, the Chairman's Mark assumes an overall increase for inflation of an additional $6.6 billion in BA and $4.1 billion in outlays over the next five years. The funding increases intended for elementary and secondary education do not mean that the Chairman assumes the status quo. The Chairman's Mark urges greater oversight and evaluation of education programs, further consolidation of education programs and increased flexibility for states and localities in use of education dollars to advance education reform and foster parental choice and involvement.

- **Adopts President's Reductions in One Stop Career Centers** for a five-year savings of $303 million in BA and $183 million in outlays.

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**Mandatory**

Mandatory spending under the Chairman's Mark would be $14.9 billion in 1998 growing to $16.2 billion in 2003, a $1.3 billion increase over the next five years.

- **The Chairman's Mark does not adopt the President's Class Size Reduction Initiative entitlement** to be funded at **$7.3 billion** over the next five years. Existing federal education program consolidation and reform can achieve the stated goal without creating another new federal program.

- **The Chairman's Mark does not depart from the BBA.** The BBA assumed $1.8 billion in savings from the student loan programs. Therefore, **the Chairman's Mark does not recommend the President's additional $4.1 billion in reductions**.

- **The Chairman's Mark acknowledges that House and Senate authorizing committees are considering changes to student loan programs to avoid an impending crisis in the guaranteed student loan program brought about by the 1993 legislation that attempted to eliminate the guaranteed student loan program and replace it with a Department of Education bank lending program.** Beginning July 1, 1998, the index used to set interest rates on student loans will change from the current 91-day bill plus 3.1 percent to the 10-year note plus 1 percent. This policy was enacted in 1993 to go into effect this July. Under current interest rate estimates, students would in the short-term appear to fare better under the new formula. However, many respected financial analysts, including those at the Congressional Research Service and the Treasury Department agree that lender returns would be cut so severely as to drive many lenders from the program and severely jeopardize private lending to students this fall which make up 70 percent of all student lending today.

- **Carrying out current law would likely create significant student loan access problems**. The Department of Education has acknowledged they would be unable to meet the increased demand for loans through the Direct Loan program, which now administers less than 30 percent of student loan volume.

- The Administration has recently proposed to return to the 91-day bill as an index on which to base student loans. This proposal was not included in their budget submission in February.
- However, the Administration's proposal is expected to provide a low yield to private lenders and therefore it is questionable whether the guaranteed loan program would

continue.

- **At this time, the Chairman's Mark assumes no changes to student loan policy. The Chairman's Mark acknowledges the Senate Labor and Human Resources Committee efforts to work with the Budget Committee on technical scorekeeping issues, their House counterparts, and the Administration toward a resolution of the 1998 interest rate issue, with the long term goal of making the program market-based.**