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## U.S. Education Budget Roiled by Financial Crisis

By [Alyson Klein](#)

The result of the presidential election will likely help determine how much money education programs receive in the 2009 federal fiscal year, which begins this week. But a multi-billion-dollar federal plan to assist the financial markets may leave the next president with very little room for major increases for K-12 schools, perhaps for the foreseeable future.

Congress late last week approved a bill extending funding for most education programs and other parts of the federal budget at fiscal 2008 levels through March 6, when the new administration will have been in office for more than a month.

If lawmakers agreed on a fiscal 2009 appropriations bill financing the Department of Education by March 6, it would be up to the new president to sign it.



Re-enacting a scene of boys selling apples during the Great Depression, Jeremy Conroy, 13, sells apples in front of the New York Stock Exchange on Sept. 30 in New York. He is donating profits to Barack Obama's presidential campaign.

—Mark Lennihan/AP

But the new administration of either John McCain or Barack Obama may not have much leeway to increase spending on education or any other federal program

significantly. Congress was grappling with an estimated \$700 billion assistance plan for the financial sector that left some advocates worried that such an enormous unplanned expenditure could squeeze domestic spending for a long time.

“This bailout is basically going to suck the air out of education funding for years to come,” unless there is a major commitment to boosting education spending on the part of the next president, said Edward R. Kealy, the executive director of the Committee for Education Funding, a Washington lobbying coalition. Education advocates will have to make the case that investing in schools is necessary to shore up the economy over the long haul, he said.

### Presidential Politics

Even as Sept. 30, the end of the 2008 fiscal year, drew near, lawmakers in both chambers had not finished any fiscal 2009 appropriations bills for education. In recent years, continuing resolutions have become common so that federal programs will receive funding even as Congress continues to craft appropriations bills well after the start of the new federal budget year.

### Late Appropriations

The federal fiscal year begins on Oct. 1 of the previous calendar year. So this Wednesday marks the beginning of the 2009 fiscal year. But in recent years, Congress has rarely passed appropriations bills, including the education spending measure, on time. During the Bush administration, every education spending bill has been late.



SOURCE: U.S. Department of Education

The two major presidential candidates, meanwhile, have very different rhetoric on education spending.

Sen. McCain, of Arizona, the Republican nominee, has said he would like to freeze domestic discretionary spending until his administration could conduct a top-to-bottom review of all federal programs.

Sen. Obama, of Illinois, the Democratic candidate, has argued that the No Child Left Behind Act, the main federal K-12 education law, has been underfunded. And he's proposed an additional \$18 billion a year in new spending on preschool and K-12 programs.

But Sen. Obama's proposals were released months ago, before the financial crisis on Wall Street intensified and Congress began consideration of a plan for bolstering the troubled credit markets with a government purchase of bad debt.

Last week, Sen. Obama told reporters that it would "be irresponsible of me to say I am not going to take into account what things look like should I take office," according to a Federal News Service transcript of Sept. 23 remarks the candidate made to reporters in Clearwater, Fla.

In the Sept. 26 debate between the candidates, Sen. Obama said he would work to ensure some of his education proposals were funded.

"We've got to make sure that we're competing in education," he said, when asked whether he would have to change his priorities to reflect the cost of the bailout.

Sen. Obama specifically mentioned mathematics and science education and college affordability as the types of programs that should not be sacrificed.

When asked the same question during the Sept. 26 debate about the effect of the bailout on his spending priorities, Sen. McCain reiterated his call for "a spending freeze on everything but defense, veteran affairs, and entitlement programs."

### **Bailout's Effect on Congress**

Putting forth a giant outlay to ease the financial turmoil may make lawmakers wary about approving even modest increases to education and other programs, analysts said.

"There will be forces that say, 'Gosh, we've got this really big deficit this year; we can't afford to spending on domestic programs,' " said James R. Horney, the director of federal fiscal policy at the Center for Budget and Policy Priorities, a research and advocacy organization in Washington.

On the other hand, he added, it may be hard for some lawmakers to say no to increases for schools after pumping hundreds of billions of dollars into the financial sector. Imagining what advocates might ask, Mr. Horney said: " 'How dare you not be able to invest a measly [few] billion in these domestic programs that help real people, not Wall Street?' "

Supporters of a financial-rescue plan have argued, however, that the federal government may eventually recoup a big portion of whatever it spent by reselling the mortgage-related securities whose uncertain worth has roiled the credit markets.

### **'Reading First' Funding?**

The stopgap funding measure would include some additional education spending, including \$2.5 billion more for Pell Grants to head off a possible reduction in grant awards in the middle of the academic year.

The extension bill also includes funding for the \$393 million Reading First program, the same level as for fiscal year 2008. The program which was slated for zero funding in fiscal 2009 appropriations bills approved by spending panels in both the House and the Senate over the summer. (["'Reading First' Funds Headed for Extinction,"](#) July 16, 2008.)

But the stopgap bill doesn't mean federal funding of the program will be continued. The money would not be allocated to school districts until July 1. If Congress decides to eliminate the program when it returns to the education spending bills in March, schools won't receive any new Reading First money.

The extension "is essentially a moot point," said Richard Long, the director of government relations for the Newark, Del.-based International Reading Association.

Created as part of NCLB, which became law in January 2002, the Reading First program was financed at about \$1 billion annually until fiscal 2008. Congress slashed the funding to \$393 million after a series of reports by the Education Department's inspector general suggested that conflicts of interest had occurred among officials and contractors who helped implement the program in its early years.

Some education lobbyists are worried that, no matter who is elected president, the next Congress might simply pass a measure extending the fiscal 2008 funding levels for the Education Department and other federal programs for the remainder of fiscal 2009.

If such a yearlong extension is approved, without any changes to the Reading First program, funding for that program may continue through fiscal 2009, a Democratic Senate aide said.

A yearlong extension would likely be the quickest way for the new president and Congress to wrap up the fiscal 2009 appropriations process and begin working on the 2010 budget. The new president will release a budget proposal shortly after taking office in January.

Extending current funding for education programs would amount to a cut, said Mr. Kealy of the Committee for Education Funding, since rising enrollment and inflation mean less money per student.

"We could very well wind up empty-handed and waiting for own bailout" in fiscal 2010, he said.

*Associate Editor David J. Hoff contributed to this report.*