

Operating Plan for the Department of Education

Section 1113(a) of the Consolidated and Further Continuing Appropriations Act, 2013, requires the Department of Education to submit this operating plan for fiscal year 2013 to the Committees on Appropriations of the House of Representatives and the Senate by April 25, 2013. Section 1113(b) further requires that the plan reflect the sequestration ordered by the President on March 1, 2013.

The operating plan indicates 2013 budget authority amounts for accounts, programs, projects, and activities. In general, most Department programs are funded at 5.23 percent less than the 2012 level. The 5.23 percent reduction for discretionary appropriations is the combination of the 5.0 percent sequestration order applied to the funding levels available under the continuing resolution in effect as of March 1 and the additional across-the-board reduction of 0.2 percent in the final year-long continuing resolution.

The sequestration is handled differently for the Pell Grant program, student loans, and mandatory appropriations because of specific legal exemptions, special rules, and a different percentage for mandatory appropriations. Slight adjustments from the 5.23 percent have also been made in four discretionary accounts with advanced appropriations that had a different basis for the sequester calculation because of funding available in October of 2012.

The total reduction to funding for the Department of Education due to sequestration is \$2.5 billion. The additional across-the-board cuts to discretionary accounts amounted to \$136 million. The operating plan does not distinguish between the two reductions. All discretionary accounts are funded at a level reduced from the 2012 level, except for Pell Grants.

The 2013 funding reductions do not change the underlying statutes or rules for the programs. For example, formula programs still distribute funds under laws that establish rules for allocating funds. The reductions do not change laws for maintenance of effort requirements, time periods for use of funds, supplement-not-supplant rules, hold-harmless provisions, or required reservations of funds.

The full amount of the 2013 sequester for programs with advance appropriations—ESEA Title I Grants to Local Educational Agencies, IDEA Part B Grants to States, ESEA Title II Improving Teacher Quality State Grants, and Carl D. Perkins Career and Technical Education State Grants—will be taken from the July 1, 2013, portion of total program allocations, a policy that ED established and made public in July 2012.

In Title I, the Department will take the full sequester reduction from the Basic Grants program amount in July 2013. However, it will then make corresponding adjustments in the October 2013 allocations for Basic Grants, Concentration Grants, Targeted Grants, and Education Finance Incentive Grants. The result will be to take the same percentage from each Title I formula from all four formulas through which funds are awarded for the 2013–14 school year. This approach for Title I is consistent with the July 2012 letter from Deputy Secretary Miller which said the Department planned to take the reduction from the school year 2013-14 funding rather than disrupting the awards for school year 2012-13 that were funded in part in October 2012. Without this adjustment, a disproportionate share of the cuts would come from the Basic Grants formula.

Competitive grant programs will pare back new competitions to the extent possible, as required by the Department's general administrative regulations, rather than cutting continuation grants. But if necessary, the programs may also have to reduce continuation grants.

Overall, the reductions in Federal education spending will mean less money for education personnel. About 80 percent of elementary and secondary education budgets support personnel costs. Most of the Department's grants support personnel employed by State, local, and institutional levels of education. Thus, these reductions of almost \$2.5 billion in Education discretionary appropriations will mean less money for salaries and benefits of non-Federal staff. Grant recipients, however, have some discretion in how they apportion the impact of the lower level of funding on various categories of cost.

Federal administrative accounts make up a relatively small portion of the Department's budget. However, the four large administrative accounts will be reduced by about \$85 million. The Department will achieve these savings by spending less on salaries, travel, conferences, contracts, and other administrative expenses.

In terms of human resources, final decisions have not been made on furloughs. Employees have been informed that the worst case is that some may experience furloughs of up to 5 days (1 day per month from May to September), though employees in the Office of Inspector General could face furloughs of 10 to 11 days. Because of the large difference in the sequestration's impact on the offices funded by the Department's four different administrative accounts, the Department will likely work with Congress to use its limited transfer authority to minimize any adverse impact on program workload and its ability to limit fraud, waste, and abuse in its \$200 billion in annual awards.

The Department has already narrowed the number of potential furlough days through significant savings from reduced hiring over the last year, and by not filling many positions vacated through attrition and retirements. Since the passage of the Budget Control Act of 2011, the Department has lost 773 full and part-time staff due to attrition and retirements but has only hired 437 full and part-time staff, which is approximately 57 percent of the vacancies. While there has not been an outright hiring freeze (because in some cases the Department needs to replace departing employees or hire staff in order to conduct its core functions), the Department has held and will hold the hiring of all employees below levels planned in the budget.

The Department has also saved considerable amounts in contracts and other administrative object classes. Estimated contract costs have been reduced and many tasks have been eliminated or postponed.

Spending on travel and conferences has been reduced both because of sequestration and earlier efforts to restrict administrative spending. From 2010 to 2012, travel spending was reduced by 20 percent, and it will be reduced another 15 percent this year. From 2012 to 2013, spending on large conferences will be cut by approximately 10 percent. It should be stressed, however, that even if the Department eliminated 100 percent of travel and conference spending, it would only save approximately \$20 million and would only cover a fraction of the \$2.5 billion impact of sequestration on Department programs.

The attached table provides more details on the amounts for each appropriation account and for the programs, projects, and activities within the account.

Attachment: All-purpose budget table