

An Economy Built to Last and Expanded College Opportunity

We now face a make-or-break moment for the middle class and those trying to reach it. After decades of eroding middle-class security as those at the very top saw their incomes rise as never before and after a historic recession that plunged our economy into a crisis from which we are still fighting to recover, it is time to construct an economy that is built to last. The President's 2013 Budget is built around the idea that our country does best when everyone gets a fair shot, does their fair share, and plays by the same rules. We must transform our economy from one focused on speculating, spending, and borrowing to one constructed on the solid foundation of educating, innovating, and building. That begins with putting the Nation on a path to living within our means – by cutting wasteful spending, asking all Americans to shoulder their fair share, and making tough choices on some things we cannot afford, while keeping the investments we need to grow the economy and create jobs. The Budget targets scarce federal resources to the areas critical to growing the economy and restoring middle-class security: education and skills for American workers, innovation and manufacturing, clean energy, and infrastructure. The Budget is a blueprint for how we can rebuild an economy where hard work pays off and responsibility is rewarded.

In his State of the Union Address, the President laid out a plan for ensuring that our students and workers get the education and training they need to take on the jobs of today and tomorrow. He also later laid out a comprehensive approach to tackle rising college costs. The Administration firmly believes that education cannot be a luxury – it is an economic imperative that every family in America should be able to afford.

To support this commitment, the 2013 Budget will:

Expand Access to College Through Pell Grants. Since 2008, the Administration has increased the maximum Pell Grant by \$900, to \$5,635 in 2013 ensuring access to postsecondary education for almost 10 million needy students. The Budget maintains this commitment by sustaining the maximum award through 2014-2015 award year.

Reform Federal Campus-Based Aid Programs. These reforms will shift aid away from colleges that fail to keep net tuition down, and toward those colleges and universities that do their fair share to keep tuition affordable, provide good value, and serve needy students well. These changes in federal aid to campuses – combined with an increase in the Perkins Loan program from \$1 billion to \$8.5 billion a year – will leverage \$10 billion annually to help keep tuition down. The Budget also increases funding for work-study jobs.

Create a Race to the Top: College Affordability and Completion. The Budget will create incentives for states and colleges to keep costs under control through a \$1 billion investment in a new challenge to states to spur higher education reform focused on affordability and improved outcomes across state colleges and universities.

Launch a First in the World competition to model innovation and quality on college campus. The Budget will invest \$55 million in a new First in the World competition, to support

public and private colleges and non-profit organizations as they work to develop and test the next breakthrough strategy that will boost higher education attainment and student outcomes.

Help Students and Their Families Pay for College. The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act extended for two years the new American Opportunity Tax Credit (AOTC) – a partially refundable tax credit worth up to \$10,000 over four years of college. AOTC helps more than 9 million students and their families afford the cost of college. The Budget proposes to make AOTC permanent.

Suspend an Increase in Student Loan Interest Rates. Under current law, interest rates on subsidized Stafford loans are slated to rise this summer from 3.4 percent to 6.8 percent. At a time when the economy is still recovering and market interest rates remain low, it makes no sense to double rates on student loans. The Budget suspends the scheduled increase for the coming year, so that rates will remain at 3.4 percent.

Bring Competition to and Encourage New Approaches for Job Training. To compete in the global economy, we need skilled workers who can access opportunities to upgrade and hone their skills as their careers progress and technology changes. The Budget continues critical investments in job training and improves access to services for workers and job-seekers. It invests \$125 million in a competitive Workforce Innovation Fund to engage States and regions in identifying better ways of delivering services, breaking down program silos, and paying providers for success. Building on successful Recovery Act programs that provided job opportunities for long-term unemployed and low income adults and youths, the Budget also includes a \$12.5 billion Pathways Back to Work Fund to make it easier for workers to remain connected to the workforce and gain new skills for long-term employment.

Improve Access to Higher Education for Students from Minority Backgrounds. The Budget maintains funding for programs administered by the Department of Education, the Department of Energy and the National Science Foundation that fund HBCUs. The Budget invests \$55 million in a new initiative to increase college access and completion and improve educational productivity through an evidence-based grant competition, up to \$20 million of which will go directly to minority serving institutions. It provides \$30 million for a new competitive grant program, Hawkins Centers of Excellence, to improve and expand teacher education programs at minority-serving institutions, a significant pipeline for preparing a diverse teaching force; and \$9 million to promote post-baccalaureate programs for Hispanic-Americans.

Invest in Community Colleges. The Budget also funds a new initiative designed to improve access to job training across the nation and provides \$8 billion in the Departments of Education and Labor to support State and community college partnerships with businesses to build the skills of American workers. This builds on the success of the Trade Adjustment Assistance Community College and Career Training (TAA CCCT) program, which is providing \$2 billion over four years to help community colleges improve and expand their programs to meet local and regional labor market demands. Through rigorous evaluation, data collection, and greater use of employer collaboration and online learning, these investments will help colleges move toward the approaches that will produce the greatest returns for their students.

Expand Opportunities for Students in Math, Science, and Engineering. The Budget provides \$141 billion overall for research and development in science and engineering. It also allocates \$80 million from the Department of Education to prepare effective STEM (science, technology, engineering and mathematics) teachers and funds a jointly-administered mathematics education initiative, with \$30 million from the Department of Education and \$30 million from the National Science Foundation, to support evidence-based approaches at the K-12 and undergraduate levels. These programs will be developed in conjunction with a Government-wide effort to increase the impact of Federal investments in math and science education by ensuring that all programs supporting K-12 and undergraduate education adhere to consistent standards of effectiveness.

Recruit and Prepare Talented Individuals as Effective Teachers. As an overhaul of the TEACH Grants program, the Budget includes \$190 million in mandatory funding for the new Presidential Teaching Fellows program, which would make formula grants to States to provide scholarships of up to \$10,000 to talented individuals attending the most effective teacher preparation programs in the State who commit to teach for at least three years in a high-need school. To be eligible for funds, States would agree to measure the effectiveness of their teacher preparation programs, based in part on their graduates' success in improving elementary and secondary student achievement; hold these programs accountable for results; and upgrade licensure and certification standards.

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