

Sequestration Needed for Federal Education Programs

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“The Impact of Sequestration on Education”

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Chairman Harkin, members of the committee, thank you for inviting me to speak with you today. My name is Neal McCluskey and I am the associate director of the Center for Educational Freedom at the Cato Institute, a nonprofit, non-partisan public policy research organization. My comments are my own and do not represent any position of the institute.

Cuts such as those that would be made to federal education programs through sequestration are both necessary and overdue. Not only does the federal government have no constitutional authority to fund and administer education programs – no mention is made of education in the specific, enumerated powers given to the federal government in Article I, Section 8 – but the last forty-plus years of federal involvement in education provide a clear demonstration of futility.

Start with preschool. The primary federal preschool program is Head Start, which in FY 2012 received almost \$8 billion. The program has existed since 1965 and has cost roughly \$180 billion through its lifespan. Despite its longevity, the program has failed to demonstrate lasting benefits. Indeed, a 2010 federal study found that the program had only two statistically significant positive cognitive effects that lasted through first grade, and negative mathematics effects for kindergarten students who entered Head Start when three years old.¹ In the vast majority of measures no meaningful effects were found one way or the other.

Unfortunately, the essentially nonexistent positive effects of Head Start are not the program’s only problem. As reports from the Government Accountability Office, local media outlets, and other sources have revealed, Head Start has long suffered from serious waste and abuse. Indeed, GAO reports in 2000, 2005, and 2008 found widespread noncompliance with financial management standards and very poor efforts to remediate the problem.²

Next there are federal elementary and secondary education programs, a category that according to the federal *Digest of Education Statistics* accounted for almost \$79 billion in 2011.³

As Figure 1 illustrates, on a per-pupil basis inflation-adjusted federal spending on K-12 education has grown immensely over the last several decades, ballooning to 375 percent of its 1970 value by 2010. And this increase did not just compensate for funding losses in at the state and local levels. As Figure 2 shows, overall per-pupil expenditures through high school graduation have nearly tripled since 1970. Meanwhile, mathematics, reading, and science scores on the National Assessment of Educational Progress – the federal testing regime often called “The Nation’s Report Card” – have been almost completely stagnant for 17-year-olds, the “final products” of our elementary and secondary education system.

Figure 1.

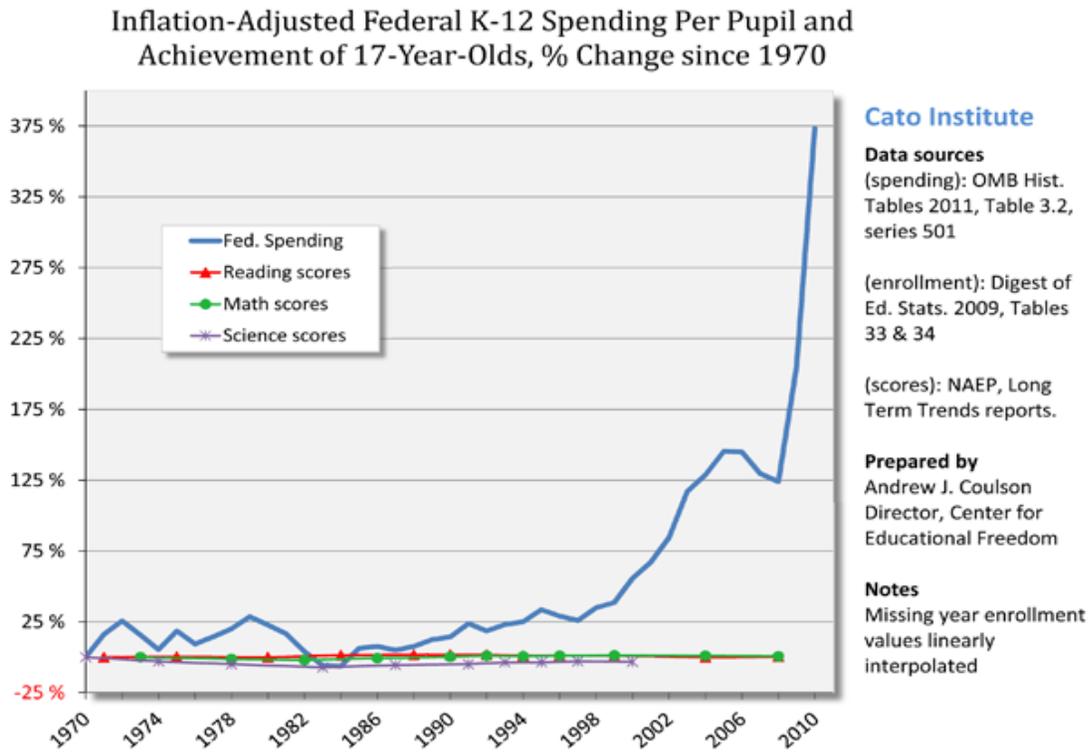
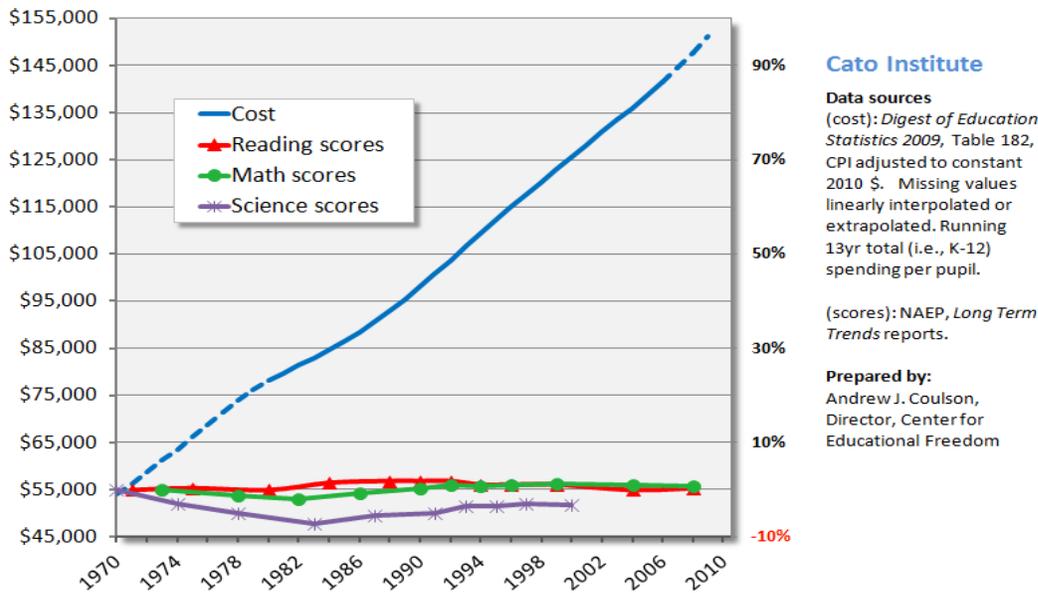


Figure 2.

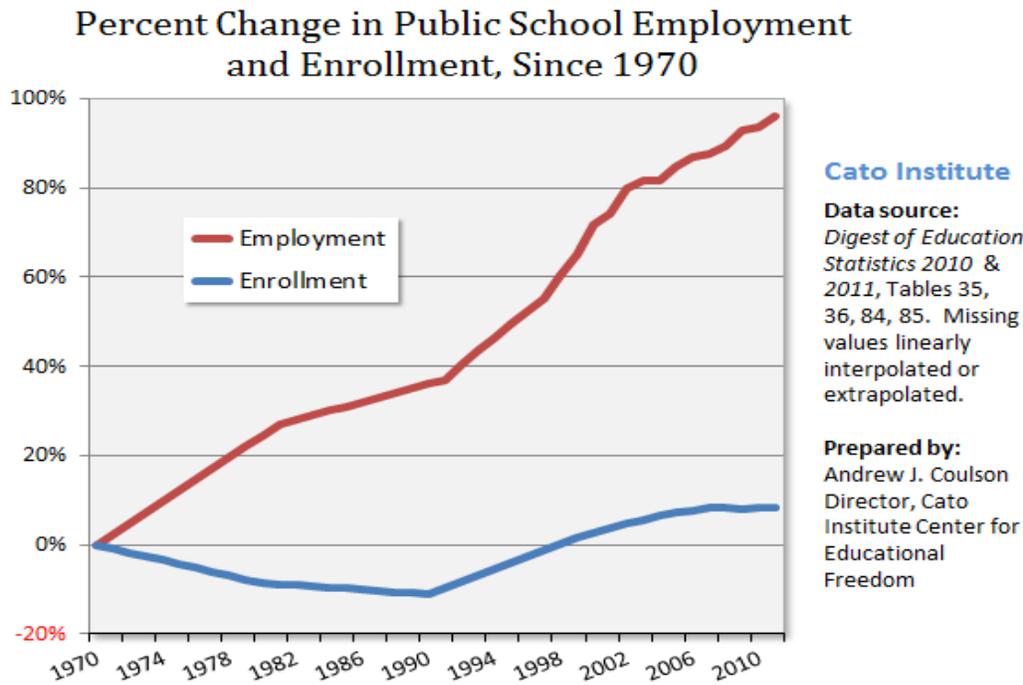
**Inflation-Adjusted Cost of a Complete K-12 Public Education, and
Percent Change in Achievement of 17-Year-Olds, since 1970**



Rightly, the primary concern for many people is that sequestration would deal a crippling blow to academic achievement. The NAEP and spending data, however, simply do not justify this. Indeed, they powerfully illustrate that we haven't gotten any lasting bang for our federal or overall education bucks, and those expenditures could be reduced considerably without ill achievement effects. Indeed, it is quite likely that federal education dollars keep recipient districts from having to take politically difficult, but necessary, actions to increase the efficiency of their operations.

Directly connected to the efficiency question, it seems that the most pressing concern for some people is not the academic effect that sequestration might have on education but the employment effect. And job losses would ensue: High-end estimates of elementary and secondary job losses from sequestration in 2013 published by the National Education Association predict decreases of 46,000 jobs.⁴ That certainly appears to be a large number, and no one wants to see anyone lose employment. But the federal government has an immense, nearly \$16 trillion debt, and as Figure 3 shows, huge increases have occurred in school staffing relative to enrollment. Coupling that with the achievement data in figures 1 and 2, it is clear that much heftier staffing has not created better outcomes.

Figure 3.



Public schooling is supposed to educate children efficiently and effectively, but it has very much been treated as a jobs program instead. That has done no discernible educational good and contributed to the nation's mammoth debt.

Originally, federal K-12 funding was meant to operate in a compensatory fashion. But at least the recent evidence suggests that no major, nationwide funding inequities exist. According to the federal *Condition of Education*, districts with the highest levels of poverty have spent essentially the same amount on a per-pupil basis as have those with the lowest level of poverty since 1997-98. And both have appreciably outspent districts with middling levels of poverty since 1995-96 (the first year for which data is available).⁵ Those numbers should be updated – the final school year with data is 2006-07 – but there is no meaningful evidence that the pattern has appreciably changed.

Our public schools have, essentially, been on a decades-long hiring binge with ultimately no gains to show for it. And a reduction of 46,000 jobs would be miniscule compared to overall public-school staffing, which well exceeds 6 million people.⁶

Last, let's turn to higher education.

Regrettably, Pell Grants have been exempted from sequestration, taking roughly \$42 billion off the table. This might be understandable were Pell Grants shown to effectively enable low-income students to enter and complete college without pushing sticker prices higher, but such is not the case. While conclusive data are not available, The Center for College Affordability and Productivity estimates that only around 40 percent of first-time, full-time students receiving Pell grants complete bachelor's degrees within six years.⁷ In addition, a growing body of research

indicates that schools either raise their prices or lower institutional aid in response to Pell Grants.⁸

While Pell is off-limits, sequestration will translate into higher fees on student loans. This might seem like it would make college less affordable for students, but it would be a very small move in an absolutely necessary direction for federal student aid: towards aid that places more of payment burden on the people consuming the education.

The huge ill effects of too much third-party money in higher education – especially from the federal government – are plain to see: “sticker price” inflation that eclipses even that even in health care⁹; dismal completion rates¹⁰; and one-third of bachelor’s degree holders occupying jobs that do not require the credential.¹¹ Federal financial aid, by making students less sensitive to the real costs of their education and enabling colleges to briskly raise prices, defeats both the affordability goal of the aid and has helped to render higher education extremely inefficient. Any moves in the direction of having students bear more of the cost of their education would, perhaps counter intuitively, result in greater long-term college affordability by forcing schools to lower prices and cut abundant waste.

In addition to increasing fees for student loans, sequestration would require that cuts be made to aid that Washington provides to institutions, and well as to research occurring in colleges and universities. The former cuts should be of little concern: not only does federal funding mainly appear to translate into inefficiency, but Washington provides only a small sliver of overall funding directly to institutions. In 2011 such federal aid tallied just slightly over \$1 billion, versus the roughly \$85 billion state and local governments furnished to public colleges for general operating expenses in the 2011-12 academic year.¹² Trimming just part of this relatively tiny federal amount would have a negligible effect.

Regarding research, while much research is of value, it is very difficult to say it is of greater value than getting the nation’s shambles of a fiscal house in order. In addition, research by Austan Goolsbee, the former chairman of the Obama Administration’s Council of Economics Advisors, found that a large portion of federal funding for research and development translates not into greater innovation, but higher salaries for researchers.¹³ Like aid to students, the benefits seem largely to accrue to those employed by the money, not to society or the people the aid is intended to help.

The federal government has accumulated an almost unimaginably huge debt, and sequestration offers only a small first step toward addressing spending recklessness. Thankfully, significant cuts can almost certainly be made to discretionary spending without adversely affecting the activities that federal money is supposed to advance. Education is a perfect example of this, with overwhelming evidence revealing that federal spending has, at best, done no overall good, and has quite likely caused appreciable harm. It has insulated Head Start providers, schools and districts, and colleges from pressures to become efficient and effective, and has taken funds from taxpayers in order to greatly increase education employment and the comfort of those working in colleges and universities. Trimming such wasteful funding, as sequestration would do, would be but an opening move in the right direction.

¹ Michael Puma, et al., “Head Start Impact Study Final Report: Executive Summary,” U.S. Department of Health and Human Services, http://www.acf.hhs.gov/programs/opre/hs/impact_study/reports/impact_study/executive_summary_final.pdf January 2010.

² Tad DeHaven, “Head Start and Other Subsidies,” *Downsizing the Federal Government*, http://www.downsizinggovernment.org/hhs/subsidies#_edn3, September 2010.

³ National Center for Education Statistics, *Digest of Education Statistics, 2011*, Table 386, http://nces.ed.gov/programs/digest/d11/tables/dt11_386.asp.

⁴ National Education Association, “Impact of Sequestration on Federal Education Programs,” http://www.nea.org/assets/docs/Impact_of_Sequestration_on_Federal_Education_Programs_Reformatted_06-26-12.pdf, July 12, 2012. Total was calculated by summing total job losses in categories listed on page 2 that would likely impact elementary and secondary education.

⁵ National Center for Educational Statistics, *The Condition of Education*, Figure 36-1, http://nces.ed.gov/programs/coe/indicator_pex.asp.

⁶ The latest staffing data from the *Digest of Education Statistics – 2009* – puts public-school employment at 6.36 million people. National Center for Education Statistics, “Digest of Education Statistics, 2011,” Table 85, http://nces.ed.gov/programs/digest/d11/tables/dt11_085.asp.

⁷ Richard Vedder, “Only 40 Percent of Pell Grant Recipients Get Bachelor’s Degrees,” *Chronicle of Higher Education*, <http://chronicle.com/blogs/innovations/only-40-percent-of-pell-grant-recipients-get-bachelor-degrees/30139>, September 6, 2011.

⁸ John D. Singell, Jr., and Joe A. Stone, “For Whom the Pell Tolls: The Response of University Tuition to Federal Grants-in-Aid,” *Economics of Education Review* 26, no. 3 (2006): 285-95; Lesley J. Turner, “The Incidence of Student Financial Aid: Evidence from the Pell Grant Program,” Columbia University Working Paper, April 2012; Stephanie Riegg Cellini and Claudia Goldin, “Does Federal Student Aid Raise Tuition? New Evidence on For-profit Colleges,” NBER Working Paper No. 17827, National Bureau of Economic Research, February 2012.

⁹ For empirical evidence that student aid helps fuel tuition inflation, in addition to the studies cited in note 8 see those cited at Neal McCluskey, “The Student Aid ‘Myth’ Myth,” Cato&Liberty, <http://www.cato-at-liberty.org/the-student-aid-myth-myth/>, December 8, 2011.

¹⁰ No sector of higher education has higher than 65.4 percent 6-year graduation rates for 4-year programs, and for public 2-year institutions – community colleges – only 20.4 percent of first-time, full-time students finish within 150 percent of “normal” time. National Center for Education Statistics, *Digest of Education Statistics, 2011*, Table 345, http://nces.ed.gov/programs/digest/d11/tables/dt11_345.asp.

¹¹ Anthony P. Carnevale and Stephen J. Rose, “The Undereducated American,” Georgetown University Center on Education and the Workforce, <http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/undereducatedamerican.pdf>, June 2011.

¹² Federal appropriations to schools calculated using U.S. Department of Education, “Education Department Budget History Table,” <http://www2.ed.gov/about/overview/budget/history/edhistory.pdf>, August 5, 2011. State

and local appropriations from State Higher Education Executive Officers, "State Higher Education Finance: FY 2011," Figure 2, http://www.sheeo.org/finance/shef/SHEF_FY11.pdf, 2012.

¹³ Austan Goolsbee, "Does Government R&D Policy Mainly Benefit Scientists and Engineers?" *The American Economic Review* 88, no. 2 (1998): 298-302.