

***Washington Update:
A Trillion Here, A Trillion There...***

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On Deck...

- **The 112th Congress**
 - **Budget**
 - **Budget**
 - **Budget**
 - **Other Stuff**

112th Congress

- House of Representatives
 - 242 Republicans
 - 193 Democrats
- U.S. Senate
 - 53 Democrats
 - 47 Republicans
- A Shift to the Right
- Recipe for Gridlock?
- House Committee on Oversight and Government Reform is Wild Card



Congressional Education Leadership

- House Committee on Education and the Workforce (formerly Education and Labor)
 - John Kline (R, MN), Chair
 - George Miller (D, CA), Ranking Democrat
- House Subcommittee on Higher Education and Workforce Training
 - Virginia Foxx (R, NC), Chair
 - Reuben Hinojosa (D, TX), Ranking Democrat
- Senate Committee on Health, Education, Labor, and Pensions (HELP)
 - Tom Harkin (D, IA), Chair
 - Mike Enzi (R, WY), Ranking Republican



White House Comings & Goings

- Typical for White House to Reorganize at 2-year Mark
 - Axelrod & Emanuel are out
 - Bill Daley is in
- Reports of Dissension Among Cabinet Secretaries
 - Arne Duncan part of inner circle
 - Raises visibility of education issues

FY 2011 Continuing Resolution

- Congress Has Passed None of the 12 Appropriations Bills for FY 2011
- Current CR Expires Friday
 - Government shutdown occurs if no agreement is reached
 - Anti-deficiency Act
 - Essential functions of government remain in place
 - Public protection
 - Air Traffic Control
 - Last federal shutdown 1995



FY 2011 Continuing Resolution

- House Passes Full-Year CR Extension with \$60b in Cuts
 - Cuts to more than 45 education programs
 - Includes elimination of SEOG, LEAP & Byrd Scholarship funding
 - Reductions in TRIO & GearUp
 - \$845 reduction in maximum Pell Grant
 - Would reduce maximum to \$4,705
 - Eliminates shortfall funds provided in Stimulus bill



FY 2011 Continuing Resolution

- Negotiations Ongoing
 - Senate rejects proposals by House & Pres. Obama
 - Short-term extensions will “cost” more cuts
- Two-week Extension Included \$4b In Cuts
 - Eliminated funding for LEAP
 - Earmarks axed
 - Other programs proposed for termination by Pres. Obama included in cuts
- Deal in the Works for an Extension Through 4/8
 - \$6 billion in cuts, none from student aid programs
- Full Year Extension Needed, Eventually...



FY 2012 Budget

- FY 2012: October 1, 2011 – September 30, 2012
- 12 Appropriations Bills Needed
- Will Congress Agree on a Budget Resolution?
 - If they do, Budget Reconciliation is possible
- Alternative is Another Continuing Resolution

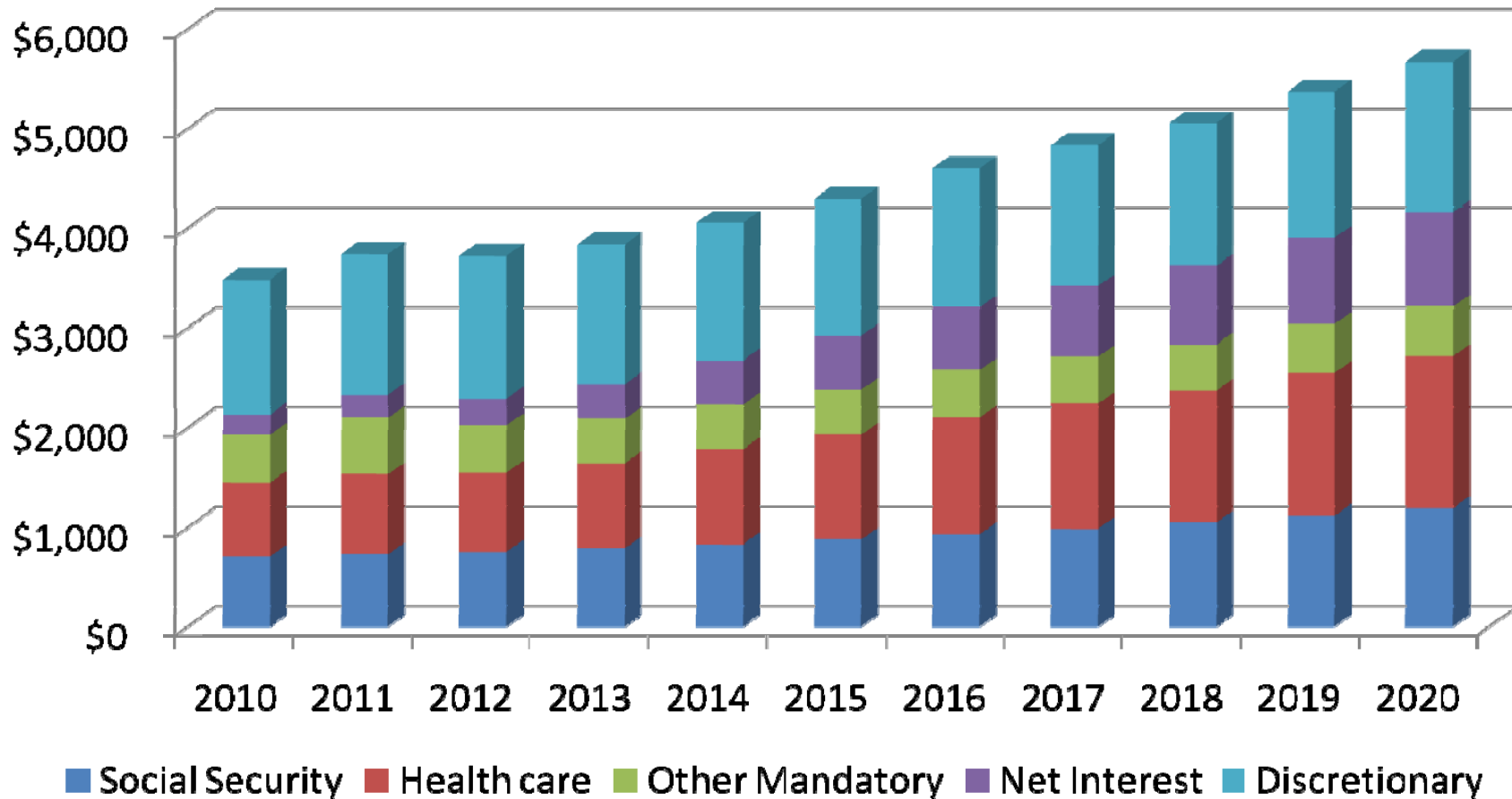


President's 2012 Budget Proposal

- \$3.7 Trillion Federal Budget Proposed for FY 2012
- Attempts to Cut Deficit as a Percentage of GDP in Half Over 10 years
- Proposes Five Year Freeze on Non-Security Discretionary Spending
- Proposes Eliminating Earmarks
- Does Not Embrace Deficit Commission Recommendations



Components of Federal Spending



Courtesy: Robert Moran, AASCU



Pell Grant Protection Act

- Maintain \$5,550 maximum grant by “...making tough choices to save over \$100 billion over the next decade....”
 - Eliminate year-round Pell (-\$8b per year)
 - Ten times more expensive than projected
 - No evidence that it accelerates graduation
 - Eliminate loan subsidies for graduate Stafford Loans (-\$2b)
 - Poorly targeted subsidy
 - Allow split FFEL loans to be combined as “Direct FFELs” (-2b)
 - Convert Perkins to Direct Perkins (-\$8.6b)
 - Unsubsidized loans; 6.8% interest rate
 - \$8.5b in new loan volume
 - Convert TEACH Grants to Presidential Teaching Fellows (-\$15b)
 - Grants to states awarded to students at schools whose education programs meet benchmarks
 - College Completion Incentive Grants (+1.25b)



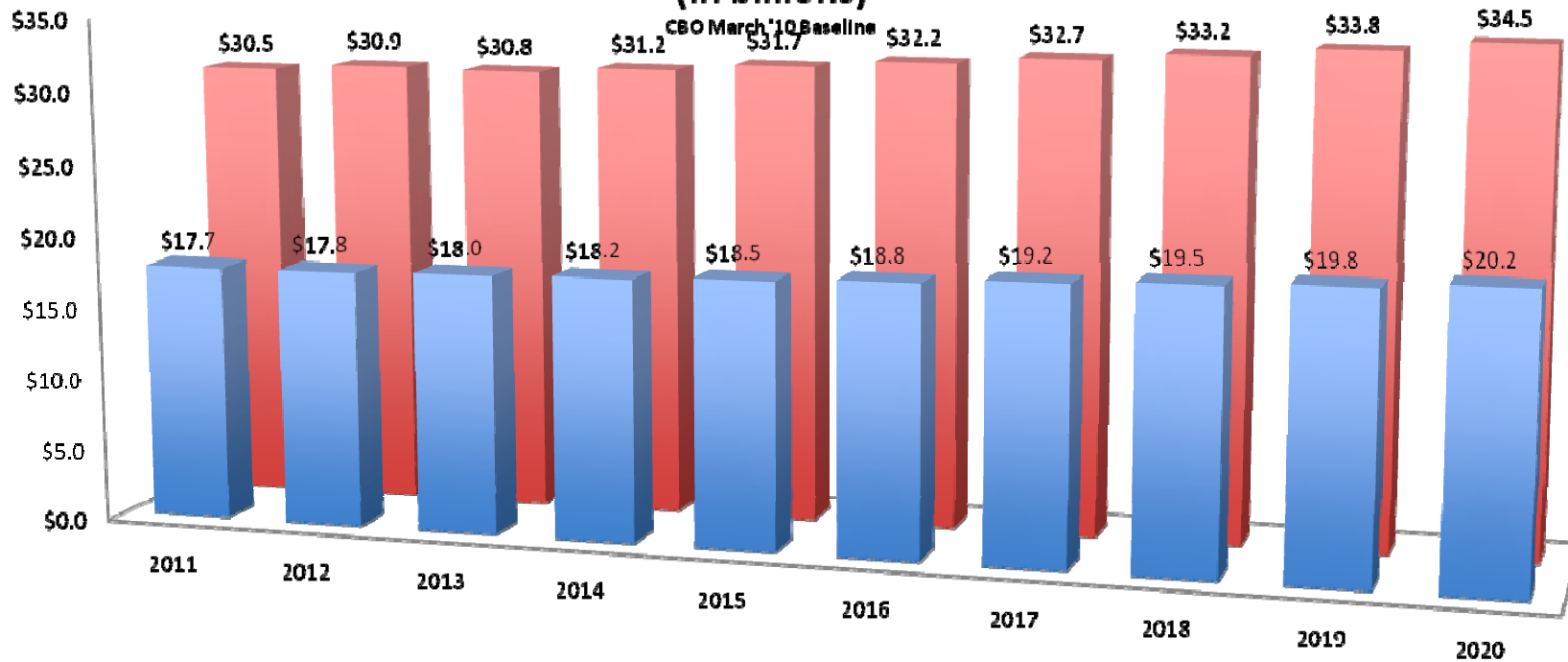
The Pell Grant Shortfall

- Demand for Pell has Increased Beyond ED & Congressional Estimates
 - 5.9 million recipients in 08-09 academic year
 - 9+ million recipients estimated for 11-12 academic year
- Statutory Language Precludes Ratable Reductions When Funding is Insufficient
- Didn't They Fix This in SAFRA?
 - "Mandatory funds" are contingent on enough appropriations to fund \$4,860 maximum grant
 - Shortfall could top \$20b annually for foreseeable future



Pell Grant Funding Gap

Pell Funding Gap Scenario
SAFRA assumed vs. projected appropriations levels
(in billions)



■ Projected appropriation level

■ Funding level needed to meet \$4,860 in SAFRA

Courtesy: Robert Moran, AASCU



The Federal Debt Ceiling

- What is the Debt Ceiling?
 - “...A cap set by Congress on the amount of debt the federal government can legally borrow.” (CNN)
 - First debt ceiling set in 1917: \$11.5 billion
 - Current debt ceiling: \$14.294 trillion
 - Total federal debt, as of 2/28/11: \$14.142 trillion
- When Will the Debt Ceiling Be Reached?
 - Sometime this spring
 - When Treasury can no longer issue or honor redemption of debt
 - Could trigger a default, impacting future borrowing costs
 - Treasury Secretary can “manage” total debt for a short period of time
- Congress Will Likely Insist on Budget Cuts in Exchange for Raising Debt Ceiling



Other Education Issues

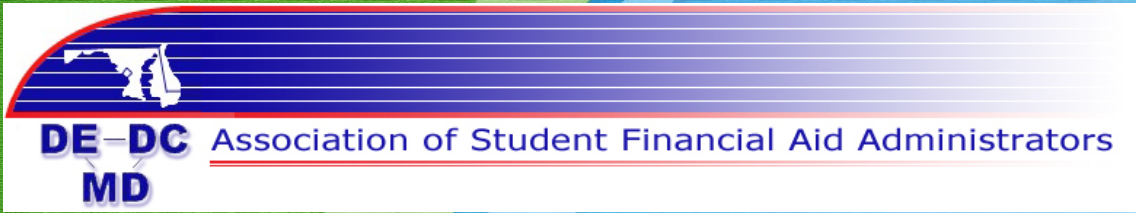
- For-Profit Schools
 - Gainful Employment
 - 90/10 Rule
 - Proportion of Pell Grant funds received
 - Influence of hedge funds?
 - Additional Senate hearings
- Regulatory Burden
 - NASFAA survey is timely & informative
- No Child Left Behind
 - Could include voc-tech program changes
- College Completion
- Major Obstacles to Higher Ed Legislation in this Congress



What to Do, What to Do...

- Educate New Members,
- Re-educate returning Members
 - Don't Take Support for Granted
- Share Stories of Student Aid Recipients
 - Student aid changes lives
- Involve Your Campus Leadership
- Prepare for a Long Battle





Questions???

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