



Washington Update

The More Things CHANGE,
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Lots to Cover

- New Administration, New Congress
- Negotiated Rulemaking
- Economic Stimulus Package
- Budget Proposal
- Other Stuff

Transitioning

- Administration Hits the Ground Running

- Order and discipline in the White House
- Lessons learned from prior Administrations

- Secretary of Education Arne Duncan

- Most political posts unfilled
- Bob Shireman & Carmel Martin (Assistant Secretary For Planning, Evaluation And Policy Development) are key higher education staff



111th Congress

- **Wider Democratic Majorities**
 - 257 D's, 178 R's in House
 - 57 D's, 41 R's and Joe Lieberman in Senate
 - Minnesota election still in limbo
- **Senate Still Short of “Magic” 60 Votes**
 - Senators Specter, Collins, Snowe needed to pass stimulus
 - 15 Senate Democratic “Moderates”

Negotiated Rulemaking

- Implementing Higher Education Opportunity Act (HEOA)
 - Second session is underway
 - Less controversy than in some past years
 - Bonnie Behm, Thelma Ross & Diane Freundel
- Advisory Committee on Student Financial Assistance Reviewing Title IV Regs
 - Chris Zuzack, member of review team

American Recovery And Reinvestment Act of 2009

- **How Stimulating is Student Aid?**
 - Administration stands firm on Pell increase
 - Unsubsidized Stafford increase not adopted
- **Pell Grant Maximum:**
 - \$5,350 for 2009-10
 - \$5,550 for 2010-11
- **\$200 Million More for FWS**
- **American Opportunity Tax Credit**
 - Up to \$2,500
 - Partially refundable

President's Budget Proposal

■ Pell Grants

- Reaffirms \$5,550 Pell Grant Maximum for 2010-11
- Proposes to make Pell a true “entitlement”
- Annual increase in maximum Pell = $CPI + 1\%$
 - For example, if CPI is 2%, increase would be \$166
- \$98 Billion increased federal cost over 10 years
 - Issue of creating a new entitlement could be controversial

President's Budget Proposal

- Proposes Re-engineering of Perkins Loan Program
 - Increasing lending to \$6 billion per year
 - Recalling current Perkins Revolving Funds
 - Reallocating Perkins funds to schools
 - Reallocation “would reward schools for providing more need-based aid and more reasonable costs relative to comparable institutions”
 - Eliminates in-school interest subsidy in Perkins
 - Federal government would service Perkins Loans
 - Goal is to involve all schools in Perkins (only 1/3 of schools currently participate)
 - Viewed as substitute for raising Stafford limits
 - “allows schools the discretion to target loan funds on the real but limited problem of students who need to rely on additional borrowing”

President's Budget Proposal

- **Calls for 100% Direct Lending as of 7/1/2010**
 - No proposed changes to loan limits or interest rates
 - Use competitive government contracts to service loans
 - \$2.5 Billion over 5 years to be distributed to the states for a State-Federal Partnership to Improve College Completion
 - Funds distributed to states who would have “considerable flexibility” in the types of programs that could be funded
 - A portion of these funds to substitute for college outreach and information services provide today by FFELP participants
 - Budget savings estimated at \$42 Billion by OMB & \$94 Billion by CBO over 10 years
 - Savings primarily attributable to federal earnings on direct loans & low federal borrowing cost

The Process

- **Congressional Budget Resolution**
 - Framework for federal spending
 - Reconciliation “instruction”
 - House & Senate differ
- **House Education & Labor Committee and Senate Health, Education, Labor & Pensions Committee Craft Legislation**
 - Transition details
 - Program characteristics
 - Services and providers
 - Changes in loan terms
- **Congressional Action Could Be Completed by Summer or Fall 2009**

Other Issues

- PLUS Auction
- HEOA Technical Corrections
- FY 2010 Appropriations

What Can You Do?

- **Make Your Views Known**
- **Representatives and Senators Need to Hear from Schools**
 - Schools have not been fully consulted, yet
- **Make Constructive Comments**
 - Offer specific alternatives
 - Identify specific issues with proposals
 - Explain the impact on your office, your school & your students

What Is Your Message?

- Long-Term Stability and Growth for Pell Grants is an Important Goal
- A Full, Constructive Dialogue Is Needed Before Major Decisions Are Made
 - A rush to judgment could cause problems
 - Alternative approaches should be fully vetted
 - All stakeholders should be included in conversations
 - Opportunities to improve borrower loan terms should be examined
 - What are the issues with putting Perkins “on steroids”?
- A Reasonable Time for Transition
 - Avoid avoidable problems
 - Lessen burdens on schools
 - Assure services provided today can be fully retained or replicated