



Washington Update

The Only Thing Certain is Uncertainty

PASFAA Spring & Support Staff Training 2018

Scott E. Miller
PHEAA
smiller1@phea.org

What We'll Cover

- ▶ The State of Play in DC
- ▶ The Tax Bill and Higher Education
- ▶ The Big Budget Deal and Next Steps
- ▶ Higher Education Act Reauthorization
- ▶ A Look Ahead



State of Play in DC

- ▶ Moving From Crisis to Crisis
 - Focus on issues gets lost in the shuffle
 - White House not able to lead on policy
 - Adds uncertainty to every discussion
- ▶ Highly Charged, Partisan Atmosphere
 - Cabinet nominations
 - Attempt at repeal of Affordable Care Act
 - Tax bill approved on party–line vote via Budget Reconciliation
 - Few attempts at bipartisan legislation



CAPITOL HILL FAVORABILITY RATINGS

- ▶ Paul Ryan: 34%/54%
- ▶ Mitch McConnell: 24%/57%

- ▶ Nancy Pelosi: 30%/58%
- ▶ Chuck Schumer: 29%/49%

Source: The Economist/YouGov, March 4–6



Two-Year Budget Agreement

- ▶ Kept Federal Government Open By Extending Continuing Resolution Through March 23, 2018
 - Brief shutdown due to Senate being the Senate
- ▶ Sort of Bipartisan
 - 71 votes in the Senate
 - House Democrats did not support
 - Did not include DACA fix
 - House Freedom Caucus opposed
- ▶ Raises Budget Caps for Domestic and Military Spending
 - Evades sequestration caps (established in 2011)
 - Provides \$128 billion in extra funding for domestic programs over 2 years
 - \$4 billion for “student-centered programs that aid college completion and affordability.”
- ▶ Suspends Debt Ceiling Until Mar. 1, 2019



On To Appropriations

- ▶ March 23 Deadline for Government Funding
 - Labor/HHS/ED appropriations bill likely to be folded into an Omnibus package
 - Senate Appropriations Committee passed bill last fall
 - Usually provides a guide to final agreement
 - However, extra funding from Budget Agreement was not known at that time
 - Senate bill provides \$100 increase in Pell maximum, to \$6,020
 - “Extra” funding could shield aid programs from cuts, maybe lead to some increases



Tax Cuts and Jobs Act – Higher Ed

- ▶ 529 savings plan & Coverdell Education Savings Plan
 - Allows payments of up to \$10,000 per student for each taxable year from 529 college savings plans to elementary and secondary schools, including public, private, religious or home schools. Qualified expenses include tuition, fees, books and other related costs
- ▶ Student loan interest deduction
 - Taxpayers with income of up to \$80,000 can deduct up to \$2,500 in student loan interest
- ▶ Tuition reduction/assistance
 - Retains nontaxable status of tuition remission for graduate students
- ▶ Endowment Tax
 - Imposes 1.4% excise tax on net investment income of private colleges with more than 500 students and (non-educational) assets of at least \$500,000 per full-time student.



Higher Ed Reauthorization (Again!?)

- ▶ House and Senate Both Creeping Forward
- ▶ House has an Actual Bill – H.R. 4508
 - Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act
 - Approved by House Education and Workforce Committee on December 13, 2017
 - Party line vote
 - Few amendments accepted
 - Trying to go to House floor sometime soon



PROSPER Act

- ▶ Theme of Simplification
- ▶ Creates Federal One Loan Program
 - Eliminates Subsidized Loans
 - Eliminates Grad PLUS
 - Increases undergraduate borrowing limits by \$2,000 per year
 - Graduate borrowing limits set at \$28,500 per year, \$150,000 aggregate
 - Parent borrowing capped at \$12,500 per year, \$56,250 aggregate (per student)
 - Parents cannot use Income Driven Repayment Plans



PROSPER Act: More....

- ▶ New Income Driven Repayment Plan
 - Payments set at 15% of borrower's income
 - Once borrower has paid total amount they would have paid under a standard 10-year plan, the loan is forgiven
 - PSLF eliminated
- ▶ Origination Fees Eliminated
- ▶ Replaces Cohort Default Rate With “Loan Repayment Rate”
 - Borrowers in active repayment for each program at an institution



PROSPER ACT: And, More...

- ▶ Pell Grant Bonus
 - Up to \$300 per year for taking 15 credits or more
- ▶ R2T4
 - Schools, rather than students, responsible for return to federal government
 - Increases proportion of aid to be returned, in most cases
 - “Risk sharing” concept
- ▶ Eliminates SEOG & Perkins
- ▶ Graduate Students Not Eligible for FWS
- ▶ Eliminates TEACH
- ▶ General Move Towards FASFSFA Simplification
 - Three tracks for FAFSA filers



Reauthorization: Senate

- ▶ Senate Still Conducting Hearings
- ▶ Trying to Reach a Bipartisan Path Forward
- ▶ Guiding Principles for Senator Alexander:
 - Simplification – one–loan, one–grant
 - FAFSA simplification
 - Loan repayment simplification
 - Replace Cohort Default Rate measure
 - Scale back federal loan limits
 - Support for Pell, including year–round Pell
 - Risk–sharing for postsecondary institutions



Reauthorization: Senate

- ▶ Guiding Principles for Senator Murray:
 - Student debt relief, including refinancing and forgiveness opportunities
 - Support for Pell Grants, including year-round Pell
 - Reducing college costs
 - More oversight of for-profit colleges and accreditors
 - Simplify loan repayment and hold servicers to high standards
 - More data and accountability on school performance
- ▶ Timeline Uncertain: 2018? 2019?....



FSA Items

- ▶ NextGen Student Loan Servicing
 - First phase of solicitation due April 6
 - Mobile-first strategy
 - It's all about modernization
 - New players encouraged
- ▶ Federal Preemption
 - Federal Register Notice expected
 - Asserts federal government dominion over its programs
 - Not about consumer abuses
 - State AG's, consumer advocates oppose



Coming Attractions

- ▶ DC Concentrating on Mid–Term Elections
 - Control of House and Senate at stake
 - Congressional leaders are nervous, anxious, and uncertain
- ▶ Democrats Believe House Majority is Within Their Grasp
 - Republicans can lose no more than 20 seats to retain control
 - 27 R seats and 3 D seats rated as “toss–up”
 - Large number of vacancies creates uncertainty
 - Special elections have gone Democrat way or been closer than expected
 - PA–18 is a key contest
 - PA redistricting map raises the stakes
 - 5 or more seats could flip from R to D



Coming Attractions

- ▶ Senate Majority Also in Play
 - 24 Democrat seats vs 8 Republican seats up for re-election
 - Vulnerable incumbents on both sides
 - Democrats need to gain only 2 seats to win majority
- ▶ How Will the “Trump” Factor Play?
 - And where?
 - And on which issues?
 - And in which direction?
 - And by how much?



...And In Conclusion

- ▶ DC is Unpredictable and Uncertain
- ▶ Pay Special Attention to Senate Reauthorization Bill (if it arrives!)
- ▶ May Be Last Chance to Fight for Full Array of Aid Programs
 - SEOG, Perkins, Subsidized loans, GradPLUS, PSLF, etc.
- ▶ PASFAA Will Need You to Stay Involved
- ▶ Don't Let Uncertainty Lead to Complacency





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