WASHINGTON UPDATE

NO LIGHTS, NO ACTION, JUST CAMERAS

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October 15, 2013
IT’S A MAD MAD MAD MAD WORLD...

- One Flew Over the Budget Nest
- On the (Potomac) Waterfront
- Dances With Colleges
- Driving Miss Reauth
Congress Has Not Finalized ANY Appropriations Bills for FY 2014

- House passed 4 bills, Senate none
- In the absence of Approps Bills, a Continuing Resolution (CR) is needed to keep the government funded
- Mandatory (Entitlement) programs keep flowing (Social Security, Medicare, Direct Loans)
- Education programs are “forward funded”
Current Status of Federal Spending
- Government shutdown on October 1, 2013

Impact on Student Aid Programs
- College Navigator site shut down
- Other ED websites operating
- 94% of ED employees furloughed
- Negotiated Rulemaking delayed
- Loans II regs package delayed?
Senate Deal Taking Shape

- Open government through mid-January
  - Assume current sequestration level
  - Provide some flexibility if 2014 sequester takes effect
- Raise Debt Ceiling through February 7
  - Extraordinary measures could extend date
- Small “tweaks” on ACA
  - Income verification
  - Delay in “belly button” tax
- Engage in negotiations on long-term budget issues
  - Entitlement programs
  - Alternatives to sequestration
- Will House need Democrat votes to pass the deal?
Debt Ceiling Could Be Enforced Thursday

- Government obligations will be greater than “cash on hand”
  - Enforcement of debt ceiling was delayed in January deal
- Government will prioritize creditors
  - Greatest economic risk is if bondholders are not paid (likely not until end of October)
    - Credit rating downgrade
    - Interest rates for government borrowing will increase (and trickle down to business and consumer lending)
    - Stock market will react negatively
  - Mandatory payments could be halted, delayed, staggered (Social Security, Medicare, Direct Loans)
  - Student aid funds could dry up
A TITANIC ISSUE...

The Debt Ceiling Crisis, Directed by James Cameron

- **Treasury Able to Fund Federal Programs**: Earlier this year Treasury had sufficient funds to keep federal programs and benefits afloat.

- **U.S. Hits Debt Ceiling**: The U.S. hits a $16.7 trillion debt ceiling in May, but Treasury has not had to enforce a breach.

- **Treasury Defaults**: Unprecedented default could cause value of dollar to drop and freeze credit markets.

- **Federal Programs Rely on Limited Cash**: Federal programs rely on limited cash and daily revenue to survive. Treasury not authorized to fund all programs with these reserves. Lifesboats are limited and may need to be abandoned.

- **Extraordinary Measures Fail**: Between October 15 and November 5, Treasury predicts it will have exhausted extraordinary measures.

**Takeaway**

The 2013 debt ceiling crisis puts hundreds of federal programs and benefits in danger of delayed or discontinued funding and puts the U.S. at risk of a credit downgrade.

TAKE THE MONEY AND RUN...

Future Course of Government Spending Still to Be Determined

- Appropriations & mandatory funding deal(s) could include new cuts
- Sequestration will reduce the amount of funding available for all domestic discretionary programs
- Pell Grants could be on the block
  - Can maximum grant be sustained?
  - Will eligibility be cut again?
  - Short reprieve from a shortfall
ATTACK OF THE KILLER TOMATOES...

Why Can’t Speaker Boehner Control His Caucus?
- No earmarks to allocate or withhold in exchange for votes
- Tea Party Members won their districts by an average margin of 34%
  - No risk of election or primary challenge
  - Moderate Members endangered by primary challenges
  - Redistricting creates homogenous districts
- Members not dependent on Republican Party for campaign funds
  - 3rd party PACs usurp RNC role
  - No financial consequences for bucking the party

Other Negative Factors
- Sen. Reid: “Most partisan Senate Majority Leader”
- President Obama: “No relationship with Congress”
  - (per Charlie Cook, National Journal)
Do you approve or disapprove of the way the representative from your Congressional district is handling his/her job?

**GALLUP**

*Republican and Democratic Party Favorables, 1992-2013*

Next, we'd like to get your overall opinion of some people in the news... Please say if you have a favorable or unfavorable opinion of...  

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<td>13%</td>
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Source: Gallup Polls 10/4-6/2013
Who do you think is more to blame for this shutdown -- President Obama or the Republicans in Congress?

**President Obama** ..................... 31
**Republicans in Congress** ........ 53
Both equal (VOL) ....................... 13
Not sure ..................................... 3

Which of these is closer to your own view of Congressional Republicans' actions and positions during the current budget disagreement?

They are demonstrating strong leadership and **standing up for what they believe in** ......................... 27
They are **putting their own political agenda ahead** of what is good for the country .............................................. 70
Both equal (VOL) ...................................................... 1
Not sure ................................................................. 2
President’s New College Initiative

“...combat rising college costs and make college affordable for American families”

Pay Students and Colleges for Performance

- Implement college ratings system by 2015 and “base student aid on college value by 2018”
  - Access; e.g., proportion of students receiving Pell Grants
  - Affordability; e.g., average tuition, scholarships, and loan debt
  - Outcomes; e.g., graduation and transfer rates, post-graduation earnings, and advanced degrees
- Pay a “Pell Bonus” for Schools that Graduate High Numbers of Pell Recipients
- Strengthen Academic Progress Requirements
Promote Innovation and Competition

- Encourage competency based learning programs
- Encourage use of technology to promote efficiency
- Recognize prior learning and promote dual enrollment
- Enhance College Scorecard with earnings information (coming soon)
- Use “experimental sites” authority to promote high quality, low cost innovations (coming soon)
THE GRADUATE...

- Ensure Student Debt is Affordable
  - Make all borrowers eligible for Pay As You Earn (PAYE) repayment plan
  - Enrollment campaign for IDR sign-up
    - Targeting delinquent borrowers, borrowers in forbearance and deferment, and borrowers with high debt (coming soon)
    - Provide IDR information in conjunction with tax filing
  - ED “one stop shop” for loan repayment information (coming soon)
Improving the IBR Process

- Allow borrowers to sign up “permanently” for IRS data match for IBR application
  - Eliminates need for active renewal
- Provide servicers with ALL data needed when app is received
  - NSLDS data
- Block incomplete apps from being submitted
Higher Education Act Reauthorization
- House and Senate begin hearings and information gathering
- House collected comprehensive recommendations
- Senate collecting as it goes, by topic
  ✰ Keeping college affordable
  ✰ Examining ways to increase quality in higher education
  ✰ Student access
  ✰ Innovative approaches to improving student success
  ✰ Student financial aid
  ✰ Teacher preparation programs
RADD Reports

- Round I recommendations
  - Simplification
  - IBR
  - Consumer information
  - Pell Grant entitlement
  - Non-traditional students
  - Tie funds to school metrics
**RADD II**

- 18 groups, 5 consortia, 4 topics
  - Grants and work-study (2 groups)
  - Tax credits
  - Loans (includes NASFAA)
  - Simplification and transparency

- Reports Early Next Year?
Reauthorization Timetable

- **2013:**
  - Hearings, etc

- **2014:**
  - More hearings, etc
  - House draft bill in Spring??
  - Sen. Harkin retires

- **2015:**
  - New Congress
  - More hearings, more bills
  - Agreement???
THE USUAL SUSPECTS....

- Continue To Advise Members and Senators About the Value of Student Aid
  - Education funding is still at risk
  - Congress will be making tough choices
- Get Ready to Weigh in on Reauthorization
  - Help PASFAAA provide feedback to DC
  - Identify issues of concern
  - Get a Member of Congress interested in your issue
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