


# Federal Update: Where Financial Aid Stands

## Presented May 23, 2012

National Association of Student  
Financial Aid Administrators  
**Federal Update**



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### Agenda

1. Washington Political Climate
2. Funding Trends in Financial Aid
3. Predictions for Future Funding
4. Impact/Takeaways

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### Washington Political Climate



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### Political Climate

Three climate drivers:

1. Partisanship & Brinkmanship
2. Budget Politics Dictating Policy
3. Election Season has Begun

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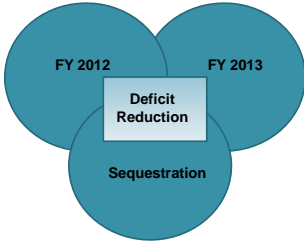
### Partisanship & Brinkmanship




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### Budget, Budget, Budget



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### Budget, Budget, Budget

**PUBLIC SAYS DON'T TOUCH EDUCATION!**


Which if any, should have their budgets [cut]/ [maintained or increased]? Please check all that apply.

	Cut	Maintained or increased
Education	16%	84%
Clean energy technologies	24%	40%
Medical research	14%	53%
High-speed rail transportation	63%	13%
High-speed internet connections to almost all U.S. households	52%	14%
None of the above	13%	7%

As for Congress itself, Americans don't see much action: just 11% say it has accomplished more than usual in its first three months; three times as many say it has accomplished less than usual. Hardly any have a lot of confidence in either party's Congressional leadership, and when it comes to evaluating Congress overall, just 13% approve. Republicans are only a little happier: 23% of them approve of how Congress is handling its job. Nearly half of Republicans disapprove.

YouGov Poll  
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### Examples of Budget Dictating Policy


#### Recent Legislative Changes

- 2007 – College Cost Reduction and Access Act
- 2008 – Ensuring Continued Access to Student Loans Act
- 2008 – Higher Education Opportunity Act (Reauthorization Legislation)
- 2010 – Healthcare & Education Reconciliation Act (SAFRA)
- 2010 – Post 9/11 GI Improvement Act
- 2010 – American Jobs and Closing Loopholes Act (Tax Extenders)
- 2011 – FY 2011 Final Appropriations
- 2011 – Budget Control Act (Debt Ceiling)
- 2011 – FY 2012 Final Appropriations

*Almost ALL Budget Bills*

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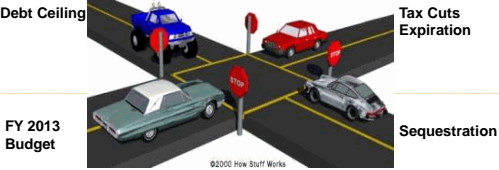



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### Happy Holidays...




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### Funding Trends in Student Aid




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### But first, a little background...

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### Budget & Appropriations 101

What is *supposed* to happen...

- President releases budget in February
- House & Senate pass Budget Resolution in April
- Appropriations Committees draft bills
- Appropriations bills voted on and passed before Oct. 1

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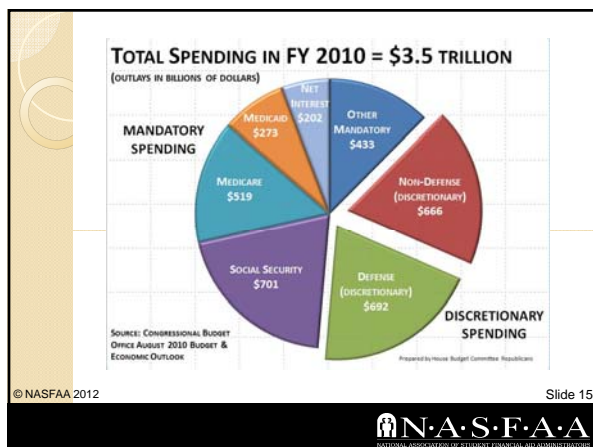


### Budget & Appropriations 101

But what *usually* happens...


- Omnibus spending bill—combines all 12 spending bills into one
- Continuing resolution (CR)

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## Student Aid & The Budget: Year in Review


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### We've ALREADY Taken our Fair Share

Student Aid Cuts
Elimination of Year-Round Pell
Elimination of graduate student interest subsidy
Elimination of LEAP
0.2 Percent Across-the-Board Cuts
Temporary elimination of undergraduate interest subsidy during grace period
Eligibility and Need Analysis Changes
Sunsetting of ACG/SMART
<i>*Future: This July interest rate rises to 6.8 percent</i>


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### FY 2011

- Congress passed long-term CR, 4/14/2011
- Major Student Aid Provisions
  - Maximum \$5,550 Pell Grant award for award year 2011-12
  - Elimination of Year-Round Pell (crossover reg lifted for summer 2011)
  - SEOG cut by \$20 million; cuts to TRIO, GEAR UP
  - 0.2 percent cut across-the-board
  - Eliminate LEAP, Byrd Scholarships

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### Budget Control Act

- Main provisions for student aid:
  - Eliminate in-school interest subsidy for graduate students
  - Eliminate Direct Loan repayment incentives
  - Provide \$17 billion for Pell Grants for FYs 12 and 13
- The math:
  - BCA Pell funding reduces FY 12 shortfall to \$1.3 billion, down from \$11 billion. Also will provide some additional Pell funding for FY 13
  - \$4.6 billion of the savings went toward deficit reduction

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### Final Bill, FY 2012

- Passed December 2012 (four months earlier than last year!)
- Student Aid Provisions
  - Maximum \$5,550 Pell Grant
  - Minimum Pell Grant reduction
  - Pell eligibility restricted to 12 semesters
  - ATB no longer an eligibility measure for student aid
  - Auto-zero EFC reduction, to \$23,000
  - Temporary repeal of Grace Pd. Interest subsidy

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## FY 2013 President Obama Budget Request

“Shared Responsibility”

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### FY 2013 Budget Request

#### Provisions related to GRANTS

- Maximum Pell Grant of \$5,635 for 2013-2014 award year (Increase comes from mandatory increase tied to CPI)
- Replace TEACH Grant with Presidential Teaching Fellows program
  - Grants of up to \$10,000 given only in last year of program

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### FY 2013 Budget Request

#### Provisions related to FEDERAL LOANS

- Extend 3.4% interest rate on undergrad Subsidized Stafford Loans (prevent from doubling to 6.8% this July)
- Eliminate the interest subsidy once borrowers reach 150% of program length.
- Eliminating retention share for guaranty agencies and reducing to 16 percent the fee they can charge a borrower on outstanding balance.

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### FY 2013 Budget Request

#### Provisions related to CAMPUS-BASED AID

- Double the number of FWS jobs over 5 years
- Expand Perkins from \$1 billion to \$8.5 billion
  - Unsubsidized
  - Increase interest rate from 5% to 6.8%

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### FY 2013 Budget Request

#### Provisions related to **CAMPUS-BASED AID**

- Reform Campus-Based Aid programs into incentive program. Schools would be evaluated on:
  - Ability to keep low net tuition
  - Provide good quality and value
  - Serve needy students well
- Administration provided no metrics for measurement

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### FY 2013 Budget Request

#### Provisions related to **AFFORDABILITY**

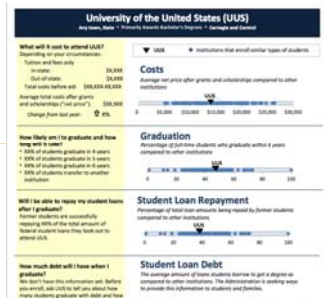
- “Race to the Top” for states and institutions (\$1 billion)
- Initiative to increase college access and completion through an evidence based grant competition (\$55 million)
- Hawkins Centers of Excellence—grant program to expand teacher education programs at MSIs (\$30 million)
- Community College to Career Fund

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### Transparency in College Costs



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## The House GOP Budget Response

### GOP Plan—The Path to Prosperity

- Cut U.S. Department of Education Programs by \$9.5 billion in FY 2013
- Major Student Aid provisions:
  - Eliminates the in-school interest subsidies for undergraduate students
  - Eliminates the student aid eligibility expansions enacted by the College Cost Reduction and Access Act (CCRAA), including auto-zero eligibility and Income Protection Allowance
  - Proposes an undefined maximum income cap for Pell Grant eligibility
  - Eliminates Pell Grant eligibility for less-than-half-time students
  - Eliminates the automatic increases in the maximum Pell award above \$5,550
  - Eliminates the mandatory funding for Pell Grants
  - Eliminates Pell and Campus-Based Aid Administrative Cost Allowances (ACA)
  - Repeals the mandatory funding for College Access Challenge Grants
  - Allows interest rates on subsidized Stafford loans to double on July 1 from 3.4% to 6.8%

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### GOP Plan—The Path to Prosperity

- Next Steps?
  - GOP Budget Plan, like the President's, is a policy document
  - No chance of passage in Senate
  - But, the ideas are on the table...

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## Predictions & Next Steps


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## Predictions & Next Steps


- President's budget release is just the beginning of the budget process
- Congress must debate proposals—end product typically looks a lot different than the initial proposals!
- It's an election year—Congress will stay away from controversy and change
- We likely won't see a final budget bill until *after* the election
- Interest rate is issue to keep an immediate eye on

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Takeaway: Student aid is caught up in a much larger political dysfunction & ideological impasse.

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Takeaway: Student aid changes will likely continue to come through the budget process


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## Other Hot Topics

- Consumer Disclosure Issues
- Legislation related to Private Student Loans
- Reauthorization
- New Neg Reg
- CFPB?


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## NASFAA Advocacy

- Comments, Letters, Statements
- Save Student Aid Facebook campaign
- Partnering in advocacy campaigns with other organizations
- Individual visits to key Hill staff—appropriators, authorizers, Super Committee

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Question and Answer Segment



**Questions?**  
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