



December 2007 Federal Report

CONGRESS

Three months into the federal fiscal year and operating under another soon-to-expire (December 21) extension of a Continuing Resolution, Congress had enacted only one of the 12 spending bills funding 14 Cabinet departments prior to this week -- the Department of Defense budget was approved by Congress and signed by the President.

Working through the weekend, Democrat leaders brought a single **omnibus \$555 billion spending bill for Fiscal Year 2008, H.R. 2746**, to a successful vote in the House on Tuesday. The next day's inclusion of an amendment providing \$70 billion in spending for Iraq/Afghanistan by a 76-16 vote in the Senate paved the way for **final agreement in the House on December 19 by a 272-142 vote**. Total spending for the omnibus measure is approximately the same as the President's February requests, but Democrats reshuffled dollars targeting favorite programs and also added \$11.2 billion in "emergency spending" for veterans' health care, border security and other priorities.

Presidential Veto:

Even though Republicans in the Senate and House exhorted the President to veto the final measure, Congressional Democrats remain hopeful the House amendment and other concessions will appease President Bush, who has threatened to veto any bill that brings the total spending beyond his announced limit of \$933 billion. On Wednesday, Congress passed a Continuing Resolution through December 31, in anticipation of the President's signature on H.R. 2764.

President Bush has vetoed six bills in his second term, as opposed to only one in the first.

Last month, he vetoed the **FY 2008 Labor-Health and Human Services-Education** spending bill, because the \$150.7 billion measure, H.R. 3043, was \$9.8 billion above his request, and he has consistently refused to negotiate spending above the limit imposed in his budget. This bill was the largest of the 11 spending bills now folded into the year-end omnibus package. The LHHS provisions in H.R. 2746 are \$5.6 billion less than the \$150.7 billion but still \$3 billion above the President's budget proposal – **a total of \$145.1 billion for FY 2008 for LHHS** in the almost 3,500 page measure.

On December 13, President Bush (for the second time) vetoed legislation to expand the State Children's Health Insurance Program (SCHIP) – H.R. 3963. The bill would have added about \$35 billion to the program over five years, enough to cover approximately 10 million children, according to estimates. (A vote to override the veto is expected around January 23, 2008. While Democrats and Republicans battle over how best to renew the program, temporary extensions have kept it funded at the FY 2007 level.)



H.R. 2746 Tidbits:

Across-the-Board Cuts – 1.7 percent across-the-board rescission on all domestic programs in the previous bills (\$22 billion).

Pell Grant – Cut by only \$69 resulting in the maximum Pell Grant being reduced to \$4,241 from its current level of \$4310. The maximum will rise again to \$4,731 once funds from the Budget Reconciliation measure enacted in September (the College Cost Reduction and Access Act, H.R. 2669) are included – H.R. 2669 provided a \$490 increase to the maximum contained in the new spending bill for FY 2008.

TRIO – Funded at 2007 level: \$828.2 million.

Gear Up – Funded at 2007 level: \$303.4 million.

LEAP (Leveraging Education Assistance Programs) – Restored with approximately \$1 million less than 2007 level: \$63.9 million.

Strengthening Institutions – Reduced by \$1.4 million: \$78.1 million.

HSIs (Hispanic Serving Institutions) – Reduced by \$1.8 million: \$93.2 million.

Tribal Colleges – Reduced by \$0.5 million: \$23.1 million.

HBCU (Historical Black Colleges and Universities) – Funded at 2007 level: \$238.1 million.

Perkins Loans – Restored with approximately \$1 million less than 2007 levels.

SEOG (Supplemental Educational Opportunity Grants) – Restored with a \$13 million reduction: \$757.5 million.

Federal Work-Study – Reduced \$13.4 million from FY 2007: \$980.5 million.

Perkins Basic State Grant program – Reduced \$6.8 million below FY 2007 level: \$1.175 billion.

CBJTG (Community-Based Job Training Grants) – program may not be subject to the across-the-board cut, given how the program funding is provided.

Labor – Across-the-board cut to workforce training programs; \$250 million was rescinded from “unspent” WIA funds.



Health Care – Increased nursing education by 4.3 percent, to \$156 million. The budget would also more than double spending for two programs intended to help students from minority groups train as physicians and other health professionals: the Health Careers Opportunity Program, which would get \$9.8 million in 2008, and the Allied Health and Other Disciplines program, which would get \$8.8 million.

NSF (National Science Foundation) – Increased by 2.5 percent over FY 2007 but significantly less funding than proposed by both Congress and the President earlier this year: \$6.07 billion -- funding for research activities would rise by 1.2 percent, to \$4.82 billion, but money for major research equipment will fall by 10 percent, to \$220.7 million. NSF's education division will receive a 3.9 percent increase.

The National Institutes of Health – Cut by \$1 billion from the level agreed to by the U.S. House of Representatives and Senate in compromise legislation.

Teacher Training – Provided \$2 million for two new programs to help colleges train more graduates in mathematics, science, and foreign languages to become schoolteachers.

Earmarks – Survived a threat by House Appropriations Chair Obey but cut by 1.7 percent. (Approximately 9,000 earmarks @ \$7.4 billion) LHHS total: \$600 million. Spending for Hatch Act grants, which pay for experimental stations at all land-grant colleges, was reduced from \$320 million in FY 2007 to \$195.8 million in FY 2008 to pay for earmarks in agricultural research without increasing total spending,

Legislation:

H.R. 4344

House Republicans introduced H.R. 4344, restoring protections for student loan borrowers graduating with high debt levels. It includes the 20/220 rule, which allows borrowers such as medical students to defer their student loan payments early in their careers when their ratio of debt to income is particularly high. The provision had been prematurely eliminated before alternative borrower protections are scheduled to take effect with the passage earlier this year of the College Cost Reduction and Access Act (H.R. 2669).

On average, recent medical school graduates have a student loan debt of over \$130,000 but make under \$44,000 per year. Under the 20/220 rule, students are able to defer payments based on economic hardship without accruing interest on their federally-subsidized loans for up to three years. To be eligible for the deferment, borrowers must have a debt burden greater than 20% of their income and their income minus their debt burden cannot be greater than 220% of the federal poverty level.



The Alternative Minimum Tax

No Republicans voted on H.R. 4351, which exempts millions of middle-income Americans from the Alternative Minimum Tax (AMT) in tax year 2007 and was passed on December 12 by a vote of 226-193. The measure includes a one-year exemption from the AMT; extends and expands the child tax credit to include 12 million low-income families and includes \$55.7 billion in revenue-raising offsets. Its passage is doubtful in the Senate. For more detail on the issue, go to: <http://www.calinst.org/datapages/AMTbyState-2003-05.htm>, where the California Institute for Federal Policy has posted a table showing state-by-state AMT comparisons for 2003-2005, along with commentary.

HIGHER EDUCATION ACT (HEA)

Reauthorization:

Any hope of H.R. 4137 being enacted this year has disappeared, and debate reconciling the House measure with the prior Senate HEA Reauthorization bill, S. 1642, is expected to resume in mid January. The December 19 omnibus measure (H.R. 2746) specifically bars the Federal Department of Education from issuing regulations on accreditation until the HEA measure passes, and Secretary Spellings has agreed **not** to act on “student learning outcome” measures until a reauthorization bill is enacted.

On Monday, the National Advisory Committee on Institutional Quality and Integrity was advised by Department officials to adhere to the boundaries of federal laws and rules and to apply the guidelines uniformly to all accreditors. Secretary Spellings praised colleges for embracing her call for providing more information about their performance and quality and reiterating the Department’s push for better measures of student learning, taking care to note that the Department: “will not, and should not, ever constitute a one-size-fits all system...no standardized tests...”

S. 2371:

This legislation addresses three areas of the HEA, including definitions related to certain definitions used in determining eligibility, clarifications related to married borrowers utilizing the new income-based repayment programs and a number of changes to the new TEACH grant program. The bill also clarifies how to apply new military deferments for borrowers serving full time in the National Guard.

STUDENT FINANCIAL AID

The Chronicle of Higher Education reports it might be cheaper for the federal government to provide student loans through the FFEL program than through the Direct Loan program. The cuts to the



FFEL program resulting from passage of the College Cost Reduction and Access Act seem to have lowered federal costs to 1.72 cents per dollar loaned versus the 4.26 cents per dollar loaned cost of the Direct Loan program. The article derived its position from an analysis by lender representatives of the most recently released subsidy rates and loan volumes associated with each program. The new cost estimates are only preliminary and not official. The key indicator of the validity of the numbers will come from the Office of Management and Budget as part of the President's FY 09 Budget proposal.

FEDERAL DEPARTMENT OF EDUCATION

College Cost Reduction and Access Act (CCRAA) Neg Reg

The Department of Education has conducted three public hearings this fall on issues related to new regulations resulting from the College Cost Reduction and Access Act (CCRAA). Attendance was sparse. The National Association of Student Loan Administrators (NASLA) called on the Department to claim federal preemption over the multitude of state "student loan sunshine" type laws in order to prevent confusion and unnecessary administrative burden for schools and FFEL program participants. NASLA also asked the Department to designate a guaranty agency representative for this round of negotiated rulemaking.

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