



May Federal Report

Administration

Student Loans

On May 7, President Bush signed into law H.R. 5715, the *Ensuring Continued Access to Student Loans Act*, which, among other actions, increases the annual and aggregate federal loan limits; allows parents to defer payments on federal PLUS loans until 6 months after their children are out of school, although unpaid interest will be added to the balance; temporarily relaxes eligibility requirements so some parents who have trouble meeting mortgage or medical payments can obtain Plus loans; and grants the Secretary the authority to purchase loans from lenders in the federal guaranteed loan program (to ensure lenders continue to have access to capital to originate new loans).

The measure will allow undergraduates to take out an extra \$2,000 per year in federally guaranteed Stafford student loans, which have lower interest rates and better repayment options than PLUS loans, which are federally guaranteed loans for parents. Needy students are able to get subsidized Stafford loans and any student is able to secure an unsubsidized Stafford loan. The limits for unsubsidized Stafford loans increased from \$23,000 to \$31,000 for dependent undergrads and from \$46,000 to \$57,000 for independent undergrads and those whose parents were denied a PLUS loan. Families can save money by switching to 6.8 percent fixed-rate Stafford loans from PLUS loans having fixed rates of 7.9 or 8.5 percent, depending on the school, or private loans ranging from 8-20 percent rates. Stafford loans also have more flexible payment options, such as income-based repayment and loan forgiveness programs for public service workers. Because the bill was signed after most schools had sent out the bulk of their financial aid awards for 2008-09, students would need to be notified that those who want an additional Stafford loan may need to contact their college and ask for a revised aid package.

A scan of the CCC system indicates no loan access problem at this time, but the System Office continues to monitor the situation closely and construct contingency plans (Lender of Last Resort and Federal Direct Loans) in case of further softening in lender commitments to the Federal Family Education Loan (FFEL) program. In 2006-07, only 32,000 of the 2.6 million CCC students took out federal loans.

Senate amendments for H.R. 5715 directed savings derived from the legislation to increase funding for the Academic Competitiveness (AC) and National Science and Mathematics Access to Retain Talent (SMART) grant programs. Most provisions become effective on July 1.

Museum of the American Latino

On May 8, the President signed S. 2739, a bill originally authored by Rep. Xavier Becerra, that creates a Commission of 23 members who will be responsible, during an 18-month period



following enactment, for researching a plan for establishing and maintenance a museum, as well as a fundraising plan for supporting the creation and maintenance of the Museum, and a report on outstanding issues. The Commission would also organize a national conference of both policymakers and experts to discuss the Museum's viability within 18 months of the bill's passage.

Congress

HEA Reauthorization Negotiations

Skepticism is growing around a completed reauthorization in 2008 even though the Conference Committee on reauthorization for the Higher Education Act has been feverishly working to resolve numerous major issues that evolved over the past year as the provisions of S. 1642 and H.R. 4137 (Senate and House reauthorization proposals) came together in committee for negotiated final measure and have managed to hone the number down to three major areas – one being Title X language pertaining to private loans. The education staff is dependent on the Banking Committee for direction in this matter; however, that committee is tied up in its own reauthorization negotiations.

If the current draft (now 700 pages, sans 11 sections on graduate education, new programs, and private student loans) does not translate to an approved bill by Memorial Day, June would be the next most likely target date for a new extension. The last extension, H.R.2929, was approved in the House on May 6th and in the Senate the following day. The President signed the measure, which temporarily extends programs under the Higher Education Act through May 31, 2008. Because the authority for most programs authorized under the HEA literally expired for the first time on April 30th, H.R. 2929 includes effective date language, making it retroactive to April 30, 2008.

It is not evident if a number of topics of concern found in the two prior measures will be resolved in the negotiations, including: state “maintenance of effort” (MOE) requirements; textbook language requiring colleges to disclose ISBN numbers and pricing information in their course schedules (the current speculation is there will not be an agreement on textbook issues at staff level and the related provisions will either be dropped or left up to the members); and language requiring institutions to publish a “nonbinding” estimate of tuition and fees that they plan to charge students throughout the length of their undergraduate or graduate programs.

Somewhat alarmingly, the compromise document purportedly does not always reflect negotiated provisions but has simply taken on more provisions or regulations than offered in the individual Senate and House measures. *The Chronicle of Higher Education* notes: “... in the mandate that the Education Department create lists of institutions that have raised their prices by significant amounts, for instance, the draft legislation essentially adds many provisions from the House bill to those in the Senate, such that the compromise legislation would create a multiplicity of ‘college affordability and transparency lists’... It appears to call for the creation of 54 lists of colleges: six lists of institutions that have raised or lowered their “net price” by the most or least



(highest price, largest increase, etc.) times nine different categories of colleges (two-year public, four-year private, etc.). But as drafted, the legislation may produce significantly more lists than that: college lobbyists point out that the bill calls for basing some of those lists on the “cost of attendance” as defined in Section 472 of the underlying Higher Education Act, which, they note, defines “cost of attendance” in 13 different ways (and the new legislation adds a 14th). By that count, the legislation would produce 431 different lists of colleges.”

In some instances, the rule: “If a little bit of medicine is good for you, then more will be great” prevails, as in the requirement to track ALL students for six years, in terms of graduation, instead of just full-time students for 3 years.

Some provisions completely fall off the table – such as the community college teacher preparation program proposed in H.R. 4137.

In one area of compromise, the document continues to bar the U.S. Education Department from promulgating regulations governing student achievement (and additional areas such as curriculums and admissions practices) but would allow the agency to regulate in areas such as faculty, facilities, and student support services.

Reauthorization of Montgomery GI Bill Passes the House

During the May 15 House floor session designed to address the Iraq supplemental measure, an amendment that was basically the Webb 21st Century GI Bill proposal in S. 22, passed the House on a 256-166 vote without the Iraq provision moving forward. The Webb measure had been expected to be included in the Iraq supplemental measure last week, however, debate erupted among Democratic House leadership on how to offset the costs of the bill. The assessment of a less than 1 percent tax on incomes of \$550,000 and over and on small businesses paved the way for a successful vote.

S. 22, the Post-9/11 Veterans Educational Assistance Act of 2007, was introduced by Senator Jim Webb on January 4, 2007, passed the Senate with 58 co-sponsors (including Senators Clinton and Obama) and received the support of 250 House members 6 months later. S. 2938, a competing proposal by Senator John McCain, was introduced on April 29, the same day Defense Secretary Robert Gates sent a letter for S. 22 to the Senate Armed Services Committee Chair, Carl Levin, stating opposition to any benefits being provided after rotation out of service with only one enlistment. S. 22 would also entitle veterans with at least three years’ cumulative active-duty service, including National Guard and Reserve members, to a full ride at any public college or university in the country – roughly twice the current average benefit.

The Administration and Senator McCain are focusing on re-enlistment and longer service as preferred incentives for funding. On Wednesday, May 14, Senator McCain’s bill was offered as an amendment to legislation giving police officers, fire-fighters and other first responders the right to unionize and was killed on a 55-42 vote.

The White House has responded that inclusion of the veterans' benefit, along with an unemployment insurance extension that is not offset, would lead to a veto and noted any veterans' legislation should be considered separately from the “supplemental”.

The Congressional Budget Office (CBO) estimates the Webb measure expanding higher-education funding for active-duty veterans would cost \$728 million over two years and exceed \$51.8 billion in mandatory spending over a 10-year period. Annual costs would rise throughout the period, reaching \$7 billion in 2018, making this the most expensive Congressional entitlement program since the Medicare prescription drug benefit in 2003.

Montgomery GI Bill Proposals

Category	Current Law	Webb/S. 22 Post-9/11 Veterans Educational Assistance Act of 2007	McCain/S. 2938 Enhancement of Recruitment, Retention, and Readjustment Through Education Act of 2008
Average annual benefit	\$9,909	\$19,629	\$12,000 approx
Eligibility	Active-duty servicemembers; reduced benefit for activated Reserve forces and National Guard	Active-duty servicemembers since Sept. 11, 2001; activated Reserve forces and National Guard get same benefit	Active-duty servicemembers; reduced benefit for activated Reserve forces and National Guard (credit for the single longest tour, not for multiple deployments)
Required Service	Three years of continuous service to receive four-year college benefit	Three years of cumulative service	Three years of obligated services and two years of obligated service
Veteran's contribution	\$100 a month for first year	None required	None required
Time limit for use	10 years from discharge	15 years from discharge	N/A

California leads the nation in number of veterans (2.2 million). The CCC currently enrolls 17,000 of the 22,000 veterans enrolled in higher education in the state, as well as an estimated 8,000 to 10,000 active duty personnel, not including dependents.



FYI: Inside Higher Education has announced a "**Reaching Military Students and Veterans**" audio conference on May 20, 2 p.m. EST, noting: "People in the military, as well as veterans, are increasingly seen by colleges as a population deserving more outreach as potential students. These individuals frequently have had extensive training while in the military, are as likely as any in their generation to be disciplined and organized, and frequently have access to outstanding education benefits. But many colleges have not historically focused on this population. This audio conference will explore how they can do so. Randy Wright, president of the National Association for Military Education Services, will lead an audio conference on these issues.

Legislation

S. 2668 Kerry/Ensign "Modernize Our Bookkeeping In the Law for Employee's Cell Phone Act of 2008": This measure removes cell phones from taxable income for IRS purposes. Under current law, any personal use represents taxable income to the employee.

Identical bills include H.R. 5054, Sam Johnson/TX and H.R. 5719, Charles Rangel/NY. H.R. 5054 was amended into the Rangel measure, which passed the House on April 15, 2008.

In 1989, Congress passed a law, which added cell phones to the definition of listed property under section 280F(d)(4) of the Internal Revenue Code of 1986. Treating cell phones as listed property requires substantial documentation in order for cell phones to benefit from accelerated depreciation and not be treated as taxable income to the employee. This documentation is required to substantiate that the cell phone is used for business purposes more than 50 percent of the time. Recently, the Internal Revenue Service reminded field examiners of the substantiation rules for cell phones as listed property. The current rule requires employers to maintain expensive and detailed logs, and employers caught without cell phone logs could face tax penalties.

The National Association of College and University Business Officers strongly supports the legislation and sent a letter in support of H.R.5450.

Student Loans

The National Association of Student Financial Aid Administrators

Recent comments from the NASFAA Board amplify the validity of the student loan credit crunch, stating: "Even while schools participating in the Direct Student Loan program will not see any shortage in federal student loans, we are still concerned about shortages in the private student loan market, which more students seem to be relying on each year." Dr. Phil Day, Executive Director for NASFAA, particularly notes: "Board concern rose regarding community colleges and career schools in the FFEL program since lenders have indicated that they will not be lending to students at those institutions because they are high credit risks." No student has yet been denied a federal loan due to the credit crunch, however, NASFAA warns that demand for student loans increases dramatically in the spring and summer as student award packages are sent out – 75% percent of all federal students loans are made during this period – and supports the



injection of liquidity into the market, as in H.R. 5715, which allows the Federal Department to act as a secondary market for lenders and to enter forward purchasing agreements with the intent of maintaining the FFEL program. NASFAA also supports increasing need-based aid in order to decrease the need for borrowing.

The Federal Department of Education

Responding to schools having trouble finding at least three lenders for their preferred lender lists, the Department intends to loosen parameters for preferred lender lists. Schools unable to find three lenders are additionally allowed to provide general information about any lender that is willing to make loans to students attending that school as long as the information contains a disclaimer that a borrower is free to choose any FFEL lender. Henceforth, the Department will also allow affiliated lenders on a preferred lender list as long as at least three lenders are indeed unaffiliated (as defined in the November 1 Final Rules package).

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