

From: NAICU Presidents Network
Sent: Monday, August 01, 2011 3:45 PM
To: NAICU Presidents Network
Subject: [presnet] Legislative Update: Debt Deal and Student Aid

Colleagues,

As you've seen in this morning's headlines, President Obama and congressional leaders reached a deal last night (see summary below) to increase the debt ceiling, cut spending, and avoid U.S. debt default and a global economic meltdown.

What It Means for Higher Education

A key piece of the deal is \$17 billion toward the funding of the Pell Grant program in FY 2012 and FY 2013. NAICU has been working with administration and congressional staff since February, to find ways to make programmatic changes that lower the costs of the Pell program.

From the beginning of negotiations, Pell funding was included in bills offered by both House Speaker John Boehner (R-Ohio) and Senate Majority Leader Harry Reid (D-Nev.). While this infusion of funds sidesteps a massive cut to the Pell Grant maximum for the 2012-13 award year, it is unfortunately paid for through the elimination of the in-school interest subsidy for graduate student loans.

The deal trumps House Budget Committee recommendations to prohibit using mandatory savings from student loan provisions to pay for Pell Grant increases. It also lists Pell Grants as an essential program for low-income individuals that would be protected in the event of an automatic across-the-board cut to meet deficit reduction targets.

However, we still have lots of work to do this year. Even with the additional funding, Pell Grants will need an additional \$1.3 billion in this fall's appropriations process to maintain the \$5,550 maximum grant. Funding for the other student aid programs – SEOG, work study, Perkins, TRIO, GEAR UP, graduate programs -- and for university research and the National Institutes of Health also needs to be approved this fall. These decisions will be made under the new spending cap set in the debt bill. The cap is \$24 billion more than the House-passed budget, but \$7 billion below last year's total spending level.

The other part of the deal we will need to watch is the Special Joint Committee, which is charged with protecting another \$1.5 trillion in cuts. The outcome is likely to be a big budget reconciliation bill, which is likely to target the undergraduate in-school interest subsidy for elimination.

We appreciate all you have done over the last six months to let your representatives and senators know the importance of federal student aid on your campus and in your local communities. We look forward to more action in the fall.

Basics of the Debt Ceiling and Deficit Reduction Deal

- Increases debt ceiling by \$900 billion immediately, to avoid default.
- Cuts spending now by \$1 trillion.
- President can request an additional \$1.2 - \$1.5 trillion increase in early 2012.
- Sets discretionary spending caps at \$1.043 trillion for FY 2012. (That is \$24 billion more than the House Budget Resolution, \$7 billion less than last year.)
- Sets discretionary spending caps at \$1.047 trillion for FY 2013.
- Creates a firewall between defense and non-defense spending.

- Creates Joint Congressional Special Committee to consider \$1.5 trillion in additional cuts to be reported out by Thanksgiving, and voted up or down before Christmas this year. (An additional \$300 billion in savings will be realized through lower interest payments.)
- If deficit reduction is less than \$1.2 trillion, an automatic across-the-board cut will be applied equally to defense and non-defense spending, to make up the difference.
- Requires House and Senate to vote on the Constitutional Balanced Budget Amendment between October 1 and December 31, 2011.
- Amends Congressional Budget Act of 1974 for budget enforcement procedures.

Sincerely,

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President

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