Latest Developments on the Budget

On October 18, the Senate Health, Education, Labor and Pensions Committee took the latest action on the FY 2006 budget reconciliation bill. The committee marked up its part of the as-yet-unnumbered budget bill, which includes the Higher Education Act (HEA) reauthorization and pension fee increases. Through these proposals, the committee achieves savings to apply towards the deficit reduction target required by reconciliation.

No official score has been released from the Congressional Budget Office on the Senate HEA bill. But from what senators said at the mark-up, and our analysis of the legislative language, it seems the committee cut roughly $19 billion from the student loan programs. From that, $7 billion went towards deficit reduction; $1.5 billion towards hurricane relief; $9.5 billion for additional student aid (see explanation below); and $1 billion to lower student origination fees.

While the additional $9.5 billion for student aid is attractive, the technical hurdles it faces could make it difficult to implement. The bill creates two programs—ProGAP and SMART grants—on the entitlement side of the budget (not appropriations). The cuts to student loans would pay for both. Provisional Grant Assistance Program, or ProGAP, would provide increased grant aid for Pell Grant recipients for five years, assuming the cuts to student loans produce enough savings. Science and Mathematics Access to Retain Talent grants, or SMART grants, would provide up to $1,500 in additional need-based grant aid for juniors and seniors majoring in science, math, or foreign languages in areas of national need (assuming there is money left over from the ProGAP grants).

The president’s budget proposed increasing the Pell Grant maximum with savings from the student loan programs. The Senate proposal is similar to the president’s, but avoids the provision moving money from one side of the budget to another. The House does not have a similar provision, and opposed the president’s budget proposal to increase student aid by cutting student loans.

The next steps in the Senate are for the Budget Committee to roll all committees’ work on reconciliation into one piece of legislation, tentatively scheduled for October 26, then bring the bill to the floor. On the Senate floor, reconciliation is considered under special rules that prohibit filibusters, non-germane amendments, and amendments that cost money. A simple majority (51 votes) is required to pass reconciliation legislation.

Meanwhile, on the other side of the Capitol...

During the week of October 17, the House of Representatives was poised to amend the FY 2006 budget resolution to increase the reconciliation savings instruction from a total of $35 billion, to a total of $50 billion; require an across-the-board cut of 2 percent on all appropriations; rescind low-priority programs appropriated in FY 2006 bills; and de-authorize unfunded programs. But by the end of the week, the Republican conference realized it did not have 218 votes to pass such an amendment to the budget resolution. And the Senate

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has no interest in following that plan of action.

Instead, House committees will move forward with reconciliation mark ups the week of October 24, where they will try to find deeper cuts to reaching the $50 billion goal. The House Education and the Workforce Committee has to find an additional $8 billion to meet this goal. It is scheduled to mark up on October 26, with $7.5 billion coming from student loans and $500 million coming from pension reform.

And one more thing...

At the same time that all the action on reconciliation is taking place, the Senate is scheduled to bring the FY 2006 Labor-HHS-Education appropriations bill to the floor for a vote. Up until this week, leaders had been saying they would not bring the education bill to the floor for fear of embarrassing votes on amendments to increase spending on education and health programs. Now that both chambers are pushing to complete the budget and appropriations process as soon as possible, they’ve changed their tune.

Because the Labor-HHS-Education appropriations bill is the last spending bill to go to the Senate floor, Congress now plans for all appropriations bills to be conferenced by November 18 (the day the continuing resolution expires). Congress would then take two weeks off. During that break, staff and members would work out the differences between the House and Senate reconciliation bills. Congress would come back the first week of December to vote on the reconciliation bill, and then go home.

Stay tuned for the next installment of this legislative whirlwind.

For more information, please contact Stephanie Giesecke at NAICU (202) 785-8866 or stephanie@naicu.edu.

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Senate HELP Committee Considers HEA Reauthorization Again

On October 18, the Senate HELP Committee approved yet another version of the HEA reauthorization bill. This action came in the form of the budget reconciliation language that the committee is required to report to the Senate Budget Committee. Under the budget resolution, the HELP Committee was directed to achieve $13.6 billion in mandatory savings from student loan and pension programs. (See page one budget story.)

The bill was reported by a vote of 15 to 5. Members opposing the measure included: Mikulski (D-Md.), Jeffords (I-Vt.), Bingaman (D-N.M.), Murray (D-Wash.), and Reed (D-R.I.). Their “no” votes were largely due to their opposition to the overall budget reconciliation bill.

The measure reported by the committee is divided into three parts. The first part includes the student aid mandatory spending provisions. Chairman Mike Enzi (R-Wyo.) said the reauthorization bill (S. 1614) reported by the committee on September 8 had been scored by the Congressional Budget Office (CBO) as achieving greater savings than needed to meet deficit reduction goals and pay for the program improvements included in S. 1614. The bill reported October 18 would use all of these savings.

The second part of the bill includes the pension fee increases needed to meet the remaining $6.6 billion the committee is required to contribute to deficit reduction.

The third part of the bill is the rest of the HEA reauthorization. This portion of the bill is similar to S. 1614 as reported, but does include some changes. In need analysis, it would increase the income protection for independent students, and reduce (for all students) the student assets used to calculate financial need. Another change is that two of the three major new reporting requirements were modified to be more workable. Rather than having to report on the job placement and graduate school enrollment of each graduate, institutions would now be asked to offer more general information about their graduates’ employment and graduate/professional studies. (The bill maintains the requirement that institutions report the percentage of students who successfully transfer credit from another institution.)

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FCC Issues Final Rule on “Internet Wiretaps”

Institutions of higher education that provide broadband Internet services on their campuses will soon be required to ensure that their computer equipment permits wiretaps and other surveillance measures by law enforcement officials. Currently, the Communications Assistance for Law Enforcement Act (CALEA) requires only conventional phones to have built-in technology that permits wiretaps. In March 2004, at the request of the Department of Justice, the Federal Bureau of Investigation, and the Drug Enforcement Agency, the Federal Communications Commission (FCC) began a review to determine if CALEA requirements apply to Internet services. On October 13 (Federal Register, pp. 59664-75), the FCC issued a final rule extending provisions of CALEA to “facilities-based broadband Internet access” and Voice over Internet Protocol (VoIP) services.

“Facilities-based broadband Internet access services” are defined as “entities that provide transmission or switching over their own facilities between the end user and the Internet Service Provider.”

This FCC ruling does not change the conditions under which law enforcement authorities obtain court approval for wiretaps. Surveillance of Internet services can be conducted now. Rather, the new rule would require providers of these services to alter their equipment so that this surveillance will be easier to conduct. Colleges and others affected by this interpretation of CALEA will have to alter their computer systems within 18 months of November 14, 2005.

The initial review of what would be required suggests that covered institutions could incur substantial costs for compliance, but more analysis is needed to assess the final price tag. NAICU has been following this issue as a member of a coalition including EDUCAUSE and other higher education and library associations. In November 2004, the coalition filed comments on the proposed CALEA revisions. In addition to reviewing legal questions related to the rulemaking, the comments requested clarification of its application to educational institutions—noting that the Commission should state forthrightly whether it views CALEA as directly applicable to universities, K-12 institutions and other public entities when they provide broadband Internet access to their faculty, students, researchers and other patrons, and whether it is in the public interest to so find. If so, the Commission then should commence a separate proceeding to evaluate the many impacts.

The FCC has, in fact, initiated another rulemaking process to consider whether broadband networks for educational and research institutions should be exempt from CALEA. This notice of proposed rulemaking was also published on October 13 (Federal Register, pp. 59704-10), and the comment period ends on November 14.

In the meantime, the American Council on Education (ACE) filed a lawsuit on October 24 to challenge the application of the new requirements to colleges and universities. ACE is concerned about the enormous expense involved in making wholesale technological adjustments in order to make surveillance easier to conduct, pointing out that these costs outweigh any possible benefits, given that institutions now make the individual adjustments needed to comply with subpoenas.

For more information, please contact Susan Hattan or Maureen Budetti at NAICU, (202) 785-8866, or susan@naicu.edu.
Higher Ed Commission Has Diverse Views, Big Agenda

A national panel, The Commission on the Future of Higher Education, began its six-month effort on Monday, October 17, in Washington, D.C. Its brief one-day meeting was meant to be a short, kick-off conversation, but already the wide-ranging views and enormous scope of the commission were evident.

Assembled by Secretary of Education Margaret Spellings, the 19 members of the commission represent a mix of those with professional experience in higher education, representatives from the business community, and outside observers. People with experience in for-profit, private non-profit and public colleges were all represented.

The panel included many forceful personalities who agree that American higher education is strong, but are less likely to share opinions on how or who should make it better. With only four more formal meetings planned, observers expect that much of the commission’s work will be done behind the scenes by staff.

Despite the handful of scheduled meetings, and plans to have a final report out by August 1, 2006, Spellings made clear that she envisions a significant product from the commission – comparing the commission’s potential to work by predecessor panels that had led to the creation of the Morrill Act and the GI Bill.

To reach such a lofty goal, the commission will have to do a great deal of consensus building. Different members each had differing topic areas of interest, including better educational accountability measures, such as

- uniform freshman tests; improving access for low-income; increased international student competitiveness – especially in the math and sciences – with countries such as China and India; work-force preparation; college cost and pricing; and distance education.

The next meeting of the commission will be held in early December in Nashville, Tennessee.

Members of the Commission on the Future of Higher Education

- Carol Bartz, Chairman of the Board, President and CEO, Autodesk, Inc.
- Nicholas Donofrio, Executive Vice President for Innovation and Technology, IBM
- James Duderstadt, President Emeritus, University Professor of Science and Engineering; Director, The Millennium Project, University of Michigan
- Gerri Elliott, Corporate Vice President, Worldwide Public Sector, Microsoft Corporation
- Kati Haycock, Director, The Education Trust
- James B. Hunt, Jr., Chairman, Hunt Institute for Educational Policy and Leadership; Former Governor of North Carolina
- Jonathan Grayer, CEO and Chairman, Kaplan, Inc.
- Arturo Madrid, Murchison Distinguished Professor of Humanities, Department of Modern Languages and Literatures, Trinity University (Texas)
- Robert Mendenhall, President, Western Governor’s University
- Charles Miller, Former Chairman of the Board of Regents, University of Texas System
- Charlene R. Nunley, President, Montgomery College (Md.)
- Arthur J. Rothkopf, Senior Vice President and Counselor to the President, U.S. Chamber of Commerce; President Emeritus, Lafayette College
- Richard Stephens, Senior Vice President, Human Resources and Administration, The Boeing Company
- Louis Sullivan, President Emeritus, Morehouse School of Medicine; Former Secretary, U.S. Department of Health and Human Services
- Sara Martinez Tucker, President and CEO, Hispanic Scholarship Fund
- Richard Vedder, Adjunct Scholar, American Enterprise Institute; Distinguished Professor of Economics, Ohio University
- Charles M. Vest, President Emeritus, Professor of Mechanical Engineering, Massachusetts Institute of Technology
- David Ward, President, American Council on Education
- Dr. Robert Zemsky, Chairman and CEO, The Learning Alliance for Higher Education, University of Pennsylvania

For more information, please contact Frank Balz at NAICU (202) 785-8866 or frank@naicu.edu.
Stop the Raid: You Betcha

If the past month and a half is any indication, the Student Aid Alliance efforts by NAICU members are taking off. Our members and their students have been lighting up the Capitol switchboard and flooding the congressional offices with e-mail and faxes, urging them to “Stop the Raid on Student Aid.” Not since 1995 and the birth of the Alliance has the coalition been so vocal and focused on changing the most recent, short-sighted attack on student aid funding.

Why all the racket? As you know, both the House and Senate have proposed cutting as much as $11 billion from student loans. Originally this measure was proposed to reduce the federal deficit, and now it’s also supposed to pay for hurricane disaster relief. As early as next week, both houses of Congress will examine where to make further budget cuts. They have stated that the student loan program is a good place to start, particularly since “there is no need to plow the savings back into the program.”

This proposition does not sit well with our members nor with students across the nation. Student Association, in coordination with the members of the Student Aid Alliance, have sounded the alarm and organized numerous campus activities. “Call-in days” to the Alliance 800 number generated over 4,000 calls in just two days. In addition, financial aid officers, student government leaders, student activities directors and many others have organized pizza parties; delivered radio public service ads; written letters to the editors, as well as placed op-ed pieces in both campus and national press.

The House Education and Workforce Committee is scheduled to meet October 26 to discuss how much and from where the next round of cuts will come. Students representing the Alliance, decked out in T-shirts emblazoned with a bright red stop sign reading, “Stop the Raid on Student Aid” will be there. They’re standing tall for all of their fellow students who will not be able to attend the college of their choice if this raid on student aid is successful. NAICU will be there too.

For more information, contact Robert “Bo” Newsome at NAICU, (202) 785-8866, or bo@naicu.edu.