Prospects for Federal Student Loans Improve

The Department of Education and Department of the Treasury appear to have helped ease fears of an immediate crisis around the availability of federal student loans though a deal on implementing the newly passed emergency legislation on student loans. Immediately after the plan was announced, several large lenders, including Sallie Mae, announced they would stay in the federal student loan program – at least for the time being. This positive move by the federal government is an encouraging sign, after the grave concerns about student access to FFELP loans this past winter and spring.

As capital markets dried up, and a steady stream of lenders limited or discontinued FFELP participation earlier this year, Congress passed H.R. 5715, "Ensuring Continued Access to Student Loans Act of 2008." The bill made several changes to the Higher Education Act (HEA) to ensure that students would be able to get federal loans this year (see WIR, 5/12/08). These included providing legal authority to the Department of Education to purchase lenders' student loans for the 2008-09 academic year.

Although Treasury Secretary Henry Paulson had rejected providing FFELP lenders with direct access to federal funding, he supported the agreement which has the Department of Education functioning like a "middle-man." The two secretaries issued a letter on May 21 outlining their plan "to make sure students have access to federal student loans in the coming academic year." The four-part plan includes:

1. A commitment both to purchase new loans from FFELP lenders at a price that will ensure they recoup their investments, and to provide short-term liquidity through Department of Education purchases of participation interests in pools of FFELP loans.
2. A commitment to continue working with lenders to re-engage capital markets.
4. Increased Direct Loan capacity.

The Department of Education will publish the specifics of the terms and conditions under which it will purchase FFELP loans. Lenders would have the option of selling loans made for the 2008-09 academic year until September 30, 2009. Loans sold to the department will be serviced by the department.

For those lenders who don’t have the capital ready to lend, the Department of Education has set up a system that conforms to its new authority to buy FFELP loans, but functions more like a somewhat complicated lending mechanism. In short, FFELP lenders obtain outside, short-term capital (a loan), based on an agreement that the department would buy the FFELP
loan. Once the FFELP loan is disbursed, the department buys it from the lender, and holds it in trust for one year. FFELP lenders then pay off the original outside loan, and also pay interest to the department on the internal "loan" it is holding. The rate would be commercial paper plus 50 basis points.

Banker reaction to the FFELP portion of the plan has been mixed. Some, like Sallie Mae and Northstar, have reacted positively and have stated that they are committed to staying in or returning to the FFEL program. Others remained cautious, and are doing more analysis before making their decisions. Still others have dropped out of the program, despite the departmental initiative, citing inadequate remuneration from student loans.

For more information, contact Maureen Budetti, maureen@naicu.edu

IRS Planning Review of Charitable Activities of Colleges and Universities

Lois Lerner, director of exempt organizations with the Internal Revenue Service, recently announced that the IRS will be looking at public and private four-year colleges and universities to ensure the institutions are fulfilling their charitable missions. As many as 400 to 500 colleges and universities will receive a questionnaire from the IRS in the near future.

The IRS will be studying the "commensurate doctrine" – the concept that a charitable organization should be providing services that are commensurate with its resources. Besides demographic and organizational information, the areas covered in the questionnaire will be (1) activities reportable on the Form 990-T; (2) endowment funds, including types of funds, whether they are restricted or unrestricted, and the types of investments used; and (3) executive compensation, with information on the six highest paid employees at the institution, including coaches.

Last year, the IRS conducted a similar study of hospitals. No specific time frame for the release of the study findings has yet been announced.

For more information, contact Karin Johns, karin@naicu.edu

FY 2009 Budget Takes Back Seat to Bigger Bills

Congress was set to pass the FY 2009 congressional budget resolution (S. Con. Res. 70) before the Memorial Day recess, but those plans were thwarted by procedural hiccups on the long-awaited farm bill, and a series of votes on the FY 2008 War Supplemental Spending bill. When Congress reconvenes June 3, the House and Senate will bring up the budget plan for a final vote.

Leaders of the House and Senate Budget Committees worked out an agreement over the last month on the annual plan that guides Congress in its spending and tax policy. Conferees decided to allow $24.5 billion more spending than the president's budget, when cap adjustments and advance appropriations are included, which puts the total just over $1 trillion. For tax policy, the budget assumes that most of the high-income and corporate tax cuts from 2001 will expire or be offset if extended. It also assumes that tax cuts helping middle-income families – such as the 10 percent tax bracket, tax breaks for married couples, and the child tax credit – will be extended. Surpluses projected in 2013 would pay for these extensions.

Speculation is that Congress will narrowly pass the budget plan in June, but what this means for this year’s appropriations process is unclear. Clearly, Congress is poised to spend more on

For more information, contact Karin Johns, karin@naicu.edu

For more information, contact Maureen Budetti, maureen@naicu.edu
domestic programs like education and health. However, it remains to be seen if any bills make it to the president's desk. President Bush has already threatened to veto bills that exceed his request, so Appropriations Committee Chairmen Rep. David Obey (D-Wis.) and Sen. Robert Byrd (D-W.Va.) have to decide how to proceed.

Last year, a generous Labor-HHS-Education appropriations bill passed both chambers, but then was vetoed by the president. The House fell just five votes shy of overriding the veto. Obey has already said he doesn't want to relive that drama, and has told Education Secretary Margaret Spellings that he'll wait to submit bills once the new president is elected if Bush is unwilling to negotiate.

Beyond those comments, Obey hasn't publicly announced his plans for this year's process. Meanwhile, Byrd is planning on starting subcommittee mark-ups in mid-June. Either way, it's unlikely that there will be any appropriations action after the August recess. Stay tuned!

For more information, contact Stephanie Giesecke, stephanie@naicu.edu

______________________________

HEA Reauthorization Takes a Sad and Unexpected Turn

The news of Sen. Edward Kennedy's brain tumor sent shock-waves throughout Washington. Most insiders can't fathom the Senate without its second-longest-serving and arguably most effective member as he fights this serious health problem. For education advocates, the news had special meaning, since Kennedy's hand has helped shape every major piece of education legislation since the federal role was defined in the mid-1960s.

But no one who has been around the Hill would presume that Kennedy's prognosis would slow down his legislative agenda. That might make sense for nearly any other legislator, but most insiders agree that – fighter that he is – Kennedy is just as likely to be motivated to work even harder to get passage of legislation he cares about, such as reauthorization of the Higher Education Act.

In the meantime, just days before the Kennedy news broke, a very preliminary draft of the HEA conference report leaked through the Washington higher education community. Although the latest iteration is still problematic and heavy with reporting requirements, the bill continues on its path of steady improvement with each new version.

The current draft bill, for example, shows progress in nearly every area that NAICU targeted in its April action alerts – a tribute to the dogged efforts of NAICU members around the country. It continues restrictions on the Secretary of Education's authority to regulate on student achievement (though the authority was restored in other accreditation areas), and removes requirements for new endowment reporting, instructional expenditures per student, and inclusion of net-price information by income quartile in all admissions materials. The latest HEA draft also bases college cost listings on prospective tuition increases after this fall, and removes the college cost-quality efficiency task forces.

On May 21, NAICU sent its members a revised list of requests, based on the draft conference report (www.naicu.edu/doclib/20080521_HEA_Talking_Points_-_5-20-08.pdf). We hope that progress continues in what appears to be the final few weeks before a bill is adopted. We don't expect the final bill to be something that colleges will embrace as an improvement over current law. However, the legislation is shaping up as a reasonable compromise between what college advocates would like to see, and some of the truly destructive ideas lawmakers have proposed during the six-year-long reauthorization process.

For more information, contact Sarah Flanagan, sarah@naicu.edu
House Passes Extension of IRA Rollover, Tuition Deduction  

*Senate Outlook Uncertain*

The House has now passed legislation affecting renewable energy, and extending tax provisions that expired at the end of 2007. H.R. 6049, passed on May 21, includes a one-year extension of both the IRA charitable rollover and the above-the-line tuition deduction.

The White House announced support for extending the expiring provisions, but issued a veto threat of the measure over the proposed “payfors” (revenue offsets) – taxing offshore deferred compensation of hedge fund managers, and delaying for 10 years a new tax break for multinationals. Some members of Congress join the administration in arguing broadly that continuing current law is not a tax increase requiring an offset, and that scarce revenue ought to be retained for bills containing costs that are new to the federal government.

Sen. Max Baucus (D-Mont.), chairman of the Senate Finance Committee, introduced a different bill aimed at extending the expiring tax provisions. In contrast to H.R. 6049, Baucus’s bill would extend all the expiring tax provisions – including the IRA rollover and tuition deduction – for two years, and also contains a one year "patch" of the Alternative Minimum Tax. The cost of this bill (S. 2886) is not currently offset, however Baucus has indicated the bill will be fully offset before it is considered by the Finance Committee. He would like to move the bill in June.

Given the White House veto threat and the offset controversy, the outlook for extending these important provisions remains uncertain.

For more information, contact Karin Johns, karin@naicu.edu

Expanded GI Benefits Advance Through Congress

Legislation expanding GI Bill benefits continues to make its way through Congress as part of the Iran-Afghanistan supplemental appropriations bill *(See WIR 4/28/08 and 5/12/08)* but not without increasing political battles.

The House of Representatives has approved an amendment to the appropriations bill to expand GI Bill benefits as provided by the "Post-9/11 Veterans Education Assistance Act of 2007" (S. 22 and H.R. 5740). The amendment was passed on May 15.

Under the measure, veterans with three years of service since September 11, 2001, would be eligible for a tuition benefit up to the cost of in-state tuition at the most expensive public college in a state. The in-state tuition figure is simply a cap on the tuition benefit; this same amount would be available to a veteran who chooses to attend a private institution.

The amendment also creates a program under which the federal government would match dollar-for-dollar any contributions that colleges and universities make to help veterans cover tuition costs above the maximum in-state public college tuition amount.

The cost of the measure is estimated at $52 billion over 10 years. At the urging of the fiscally conservative "Blue Dog" Democrats, the House approved a 0.47 percent surcharge on those with incomes over $500,000 ($1 million for couples) to offset the cost of the measure.

The following week, by a vote of 75 to 22, the Senate approved adding the expanded GI Bill benefits to the supplemental appropriations bill. Unlike the House, the Senate did not offset the cost of the provisions. The bill has been returned to the House for further action following the Memorial Day recess.
In the meantime, President Bush has threatened to veto the legislation because it includes provisions not related to the funding of military operations in Iran and Afghanistan. He has explicitly opposed the GI Bill provisions on the basis that it would adversely affect military retention. He has endorsed an alternative proposal introduced by Sens. Lindsey Graham (R-S.C.), John McCain (R-Ariz.), and Richard Burr (R-N.C.). Their proposal ties more generous GI Bill benefits to longer periods of military service, and has a much more complex – and potentially unworkable – provision for colleges that provide additional institutional aid to veterans.

Given the mix of military spending with policy, presidential politics, budget, veterans, and other domestic spending issues, the road to enactment of the supplemental appropriations bill is bound to contain many more twists and turns in the weeks ahead.

*For more information, contact Susan Hattan, susan@naicu.edu*

---

**Summertime Sustainability Workshops**

NAICU has joined the Higher Education Associations Sustainability Consortium (HEASC) in support of the increasing number of member presidents who have signed on to the American College and University Presidents Climate Commitment. The commitment is a national effort to neutralize greenhouse gas emissions, and to encourage research and educational efforts by colleges and universities in equipping society to re-stabilize the earth's climate.

HEASC is an informal network of higher education associations committed to advancing sustainability within their membership and within the higher education system overall. Efforts to conserve resources are not only good for our environment, but can possibly affect our bottom line, and also reflect the civic mission of our institutions.

From time to time, *Week in Review* will include updates on our combined efforts, as well as information we hope you will find helpful in your campus sustainability endeavors, such as these summer workshops. Targeted to faculty, presidents and planners, each features experts in the growing field of sustainability, as well as resources for campus implementation.

- **AASHE: Sustainability Across the Curriculum Leadership Workshop**  
  June 12-13, San Diego, Calif.  
  www.aashe.org/profdev/curriculum.php

- **ACPA Sustainability Institute at Harvard**  
  June 11-14, Cambridge, Mass.  
  http://myacpa.org/pd/sustainability

- **Creating a Sustainable Campus Through Integrated Planning Workshop**  
  July 19, Montreal, Quebec (This is a pre-conference workshop)  
  www.scup.org/annualconf/43/workshops.html

*For more information, contact Bo Newsome, bo@naicu.edu*

---

**Time to Order State Voter Registration Forms**

The 1998 Higher Education Act (HEA) requires all postsecondary institutions to make a good-faith effort to distribute state voter registration forms to each degree- or certificate-seeking student who attends classes on campus. The forms must be distributed prior to the registration cut-off date for federal, gubernatorial, and special elections for federal office. Although the November 4 general election is months away, for most institutions it's time to request those forms from their state elections offices, and to develop plans for distributing them to students.
Colleges must request state voter registration forms 120 days prior to their state’s voter registration deadline, making June the last month for most colleges to request the forms from the state. Some of our members must request their state forms as early as June 6. **For the specific deadline for your state, go to [www.yourvoteyourvoice.org/usmap.html](http://www.yourvoteyourvoice.org/usmap.html).**

Once you’ve filed your request for forms, the state has to respond at least 60 days prior to the registration deadline. If you don’t receive the forms in this time frame, your institution will be held harmless for compliance with the HEA requirement. Only those states with same-day registration are exempt from distributing voter registration forms to students.

If you have any other questions, please visit our new Your Vote, Your Voice Web site at [www.yourvoteyourvoice.org](http://www.yourvoteyourvoice.org). There you will find an electronic version of The National Campus Voter Registration Project Organizing Handbook that contains details on the HEA requirement, and provides models for distribution of the forms. Please contact your state board of elections for specific procedures.

*For more information, contact Bo Newsome, bo@naicu.edu*

---

*The Week in Review* is published by the National Association of Independent Colleges and Universities.

Victor J. Boschini, Jr., Chancellor, Texas Christian University, Chair, NAICU Board of Directors  
David L. Warren, NAICU President  
Sarah A. Flanagan, Vice President for Government Relations and Policy Development  
Roland H. King, Vice President for Public Affairs and Acting Editor

We welcome your comments. Contact us at (202) 785-8866, by fax at (202) 835-0003, or by e-mail at roland@naicu.edu. Our mailing address is 1025 Connecticut Ave., N.W., Suite 700, Washington, DC 20036. *The Week in Review* is available to NAICU member presidents and their staff via e-mail upon request, and is archived on the NAICU Web site, [www.naicu.edu](http://www.naicu.edu) (go to user log-in on home page). To subscribe, or for member log-in user name and password, e-mail roland@naicu.edu.

© 2008 by the National Association of Independent Colleges and Universities