



NAICU *Legislative Update*

December 11, 2013

Summary of Budget Deal

Impacts on Future of Student Aid Funding

- On December 10, budget conference co-chairmen Sen. Patty Murray (D-WA) and Rep. Paul Ryan (R-WI) announced a two-year budget deal to undo part of sequestration, set higher funding limits for FY 2014 and FY 2015, and provide \$23 billion in deficit reduction. *This is good news for low-income students as sequestration would have forced dramatic cuts in student aid over the next two years.*
- The deal partially restores the discretionary sequester by adding \$65 billion to defense and non-defense programs for FY 2014 and FY 2015. Mandatory sequestration stays in place, and is extended to 2022 and 2023. *This is the heart of the compromise. This means funding will increase from the current FY 2013 sequester level in FY 2014, but sequestration, itself, is extended two years.*
- For non-defense programs, this deal restores 87% of the FY 2013 cut. FY 2014 non-defense funding will be \$492 billion, and FY 2015 non-defense spending will be \$493 billion. (Defense spending will be \$520 billion in FY 2014 and \$521 billion in FY 2015.) *Student aid funding comes out of the non-defense pot.*
- The good news for student aid funding is that it is not targeted for cuts in the budget deal, and could possibly maintain level funding over the course of the 2-year outlook. *Just because student aid wasn't cut, does not mean that appropriators won't juggle the pot to balance actual spending in a different way than the budget negotiators imagined. There will be lots of competition among many worthy programs for the limited money available.*
- There are two small offsets from higher education, which total \$5 billion. One is a change to guaranty agency profit in the default reduction program, requiring 100% of the proceeds be returned to Treasury. Also, the maximum borrower collection fee is lowered to 16 per cent. The second offset is the elimination of the carve-out for nonprofit servicing contracts. They are currently funded with discretionary funds, and will continue to be.

- The deal will be passed as legislation, which will be signed by the president, not a traditional budget resolution of the Congress, which is not law but merely binding rules on Congress. It will amend the Budget Control Act of 2011 to change sequestration targets and aggregate spending totals; and self-execute budget resolutions for the House and Senate to maintain points of order.
- Despite balking from conservatives about too much spending, and from liberals about not addressing unemployment, the House leadership has endorsed this bipartisan deal and plans to have it on the floor for passage Thursday, December 12. Speaker Boehner insists the House will adjourn on Friday, December 13. The Senate is expected to pass the deal the week of December 16. The President is then expected to sign it.
- The current continuing resolution expires January 15, 2014. So in the next stage, the House and Senate Appropriations Committees will have to pass the FY 2014 spending bills before January 15, so House action is expected the week of January 6, 2014.