



UPDATE FROM WASHINGTON, DC

Where No One Has A...



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WHAT WE'LL COVER

- Mr. Boehner in the Cloakroom with a Revolver and the Whole Federal Government
 - Mr. Cruz in the Senate with Dr. Seuss
- Mrs. Murray and Mr. Ryan in the Dining Room with a Wrench and a Prayer
- Mr. Obama on Campus with a Lead Pipe
- Mr. Harkin and Mr. Kline with a Candlestick

APPROPRIATIONS OVERVIEW

- Congress Has Not Finalized ANY Appropriations Bills for FY 2014
 - House passed 4 Approps bills, Senate none
 - In the absence of appropriations bills, a Continuing Resolution (CR) is needed to keep the government funded
- Mandatory (Entitlement) Programs Keep Flowing (Social Security, Medicare, Direct Loans)
- Education Programs Are “Forward Funded”

CRISIS AVERTED....FOR NOW

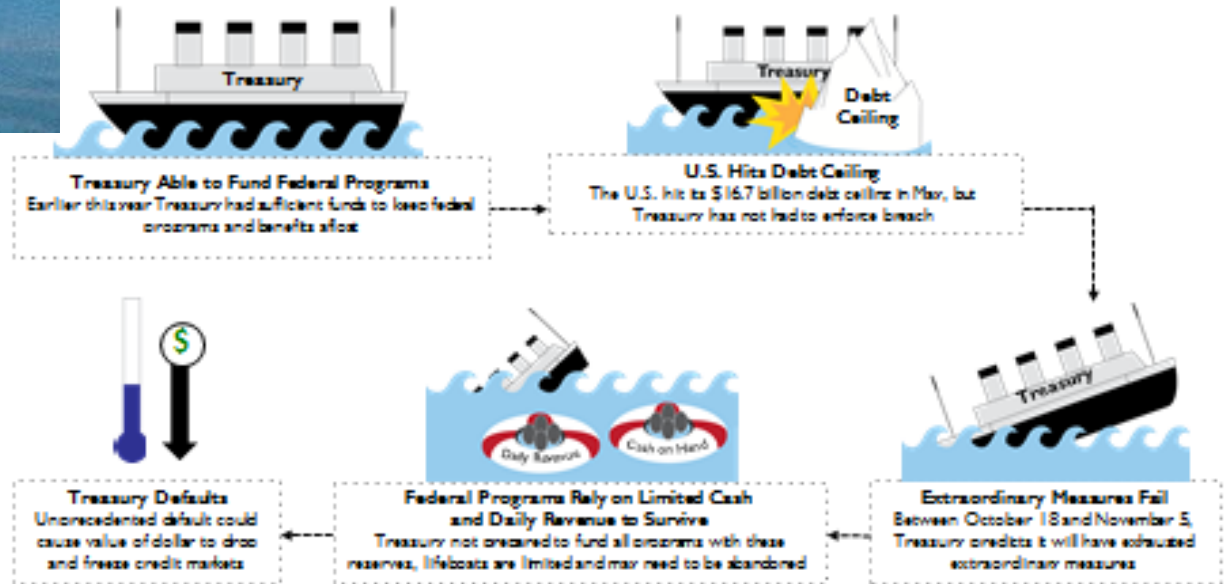
- Government Shutdown
 - October 1 through 17
 - Federal workers paid for time furloughed
 - Some federal work delayed
 - Negotiated Rulemaking for Gainful Employment rescheduled for November 18
 - Loans II regulations package released on time
 - Processing generally uninterrupted
 - ED training staff grounded
- Debt Ceiling Never Breached

THE DEBT CEILING

- Debt Ceiling Breach Occurs When Government Obligations are Greater than “Cash on Hand”
 - Enforcement of debt ceiling was delayed in January deal
- What Happens if Debt Ceiling is Reached?
 - Government will prioritize creditors
 - Greatest economic risk is if bondholders are not paid
 - Credit rating downgrade
 - Interest rates for government borrowing will increase (and trickle down to business and consumer lending)
 - Stock market will react negatively
 - Mandatory payments could be halted, delayed, staggered (Social Security, Medicare, Direct Loans)
 - Student aid funds could dry up



The Debt Ceiling Crisis, Directed by James Cameron



Takeaway
The 2013 debt ceiling crisis puts hundreds of federal programs and benefits in danger of delayed or discontinued funding and puts the U.S. at risk of a credit downgrade

Source: Congressional Research Service, 2013; Annie Lowrey, "Shutdown vs. Default: The Relative Impact," The New York Times, September 23, 2013; Jake Sherman, "Jack Low: Debt Limit No Later Than Oct. 17," Politico, September 25, 2013.

THE “BIG”, TEMPORARY DEAL

- Continuing Appropriations Act of 2014
 - Continuing Resolution through January 15, 2014
 - Assumes sequester-reduced levels of funding
 - Debt Ceiling increase through February 7, 2014
 - Actual date of impact will be later
 - Treasury may use “extraordinary measures”
 - October 17 date was based on a mid-May deadline
 - Budget “Conference Committee” directed to reach agreement by December 13, 2013
 - Agreement could cover FY 2014 or beyond

THE SENATE DEALMAKERS, IN A SECRET LOCATION, WITH NO WEAPONS

Core Senate Working Group

- Susan Collins, R-Maine
- Kelly Ayotte, R-New Hampshire
- Lisa Murkowski, R-Alaska
- Amy Klobuchar, D-Minnesota
- Heidi Heitkamp, D-North Dakota
- Jeanne Shaheen, D-New Hampshire
- Mark Pryor, D-Arkansas
- Joe Donnelly, D-Indiana
- Angus King, I-Maine
- John McCain, R-Arizona
- Mike Johanns, R-Nebraska
- Mark Kirk, D-Illinois
- Jeff Flake, R-Arizona

Outside “Advisors”

- Patty Murray, D-Washington
- Barbara Mikulski, D-Maryland

BUDGET CONFEREES, IN THE LIBRARY, WITH...

Senate

- Democrats: Patty Murray (WA), Ron Wyden (OR), Bill Nelson (FL), Debbie Stabenow (MI), Bernie Sander (VT), Sheldon Whitehouse (RI), Mark Warner (VA), Jeff Merkley (OR), Chris Coons (DE), Tammy Baldwin (WI), Tim Kaine (VA), Angus King (ME)
- Republicans: Jeff Sessions (AL), Chuck Grassley (IA), Mike Enzi (WY)*, Mike Crapo (ID), Lindsey Graham (SC), Pat Toomey (PA), Ron Johnson (WI), Kelly Ayotte (NH), Roger Wicker (MS)

House

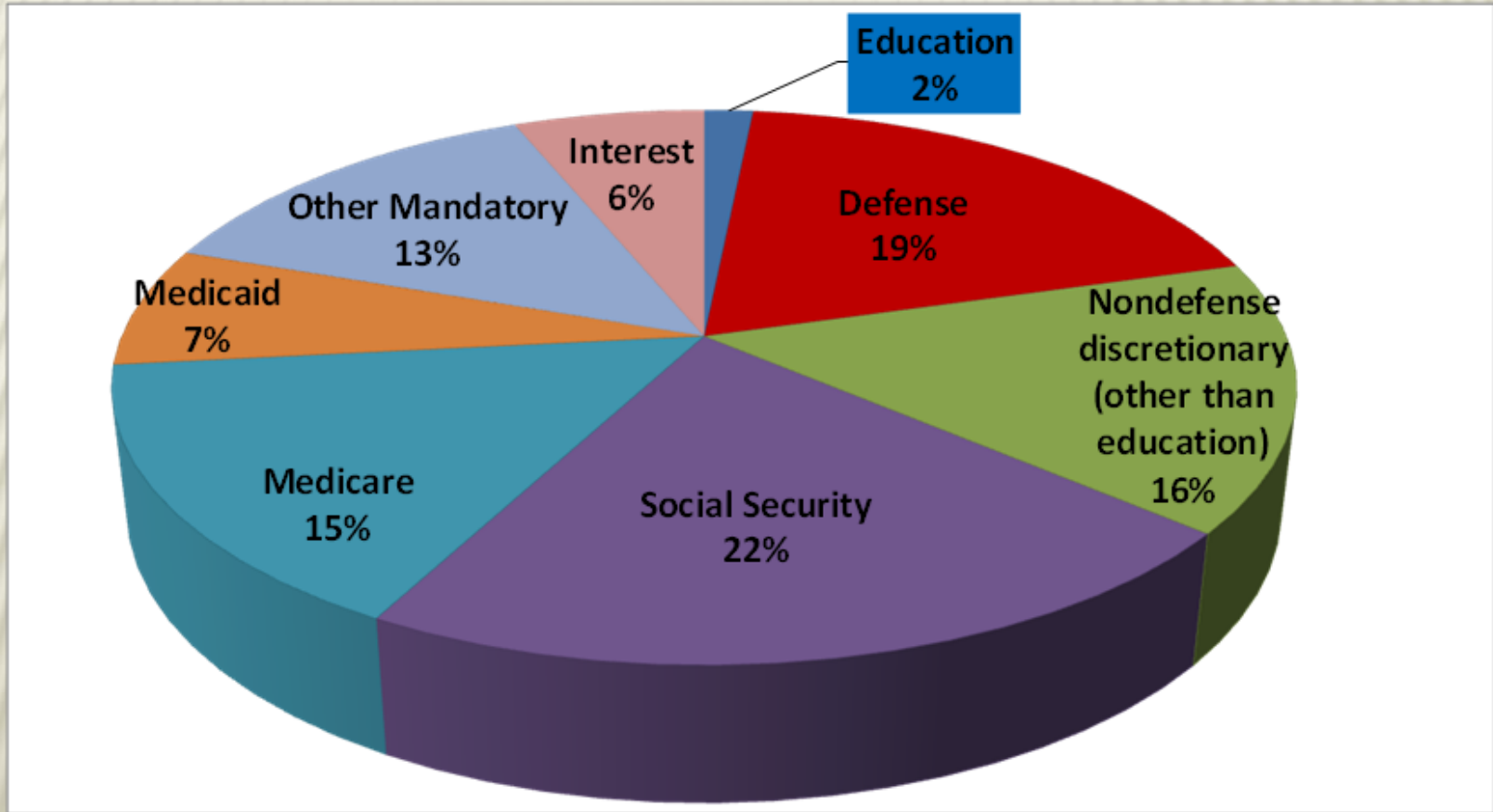
- Republicans: Paul Ryan (WI), Tom Cole (OK), Tom Price (GA), Diane Black (TN)
- Democrats: Chris Van Hollen (MD), James Clyburn (SC), Appropriation Committee ranking member Nita Lowey (NY).

*Names in red voted against final agreement.

...A MASSIVE SET OF DIFFERENCES

- House Budget (Ryan Budget)
 - Reduces federal expenditures by \$5.7 trillion over 10 years
 - Financed primarily with program cuts
 - Assumes Sequestration continues
 - Reduces Pell eligibility and eliminates in-school interest subsidy
- Senate Budget (Murray Budget)
 - Reduces federal expenditures by \$1.85 trillion over 10 years
 - \$975 billion in new revenues; \$890 billion in spending cuts
 - Eliminates sequestration cuts
 - Commits to long-term funding for Pell Grants

OUR LITTLE PIECE OF THE PIE...



SEQUESTRATION 2014

- New Origination Fees for Loans First Disbursed on or After December 1, 2013:
 - Stafford Loans: 1.072 percent
 - PLUS Loans: 4.288 percent
- Iraq-Afghanistan Service Grants
 - Reduced by 7.2 percent for awards made between 10/1/2013 & 10/1/2014 (smaller reduction than prior 10 percent)
 - Max award = \$5,238.56
- TEACH Grants
 - Reduced by 7.2 percent for awards made between 10/1/2013 & 10/1/2014 (larger reduction than prior 6.0 percent)
 - Max award = \$3,712

WHY CAN'T SPEAKER BOEHNER CONTROL HIS CAUCUS?

- No Earmarks To Allocate Or Withhold In Exchange For Votes
- Tea Party Members Won Their Districts By An Average Margin Of 34%
 - No risk of election or primary challenge
 - Moderate Members endangered by primary challenges
 - Redistricting creates homogenous districts
- Members Not Dependent On Republican Party For Campaign Funds
 - 3rd party PACs usurp RNC role
 - No financial consequences for bucking the party
- Other Negative Factors (per Charlie Cook, National Journal)
 - Sen. Reid: “Most partisan Senate Majority Leader”
 - President Obama: “No relationship with Congress”
- Has the Shutdown Fallout Changed the Dynamic?

POLLSTERS, ON YOUR TELEPHONE, WITH LOTS OF QUESTIONS...

Do you approve or disapprove of the way Congress is handling its job?

Recent trend

■ % Approve



GALLUP®

Do you approve or disapprove of the way the representative from your Congressional district is handling his/her job?

	<u>Oct. 2013</u>	<u>May 2013</u>
Yes	44%	46%
No	43%	41%
N/O	13%	13%

PRESIDENT OBAMA ON CAMPUS...

- President's New College Initiative
 - "...combat rising college costs and make college affordable for American families"
- Pay Students and Colleges for Performance
 - Implement college ratings system by 2015 and "base student aid on college value by 2018"
 - Access: e.g., proportion of students receiving Pell Grants
 - Affordability: e.g., average tuition, scholarships, and loan debt
 - Outcomes: e.g., graduation and transfer rates, post-graduation earnings, and advanced degrees
 - Pay a "Pell Bonus" for schools that graduate high numbers of Pell recipients
 - Strengthen academic progress requirements

PRESIDENT OBAMA ON CAMPUS...

- Promote Innovation and Competition
 - Encourage competency based learning programs
 - Encourage use of technology to promote efficiency
 - Recognize prior learning and promote dual enrollment
 - Enhance College Scorecard with earnings information (coming soon)
 - Use “experimental sites” authority to promote high quality, low cost innovations (coming soon)

PRESIDENT OBAMA ON CAMPUS...

- Ensure Student Debt is Affordable
 - Make all borrowers eligible for Pay As You Earn (PAYE) repayment plan
 - Enrollment campaign for IDR sign-up
 - Targeting delinquent borrowers, borrowers in forbearance and deferment, and borrowers with high debt (coming soon)
 - Provide IDR information in conjunction with tax filing (coming soon)
 - ED “one stop shop” for loan repayment information (coming soon)
- ED Holding “Public Forums” in November
 - Focus on college ratings system
 - November 13 forum at George Mason University

RADD REPORTS

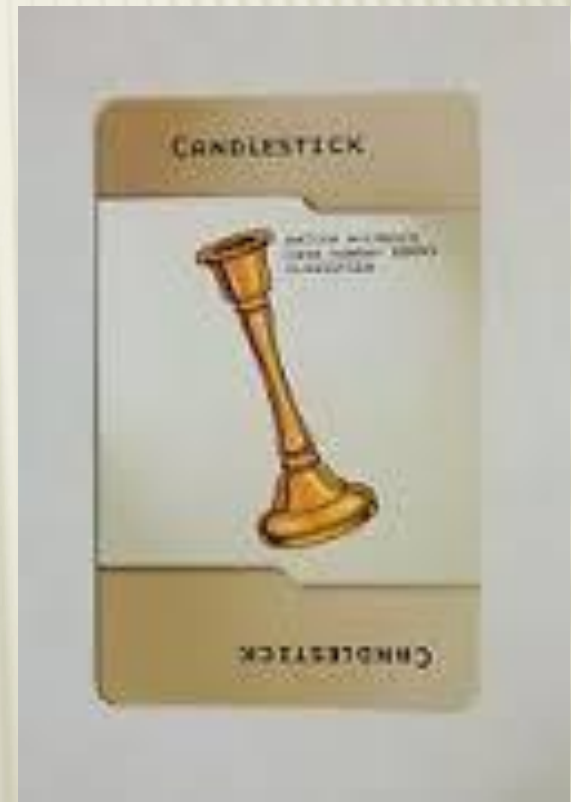
- Funded by Gates Foundation
- Round I Recommendations
 - Simplification
 - IBR
 - Consumer information
 - Pell Grant entitlement
 - Non-traditional students
 - Tie funds to school metrics

RADD II

- 18 Groups, 5 Consortia, 4 Topics
 - Grants and work-study (2 groups)
 - Tax credits
 - Loans (includes NASFAA)
 - Simplification and transparency
- Reports Early Next Year?

REAUTHORIZATION TIMETABLE

- 2013:
 - Hearings, etc
 - Request for ideas and proposals
- 2014:
 - More hearings, etc
 - Draft bills in Spring??
 - Sen. Harkin retires
- 2015:
 - New Congress
 - More hearings, more bills
 - Agreement???



YOU, IN THE HALLS OF CONGRESS, WITH PASSION

- Continue To Advise Members and Senators About the Value of Student Aid
 - Education funding is still at risk
 - Congress will be making tough choices
- Get Ready to Weigh in on Reauthorization
 - Help Tristate provide feedback to DC
 - Identify issues of concern
 - Get a Member of Congress interested in your issue