The National Association of Student Financial Aid Administrators

NASFAA Update
Agenda

• Washington Political Climate
• Federal Budget/Funding Update
• President Obama’s College Affordability Plan
• Reauthorization
• NASFAA Proactive Policy
Washington Political Climate
Washington Political Climate

• Partisanship, Brinkmanship, and “Blame Game”

• Deficit Reduction

• Budget Politics Dictating Policy
Budget/Funding 101

What *should* happen:

• President delivers Budget Request to Congress
• House and Senate draft Budget Resolution
• 12 Appropriations Subcommittees draft bills
• All should be completed by Oct. 1 (beginning of new fiscal year)
But...Congress *rarely* follows budget rules

- Why? Politics often get introduced to the process and it slows things down. Plus, there is no punishment for breaking them!
- Instead we more often that not see mechanisms that help to patch the inability to pass separate appropriation bills
  - Continuing Resolution (CR)
  - Omnibus Spending bill
Why is this problematic?

• Creates an incredible amount of unpredictability
• Does not allow for committee experts to thoughtfully and carefully debate spending levels for the issues they are most well versed in—cuts against democratic process
Student Aid & the Budget

• Funding for student aid falls into the Labor, Health, Human Services, and Education Appropriations Subcommittee (Labor-H)

• This is always a very complex bill because so many important programs share the same pot of funds

• Most student aid funds are “forward funded” meaning they fund the following award year
  – Ex: FY 2014 funds the 2014-15 award year
Budget Update—Federal Spending

U.S. Federal Spending – Fiscal Year 2012 ($ Billions)

- Total: $3,539 B
- Medicare & Medicaid: $802 (23%)
- Social Security: $768 (22%)
- Defense Department: $670 (19%)
- Other Mandatory: $461 (13%)
- Discretionary: $615 (17%)
- Net Interest: $223 (6%)

Source Data: CBO Historical Tables
Budget Update: FY 2014

• Bipartisan Budget Act, passed in December, provided $65 billion in sequester relief for fiscal years 2014 and 2015

• Final FY 2014 spending bill:
  – Pell Grant is fully funded:
    • $4,860 maximum discretionary
    • Mandatory funding addition of $870
    • Expected max Pell Grant for 2014-15 = $5,730
  – FSEOG/FWS received *almost all* of funding back from last year's sequestration cuts.
    • Exciting to see support for campus-based funds
Budget Update: FY 2015

• President Obama released his FY 2015 budget request on March 5th
• House and Senate will begin the process of allocating funds to the different appropriations subcommittees (ours is Health, Education, Labor and Pensions)
Obama FY15 Budget Request

• Grants
  – Maximum Pell Grant of $5,830

• Campus-Based Aid
  – Level fund FSEOG and FWS (FY 2014 levels)
  – Revise allocation formula to direct dollars to schools that enroll and graduate high number of Pell Grant students
  – Expand/Reform the Perkins Loan Program
Obama FY15 Budget Request

• Tax Provisions
  – Permanently extend American Opportunity Tax Credit (AOTC)
  – Simplify tax credits for most Pell recipients by clarifying and simplifying the AOTC rules
  – Provide tax relief for student loan borrowers by exempting amounts of debt forgiven under income-dependent plans
Obama FY15 Budget Request

• Loans
  – Expand Paye As You Earn eligibility to all borrowers

• Access and Affordability Proposals
  – “Race to the Top” for Higher Ed
  – College Opportunity Bonus Program
Budget Update
FY 2015: What’s Next?

• House and Senate have already begun thinking about their overall FY 2015 requests (Budget Resolution stage)
• Reminder that Bipartisan Budget Act provided some sequester relief for FY 2015, but not as much as FY 2014
House Budget Resolution: FY 2015

• Released April 1\textsuperscript{st}: \textit{The Path to Prosperity}

• Budget resolutions can be considered “blueprints” or “roadmaps” for each chamber

• Overall theme: austerity and deficit reduction
House Budget Resolution: FY 2015

• Student Aid Provisions:
  – Elimination of in-school interest subsidy
  – Freeze maximum Pell Grant for next 10 years
  – Eliminate Pell eligibility for less-than-halftime students
  – Consider Pell Grant income cap
  – Elimination of Pell and Campus-based Administrative Cost Allowance
  – Elimination of mandatory funding portion of Pell Grant
  – Further reduce discretionary sequestration caps
CBO Projections

• On April 15th the CBO released latest outlook on Pell and student loans
• Good news! Third straight year that CBO made the Pell funding cliff smaller and moved it further off
• New cliff = $2.3 billion shortfall in 2017
• Doesn’t mean we can relax- we still need stable funding for Pell
CBO Projections

• Projected loan interest rates:
  – Undergrad Direct = 5.09%
  – Grad Direct = 6.64%
  – PLUS = 7.64%

• Remember, nothing final until the last auction in May for 10-yr T-notes
Is Sequestration Still In Effect?

• Sequestration is still in effect—it is a cutting mechanism scheduled to achieve roughly $1 trillion dollars over a decade
  – In order for sequestration to be stopped, Congress must pass a bill to either repeal or replace.
  – Appetite is more toward replacement rather than repealing, but this is also the most difficult of options as it requires Congress to come to an agreement in other areas
President Obama’s College Affordability Plan

• Plan announced in late August

• Three parts:
  – Paying for performance
  – Promoting innovation and completion
  – Ensuring that student debt remains affordable

• Key Feature:
  – Prior to 2015 award year, develop a “college ratings system” that would “compare colleges with similar backgrounds as well as colleges that are improving their performance.” ED would be directed to involve key stakeholders in developing the metrics and to include measures related to access, affordability and outcomes
  – The intent is that by 2018 an institution’s rating would be used to determine the amount of student aid they receive
NASFAA & Community Feedback on Ratings Plan

• NASFAA Submitted comments to ED outlining major concerns:
  – Need for input-adjusted metrics
  – Determination of “Peer Groups”
  – Inadequate data

• Participated in ED’s Technical Review Panel on the top

• Peers in PIRS, white paper
President Obama’s College Affordability Plan

- Other features of plan:
  - “Race to the Top” for higher ed
  - Reward colleges with a Pell “bonus”
  - Strengthen Satisfactory Academic Progress (SAP)
  - Encourage innovation in learning models (MOOCs, Prior Learning Assessment, Competency-based Learning)
  - Make all borrowers eligible for Pay As You Earn (PAYE) & launch a campaign to raise awareness about eligibility and enrollment
President Obama’s College Affordability Plan

- Odds of Implementation: Some features of the president’s plan would require congressional action, while others would not.

- **No Congressional Action Needed:**
  - Development of “ratings list”
  - Campaign to enroll more students into PAYE

- **Congressional Action Needed:**
  - Coupling a school’s rating to student aid eligibility
  - The parts of the proposal that would require new funding or make changes to current programs
Reauthorization

• Higher Education Act reauthorization *should* occur in 2014; but that is very unlikely
  – The process will definitely start, but there may not be a final bill

• NASFAA’s Reauthorization Task Force submitted recommendations to House and Senate Ed Committees

• Predictions about reauthorization?
  – Likely will occur piecemeal and not in full for at least another couple of years
  – Major subjects for debate are likely to be: student loans, innovative learning models (MOOCs, Prior-Learning Assessment, Competency-based Learning), consumer information
Consumer Information Initiatives

– Past several years have seen an overload of consumer information proposals: College Scorecard; Shopping Sheet; College Cost Comparison Worksheet; PIRS; other legislation

– While in favor of improvements to consumer information, NASFAA pushed back on several provisions of these proposals:
  • They lacked coordination with one other
  • Often used different data
  • No consumer testing

– NASFAA’s Work on Consumer Info:
  • Consumer Information and Award Notification Task Force
  • Consumer Testing of Award Letters
Why is Proactive Policy Important?
NASFAA Proactive Policy

- Task Force on Student Loan Indebtedness
- Task Force on Award Notification and Consumer Information & related consumer testing
- Consumer Testing of Award Letters
- Updating Ethical Principles and Code of Conduct
- White Paper on Regulatory Burden
- Advocacy Pipeline
- Gates Foundation-related grants
Reimagining Aid Design & Delivery Phases I & II

• Gates-funded projects aimed big picture “rethinking” of student aid

• Round one focused on multiple proposals, e.g.
  – Pell Well
  – Pell Promise

• Round II, focuses solely on examining a move to Automatic IBR
RADD II

• Focus on Universal Income-Based Repayment
• IBR as “default” option

Considerations:
  – Too many repayment plans now
  – Current IBR enrollment is cumbersome

Potential positives:
  – Auto IBR could reduce defaults (better for stu and federal government
  – Employer withholding?
STUDENT AID INDEX!

- Brand new tool! Visit sai.nasfaa.org!
- Compiles important financial aid regulations, legislation, and other key resources into one convenient, mobile-friendly tool so you have the information you need, when you need it!
- For each topic:
  - Statutory authority
  - Regulations
  - ED References
  - NASFAA Publications and Articles
  - Subtopics
Questions?