

Sequestration and Its Impacts

SWASFAA 2015
ALBUQUERQUE, NEW MEXICO

Brought to you by

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Sequest-what?

What exactly is sequestration again?

- Budget Control Act of 2011
- Automatic, across-the-board federal budget cuts
- Cuts occur every year, for 10 years, unless the sequester is repealed
- The Office of Management and Budget calculates the changes that will be required to meet the annual mandated savings
- Changes typically take effect October 1

Sequestration

Sequestration impacts:

- Federal Pell Grants (but not really!)
- Campus-Based programs
 - Federal Work Study
 - Federal Supplemental Educational Opportunity Grant
- Federal Direct Loans
- Iraq-Afghanistan Service Grants
- Teacher Education Assistance for College and Higher Education Grant

Sequestration

Sequestration does NOT impact:

- Award eligibility
- Direct Loan award amounts
- Terms or conditions of Direct Loans
- Any other award criteria

Sequestration and Pell

Pell Grant funding is protected from the sequester by the Balanced Budget and Emergency Deficit Control Act of 1985

Pell schedules are unaffected by the sequester!

Sequestration and Campus-Based

Federal Work Study and FSEOG

- 2012-2013: were already fully funded due to the funding cycle, so were unaffected
- 2013-2014: each was reduced 5.52%
- Since: Percentage reductions are institution-specific based upon the statutory formulas used to determine institutional funding

Sequestration and Direct Loans

Loan Origination Fees

- Earliest disbursement date is the trigger
- July 1, 2013 became the first trigger date for remaining 2013 loans and all 2014 loans
 - Sub and Unsub increased from 1.0% to 1.051%
 - Plus increased from 4.0% to 4.204%
- October 1, 2014 was the award year 2014-2015 trigger date
- October 1, 2015 was the award year 2015-2016 trigger date
 - Sub and Unsub decreased from 1.073% to 1.068%
 - Plus decreased from 4.292% to 4.272%

Sequestration and IASG

Iraq-Afghanistan Service Grant

Earliest disbursement between March 1, 2013 and September 30, 2013

- Reduced by 10% of the original statutory award amount

Earliest disbursement between October 1, 2013 and September 30, 2014

- Reduced by 7.2% of the original statutory award amount

Earliest disbursement between October 1, 2015 and September 30, 2016

- Reduction changed from 7.30% to 6.80%

Sequestration and TEACH

Teacher Education Assistance for College and Higher Education Grant

Earliest disbursement between March 1, 2013 and September 30, 2013

- Reduced by 10% of the original statutory award amount

Earliest disbursement between October 1, 2013 and September 30, 2014

- Reduced by 7.2% of the original statutory award amount

Earliest disbursement between October 1, 2015 and September 30, 2016

- Reduction changed from 7.30% to 6.80%

Sequestration and the (near) Future

On Friday, October 30th, Congress passed a budget deal that increases the budget caps that were imposed by the Budget Control Act of 2011.

In addition, the budget deal would raise the sequestration-level budget caps for two years. For federal fiscal year 2016 (award year 2016-17), which began on October 1, the domestic funding budget cap is raised by \$25 billion, and the budget cap for FY 2017 is raised by \$15 billion.

Processing the changes

School perspective

Student notifications

- Query those students' awards that have not yet disbursed
- Inform—and then remind—them of the changes that occur October 1

Changes required in PeopleSoft include:

- Setting up the new fees
- Updating all internal dates
- Cancelling undisbursed awards that are tied to the old fees
- Offering new awards that are tied to the new fees

Processing the changes

For the past two years FSA has been informed early on of what the new origination fees for the upcoming award year will be.

Award year 2015-2015 sequestration fee changes were implemented in COD on April 27, 2015.

On that date, COD began to validate the earliest disbursement date (EDD) against the origination fee on each incoming Direct Loan Common record and rejected those with an incorrect origination fee.

COD ran a "scan" to find those ALREADY submitted with an incorrect origination fee and corrected them, returning a CROF system-generated Response identifying those awards that were changed.

Resources

[Electronic Announcement](#), March 1, 2013

[Electronic Announcement](#), March 15, 2013

[Electronic Announcement](#), April 5, 2013

[Dear Colleague Letter](#), GEN-13-22, October 17, 2013

[Dear Colleague Letter](#), GEN-15-07, April 23, 2015

[NASFAA's Today's News](#), October 30, 2015

Questions or follow up

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