



Submitted by
George Torres
Legislative Issues Chair
December 8, 2003

FY2004 Appropriations

Having failed to pass eight of thirteen FY2004 appropriations bills before Thanksgiving, the congressional leadership decided to reconvene the House and Senate on December 8th to consider and pass HR 2673—the omnibus appropriations bill—and, possibly, the energy bill, before adjourning the First Session of the 108th Congress.

Since the proposed FY2004 appropriations for federal student financial aid and related programs were nearly identical in both the House and Senate versions of the Labor-HHS-Education bills, student aid funding was not an issue in the conference committee. Final appropriations for these programs will essentially be the same as FY2001, FY2002, and FY2003, with some slight increases for TRIO, Title III and Title V.

In addition to including report language that incorporates HR 2956 directing the Federal Advisory Committee on Student Financial Aid to conduct a “thorough study of the feasibility of simplifying the needs analysis methodology for all federal student financial assistance programs and the process of applying for such assistance”, the conference committee report also postpones tax table updates by The Department of Education and includes the following single holder related language. “The conferees continue to be concerned about issues within the consolidation loan program. The conferees are aware that some borrowers would like to see the current law changed to allow for consolidation with any lender or holder, regardless of how many lenders with whom the borrower has loans. The conferees are concerned that without change to the current law governing consolidation loans, some borrowers may not be permitted to consolidate their loans with any lender they choose. The leaders of the authorizing committees have expressed a desire to address this and other issues during the reauthorization of the Higher Education act so as to address the Consolidation Loan Program as a whole. The conferees strongly urge those committees to take action quickly to ensure borrowers have the best options available to them in order to manage their student loan obligations.”

Because of the increasing annual federal deficit (The CBO is estimating that the FY2004 deficit will be about \$100 billion over the FY 2003 deficit of \$374 billion) and the cost of the “war on terrorism”, the Second Session of this Congress may consider funding reductions in programs funded through discretionary appropriations (about 30 percent of the annual budget) when considering FY2005 appropriations. Student financial aid falls into this category.

HEA Reauthorization

The HEA Reauthorization process will begin next year during the Second Session of the 108th Congress when the Administration submits its Reauthorization recommendations to Congress in February as a part of its FY2005 budget recommendations. The process is likely to continue into the First Session of the 109th Congress which will convene in January 2005.

What this means is that the HEA Reauthorization this time will be a major election year topic, with the Republicans pushing their effort to pass legislation that incorporates accountability and cost containment in higher education with “adequate” student financial aid for those who need it, and Democrats countering with the single House bill (HR 3180) and Senate bill (S 1793), along with a few stand alone bills on accountability and cost containment, as the only true, comprehensive, balanced Reauthorization bills that have been introduced that include significant increases in student aid and accountability provisions. This will be coupled with the argument that the Republicans have been in control for several years and have yet to put a Reauthorization bill on the table, much less pass a bill, or increase funding for higher education. The last significant increase in student aid came before the current Administration and Congress. Look for fireworks on this issue during the next year. Higher Education has not been on the front burner in a presidential election since the 1960’s.

The major issues that will impact both the HEA Reauthorization process and annual appropriations will remain the growing annual federal budget deficits and multi trillion dollar national debt, the 2004 general election in which the control of the congress and White house will up for grabs (not to mention many state legislatures and governorships), the changing role of the federal government’s responsibilities to support domestic education, health, and human service programs vs. the role of national defense/homeland security, and competing, high profile programs and initiatives, e.g., Social Security, Medicare, the debate over the provision of a prescription drug benefit, universal health care coverage, and further tax relief.

Listed are student aid and Reauthorization related bills. Those bills with an “R” are bills introduced by members of the majority party and have the best chance of being considered by the House and Senate at this time.

Four House Reauthorization bills have been passed by the House and are awaiting action by the Senate Health, Education, Labor, and Pensions (HELP) Committee. These bills are HRs 438, 2211, 3076, and 3077. Quick action by the Committee is not expected.

The House Democrats have introduced their version of the Reauthorization bill, HR 3180, which, as one might expect, includes just about everything for everyone, e.g., dramatic increases in authorized funding levels for Title IV programs, repeal of the single holder rule, reconsolidation for student loan borrowers, new programs for HSIs and HBCUs. Since the Democrats are in the minority, this bill likewise will receive little attention by the House Committee.

One other House Democratic bill is the College Affordability and Accountability Act which includes similar provisions concerning state funding for student financial aid and incentives for states and institutions to contain tuition costs in exchange for additional federal student financial aid as S 1793.

- S 1793 is the Senate HELP Committee Democrats, led by Senator Kennedy, Reauthorization bill—the College Quality, Affordability, and Diversity Act—which, like the House Democrats’ bill, proposes to increase authorized funding levels for all Title IV programs reaching \$11, 600 for the maximum Pell Grant (like HR 3180) by 2009. It will:

- increase authorized funding levels for Title III and Title V institutions;
- increase authorized funding for the GEARUP and TRIO programs;
- increase the tax credit of the Hope Scholarship and Lifetime Learning Credit;
- repeal the Federal Direct Loan Program (FDLP) loan origination fee;
- establish financial incentives for institutions that participate in the FDLP;
- establish a grant program for consortia of institutions that propose programs that reduce the cost of education for students;
- establish a college cost summit involving the Education Department and representatives from institutions to develop collaborative plans to control college costs;
- allow reconsolidation of loans made through the FDLP;
- allow FDLP income contingent loan forgiveness for borrowers who are employed in the public sector, e.g., government, education, law enforcement, etc., and made (while employed in the public sector job) 120 payments through ICR;
- and reduce subsidies paid by the federal government to FFELP lenders and holders of FFELP loans.

This bill, even though it is the Democrats' bill, who are also in the minority in the Senate, has a better chance of being seriously considered by the Senate Committee and full Senate, than does the House bill by the House Committee and full House because of the almost 50/50 split between Republicans and Democrats in the Senate, and because of the more politically moderate tone of the Senate.

R HR 12

The FED UP Higher Education Technical Amendments Act of 2003 incorporates provisions from last session's failed HR 4866 by Representative Buck McKeon (R-CA). The bill includes the same provisions of the original HR 4866 as it was filed last summer, including:

- the extensions of the two provisions that expired on October 1, 2002 that allowed low student loan default rate schools to disburse loan funds in a single disbursement and to waive the 30 day delay for disbursement of loan funds to first time, first year borrowers;
- clarification of two return of Title IV funds issues;
- allowing requests for student loan repayment forbearances to be made in ways other than in writing;
- allowing students who were home schooled to be eligible for Title IV student aid.

Two new provisions added to HR 12 are:

- allowing the discharge of student loan debt for spouses of police, firefighters, rescue and safety personnel, and members of the Armed Forces who died or became permanent and totally disabled as a result of the September 11, 2001 attacks in New York and Washington, DC; and
- allowing the waiver of the 50 percent restriction on an institution's ability to offer coursework through telecommunications for institutions with student loan default rates below 10 percent.

R HR 438/HR 647

Increases the student loan forgiveness amount for math, science, and special education teachers to \$17,500.

Passed by the full House.

HR 942/S. 835

Repeals the student loan single holder provision.

HR 1304

Amends the student interest tax deduction law by making it a tax credit.

HR 1306

The College Opportunity for a better America Act of 2003 provides student loan forgiveness to student loan borrowers who are employed in public service jobs in shortage areas, including teachers, child care workers, nurses, and child welfare workers and replaces the income sensitive repayment provisions in the FFELP to income contingent.

HR 1684

The Student Adjustment Act proposes amend the 1996 Illegal Immigration Reform and Immigrant Responsibility Act and the Immigration and Nationality Act to grant permanent legal residency status to middle school, high school, and college students who are undocumented immigrants who have been in the U.S. for at least five years.

R HR 2211

The Ready to Teach Act proposes to align the teacher training programs in the HEA with those established under 2001's No Child left behind Act (PL 107-110).

Passed by the full House.

HR 2238

The Next Generation Hispanic Serving Institutions bill is the Congressional Hispanic Caucus' HEA Reauthorization legislation. The bill proposes to establish new grant program to promote graduate programs at HSIs.

HR 2504

The Student Loan Fairness Consolidation Act of 2003 proposes to allow student loan borrowers to refinance their consolidated student loan debt consolidated under the current variable rate formula for Stafford loans.

HR 2505

The College Loan Assistance Act of 2003 proposes to allow student loan borrowers to refinance their consolidated student loan debt at a fixed, weighted average rate capped at 6.8%, increase the maximum Pell Grant to \$7,000 in 2004, and repeal the student loan origination fee.

HR 2622/S. 1753

These bills propose to amend the Fair Credit reporting Act (FCRA) to extend preemptions of state credit reporting laws that expire on January 1, 2004, establish new provisions to prevent identity theft, increase consumer access to credit information, improve the accuracy of credit information, and promote financial literacy. The California congressional delegation opposed the bill because it preempts the California state law by requiring consumer opt-in provisions, allows the continued use of SSNs for identification purposes, does not include language that requires consumers to be notified when an adverse credit decision has been made based on information in a credit report or language that allows a consumer to correct incorrect information, and is not tough enough on penalties for identity thieves that use stolen credit information to commit other crimes, e.g., terrorist acts.

Bill is in a House/Senate conference committee.

HR 2711

The Student Loan Fairness Act of 2003 is similar to 2504 and 2505. It proposes to repeal the single holder rule, allow consolidations of consolidated student loans at a variable rate of 2.3 percent plus the 91 Day Treasury Bill rate, capped at 6.8 percent, and also lowers the cap on Stafford and Plus loans 6.8 percent and 7.5 percent.

R HR 2956—Financial Aid Simplification Act

This bill proposes to direct the federal Advisory Committee on Student Financial Aid to conduct another study on ways to simplify the SFA needs analysis process and the FAFSA, and to submit recommendations to Congress.

R HR 3039—Expanding Opportunities in Higher Education

This bill proposes to increase the funding authorizations for all Title IV programs, TRIO, minority serving institutions, GEARUP, and loan forgiveness for student loan borrowers working in public service jobs.

R HR 3076—Graduate Opportunities in Education Act

This bill proposes to reauthorize Title VII of the HEA and adds new language that supports graduate programs that education teachers in K-12 shortage areas, e.g., mathematics, science, English as a Second language, and special education.

Passed by full House.

R HR 3077—International Studies in Higher Education Act

This bill proposes to reauthorize Title VI of the HEA which establishes a program to support postsecondary education programs in international studies for students who wish to pursue careers in international relations and students who wish to become fluent in foreign languages.

Passed by the full House.

HR 3180—College for All Act

This is the House Democrats HEA Reauthorization bill. Included among the bill's provisions are proposals to increase authorized funding levels for all Title IV SFA programs to restore their 1985 buying power; increase funding levels and expand programs that focus on increasing access to postsecondary education for minority students and children of migrant farmers; allow student loan borrowers to reconsolidate their student loan debt with the lender of their choosing; repeal student loan fees paid by the borrower; establish a new program to establish and enhance graduate programs at HSIs; and, increase authorized funding levels for minority serving institutions.

R HR 3311—College Affordability in Higher Education Act of 2003

This bill proposes to place a flexible federal formula cap on the annual increase in the cost of education charged by different types of postsecondary education institutions. The bill also includes a "college affordability experimentation site program" that proposes to provide regulatory relief to institutions that develop and implement "innovative approaches to delivering higher education while increasing college affordability". The bill's effective date is 2008, with actual implementation beginning in 2011.

HR 3384—Student Loan Interest Full Deductibility Act

This bill proposes to remove the annual \$2,500 interest cap and \$65,000 annual income cap from the student loan interest income tax deduction.

R HR 3412—Higher Education Affordability and Equity Act

This bill proposes to repeal the cap on the annual student loan interest income tax deduction, increase the maximum annual income to qualify for the deduction to \$100,000 and \$200,000, increase the annual maximum contribution to education savings accounts to \$5,000, and exclude the amount of gift aid from the income calculation for student financial aid.

HR 3519—College Affordability and Accountability Act

This bill includes similar the provisions as those included in S 1793 concerning encouraging and rewarding state's and institutions to control tuition costs in exchange for increased Pell Grant funds.

R HR 3613—Student Aid Streamlined Disclosure Act

This bill proposes to require income verification for all Pell Grant recipients through a data match with the IRS. The bill is being promoted as a way to use up to \$400 million annually in mistakenly awarded Pell Grant money to ineligible students to award to eligible students.

S 589—Homeland Security Workforce Act

This bill proposes to allow the forgiveness of federal student loan debt up to \$60,000 for borrowers who work in national security positions within the federal government for at least three years.

Passed the Senate.

S 1742

This bill proposes to establish a variable interest rate for consolidation loans and maintain the variable interest rate for regular Stafford loans.

S 1793—College Quality, Affordability, and Diversity Act

This bill is the Senate Democrats' Reauthorization bill. Like the House Democrats' bill, it proposes to increase authorized funding levels for all Title IV programs reaching \$11,600 for the maximum Pell Grant (like HR 3180) by 2009, increase authorized funding levels for Title III and Title V institutions, increase authorized funding for the GEARUP and TRIO programs, increase the tax credit of the Hope Scholarship and Lifetime Learning Credit, repeal the Federal Direct Loan Program (FDLP) loan origination fee, establish financial incentives for institutions that participate in the FDLP, establish a grant program for consortia of institutions that propose programs that reduce the cost of education for students, establish a college cost summit involving the Education Department and representatives from institutions to develop collaborative plans to control college costs, allow reconsolidation of loans made through the FDLP, allow FDLP income contingent loan forgiveness for borrowers who are employed in the public sector, e.g., government, education, law enforcement, etc., and made (while employed in the public sector job) 120 payments through ICR, and reduce subsidies paid by the federal government to FFELP lenders and holders of FFELP loans.

These bills, and related information, will be able to be accessed at:

www.thomas.loc.gov.