

**Information Item**

***Governmental Relations Committee***

Federal Legislative Update

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This tab is included as an informational item. The 109<sup>th</sup> Congressional Session convened on January 4, 2005. Congress has completed assignments to the Senate Health, Education, Labor and Pensions (HELP) Committee and the House Workforce and Education Committee. Additionally, Congress has introduced and begun discussion regarding proposed legislation related to higher education, including Reauthorization of the Higher Education Act (HEA), among others.

On February 2, 2005, the President announced his Fiscal Year 2005 budget which outlines the President's key priorities related to spending.

This update includes information regarding:

- Confirmation of Margaret Spellings as the new Secretary for Education;
- Congressional Assignments to the Senate Health, Education, Labor and Pensions (HELP) Committee ;
- Congressional Assignments to the House Workforce and Education Committee;
- The President's Budget Proposal;
  - Potential Effects on Higher Education; and
- Update on Reauthorization and Legislation Introduced by Congress

***Recommended Action:*** No Action.

***Responsible Staff:*** Mark Grisby, Chief  
Federal Policy and Programs Division

Michael Bolden, Federal Policy Liaison  
Federal Policy and Programs Division

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## FEDERAL LEGISLATIVE UPDATE

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The first year of the 2-year 109<sup>th</sup> Congressional Session convened on January 4, 2005. The Governor has called for a special election to take place on March 8, 2005. The special election will fill the vacancy left with the passing of Representative Robert Matsui (D-CA-5<sup>th</sup>). It is expected that the late Congressman Matsui's wife, Doris Matsui, will represent the 5<sup>th</sup> District of California.

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### GENERAL INFORMATION

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#### ***Congress Confirms Margaret Spellings to Succeed Education Secretary Rod Paige***

On January 20, 2005, the United States Senate confirmed Margaret Spellings as the 8th U.S. Secretary of Education.

Prior to her nomination as the Secretary for Education, Margaret Spellings served as the Assistant to the President for Domestic Policy where she was responsible for the development and implementation of White House policy on education, health, labor, transportation, justice, housing and other elements of President Bush's domestic agenda. Mrs. Spellings also worked for six years as Governor George W. Bush's Senior Advisor with responsibility for developing and implementing the Governor's education policy. She also worked as Associate Executive Director of the Texas Association of School Boards.

#### ***Congressional Assignments to the Senate Health, Education, Labor and Pensions (HELP) and House Education and the Workforce Committees***

Senate HELP and House Education and the Workforce Committee assignments have been completed. There are no members of the State's Congressional Delegation assigned the Senate HELP Committee. However, four members of the State's Congressional Delegation have been assigned to the House Education and Workforce Committee. Please see following pages for a complete list of Congressional Members assigned to these Committees.

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## FEDERAL LEGISLATIVE UPDATE

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### COMMITTEE ON HEALTH, EDUCATION, LABOR AND PENSIONS

UNITED STATES SENATE  
ONE HUNDRED NINTH (109<sup>th</sup>) CONGRESS

*Committee Chairman, Mike Enzi (R-WY)*

REPUBLICAN MEMBERS (10)	DEMOCRAT MEMBERS (9)
<ul style="list-style-type: none"><li>▪ Judd Gregg (NH)</li><li>▪ Bill Frist (TN)</li><li>▪ Lamar Alexander (TN)</li><li>▪ Richard Burr (NC)</li><li>▪ Johnny Isakson (GA)</li><li>▪ Mike DeWine (OH)</li><li>▪ John Ensign (NV)</li><li>▪ Orrin Hatch (UT)</li><li>▪ Jeff Sessions (AL)</li><li>▪ Pat Roberts (KS)</li></ul>	<ul style="list-style-type: none"><li>▪ Edward Kennedy (MA), Ranking Member</li><li>▪ Christopher Dodd (CT)</li><li>▪ Tom Harkin (IA)</li><li>▪ Barbara Mikulski (MD)</li><li>▪ James Jeffords (I) (VT)</li><li>▪ Jeff Bingaman (NM)</li><li>▪ Patty Murray (WA)</li><li>▪ Jack Reed (RI)</li><li>▪ Hillary Rodham Clinton (NY)</li></ul>

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## FEDERAL LEGISLATIVE UPDATE

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COMMITTEE ON HEALTH, EDUCATION, LABOR AND PENSIONS

UNITED STATES SENATE

ONE HUNDRED NINTH (109<sup>th</sup>) CONGRESS

*Committee Chairman, John A. Boehner (R-OH)*

REPUBLICAN MEMBERS (27)	DEMOCRAT MEMBERS (22)
<ul style="list-style-type: none"> <li>▪ Thomas E. Petri (WI) <i>(Vice Chairman)</i></li> <li>▪ <b>Howard P. "Buck" McKeon (CA)**</b></li> <li>▪ Michael N. Castle (DE)</li> <li>▪ Sam Johnson (TX)</li> <li>▪ Mark E. Souder (IN)</li> <li>▪ Charlie Norwood (GA)</li> <li>▪ Vernon J. Ehlers (MI)</li> <li>▪ Judy Biggert (IL)</li> <li>▪ Todd Russell Platts (PA)</li> <li>▪ Patrick J. Tiberi (OH)</li> <li>▪ Ric Keller (FL)</li> <li>▪ Tom Osborne (NE)</li> <li>▪ Joe Wilson (SC)</li> <li>▪ Jon C. Porter (NV)</li> <li>▪ John Kline (MN)</li> <li>▪ Marilyn N. Musgrave CO)</li> <li>▪ Bob Inglis (SC)</li> <li>▪ Cathy McMorris (WA)</li> <li>▪ Kenny Marchant (TX)</li> <li>▪ Tom Price (GA)</li> <li>▪ Luis Fortuño (PR)</li> <li>▪ Bobby Jindal (LA)</li> <li>▪ Charles W. Boustany, Jr. (LA)</li> <li>▪ Virginia Foxx (NC)</li> <li>▪ Thelma D. Drake (VA)</li> <li>▪ John R. "Randy" Kuhl, Jr. (NY)</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>George Miller (CA)**</b> <b><i>(Ranking Minority Member)</i></b></li> <li>▪ Dale E. Kildee (MI)</li> <li>▪ Major R. Owens (NY)</li> <li>▪ Donald M. Payne (NJ)</li> <li>▪ Robert E. Andrews (NJ)</li> <li>▪ Robert C. Scott (VA)</li> <li>▪ <b>Lynn C. Woolsey (CA)**</b></li> <li>▪ Rubén Hinojosa (TX)</li> <li>▪ Carolyn McCarthy (NY)</li> <li>▪ John F. Tierney (MA)</li> <li>▪ Ron Kind (WI)</li> <li>▪ Dennis J. Kucinich (OH)</li> <li>▪ David Wu (OR)</li> <li>▪ Rush D. Holt (NJ)</li> <li>▪ <b>Susan A. Davis (CA)</b></li> <li>▪ Betty McCollum (MN)</li> <li>▪ Danny K. Davis (IL)</li> <li>▪ Raúl M. Grijalva (AZ)</li> <li>▪ Chris Van Hollen (MD)</li> <li>▪ Tim Ryan (OH)</li> <li>▪ Timothy H. Bishop (NY)</li> <li>▪ John Barrow (GA)</li> </ul>

**\*\* California Congressional Delegation**

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### ***The President's FY 2005 Budget and its Potential Affects on Higher Education***

In his State of the Union address, President Bush laid out goals for the future. On February 2, 2005, the President announced his Fiscal Year 2005 budget.

The budget addresses the President's key priorities while restraining overall spending. The budget provides increases towards improving national security and the War on Terror. It also increases funding for key priorities such as economic growth and job creation, education, and affordable health care. Additionally, the budget restrains spending in other areas of government – keeping non-defense, non-homeland security Federal spending growth to less than 1% (less than the rate of inflation) to cut the deficit in half within five years.

Regarding higher education, the President's budget contains implications for Guaranty Agencies and the entire Federal Family Education Loan (FFEL) program community. Below are an overview and highlights of the Presidents budget regarding higher education.

#### Overview

In 2006, the Department of Education will administer almost \$80 billion in grants, loans, and work-study assistance to help students pay for postsecondary education, including \$62 billion in guaranteed and direct student loans and \$13.7 billion in Pell Grants. While these funds help millions of Americans obtain the benefits of college, dramatically higher education costs and the vital role advanced training plays in today's global economy require an even greater investment, especially in Pell Grants to low-income students. To achieve that goal, the President's 2006 request for Student Financial Assistance includes a comprehensive set of proposals to reauthorize the Higher Education Act (HEA), increasing aid to students while improving the effectiveness of the Pell Grant and student loan programs.

#### Highlights

- **Guaranty Agency "G" Fee Provisions.** The President's budget proposes that all guarantee agencies "be required to collect the 1 percent insurance premium, paid by either the borrower or the lender, on all loans disbursed after July 1, 2006
- **Variable Rate.** The pending change from a variable interest rate to a fixed 6.8 percent rate that was to be effective beginning July 1, 2006 would be repealed and the lower-cost variable rate provisions that save borrowers money would be continued.
  - On the other hand, the current provision that allows consolidation loan borrowers to lock in current low interest rates throughout their repayment period would be changed so that consolidation loans would be subject to variable interest rates as well. The budget argues that the high cost of maintaining the current fixed low-interest subsidies for these borrowers was preventing the federal government from using needed funds to invest in grants and other federal aid programs.
- **Exceptional Performer Program.** The President's budget proposes to reinsure guarantee agencies for only 92 percent of the amount they paid in lenders' default claims instead of the current 95 percent reinsurance level. This would add to the drain on the Federal Reserve Fund account and require larger transfers to that account from

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the Student Loan Operating Fund account to maintain minimum Federal Fund reserve requirements.

- **Non-Consolidation Fees.** The President's budget proposes to increase the fee lenders and loan holders are charged for all non-consolidation loans from 50 to 75 basis points and for all consolidation loans from 50 to 100 basis points. Lender margins in the federal loan program have been reduced in each successive reauthorization.
- **Extended Repayment Options.** The budget proposes to provide extended repayment options to FFEL program borrowers. These options are currently available to Direct Lending borrowers.
- **Loan Limits.** Annual borrowing limits would be increased for the first time in decades. The subsidized loan limits would go from \$2,625 to \$3,500 for first-year students, \$3,500 to \$4,500 for second-year students, remain at \$5,500 for upper division students in their third-, fourth, or fifth-years, and annual unsubsidized loan limits would increase from \$10,000 to \$12,000 per year for graduate and professional students in addition to the \$8,500 in subsidized loans these graduate-level students are eligible to borrow.
- **LEAP.** The President's proposed budget would eliminate funding for Leveraged Educational Assistance Partnership grants altogether.
  - In the 2004-05 budget year, California's Cal Grant programs receive \$12.5 million dollars in LEAP program matching federal funds, and any such loss would put a serious strain on preserving adequate Cal Grant funding given the state's strained resources.
  - Proposals to eliminate federal funding for this program have been made numerous times in past Presidential budgets, but so far, at least, these proposals have been rejected by Congress.
- **Robert C. Byrd Scholarship Program.** The President's budget also proposes to eliminate the Robert Byrd Teacher Scholarship Program which would mean a loss of \$5.67 million for California recipients.
- **Retire the \$4.3 billion Pell Grant shortfall while increasing the maximum Pell award by \$100 annually over the next five years, from \$4,050 to \$4,550.** In 2006, the program would provide a record \$13.7 billion in grants to 5.5 million low-income postsecondary students. These proposals would be funded through a combination of mandatory savings and programmatic changes.
- **\$33 million for a new Enhanced Pell Grants for State Scholars program,** which would provide up to an additional \$1,000 to an estimated 36,000 students completing the rigorous State Scholars curriculum in high school.
- **\$50 million for a new Presidential Math-Science Scholars program,** under which the Department of Education would enter into a public-private partnership to award \$100 million annually in grants to low-income math and science students. Approximately 20,000 low-income students who receive Pell Grants would receive these separate, additional awards of up to \$5,000 each.

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- **Substantially increase the amount of Work-Study funds used for community service while making participation voluntary for institutions.** The current 7-percent community service requirement would be replaced by a separate set-aside equal to 20 percent of the Work-Study appropriation.
- **Higher loan limits, lower interest rates, and more flexible and lower-cost repayment options for students** would result from a package of comprehensive student loan reforms proposed as part of the upcoming reauthorization of the Higher Education Act. These reforms would make the student loan programs more efficient, cost-effective vehicles for helping students finance their postsecondary educations, in part through reductions in loan subsidies to financial participants in the Federal Family Education Loans Program.
- **\$11 million for new Loans for Short-Term Training program**, jointly administered by the Departments of Education and Labor, to help dislocated, unemployed, transitioning, or older workers and students to acquire or upgrade specific skills.

### ***Update on HEA Reauthorization and Legislation Introduced by the 109<sup>th</sup> Congress Related to Higher Education***

Federal Policy and Programs Division (FPPD) staff is continuing to monitor developments regarding Reauthorization and other higher education-related issues.

#### Update on HEA Reauthorization

Noting a "budget neutral" economic environment, and that "we can't have all that we want," House Education and the Workforce Committee Chairman John Boehner (R-OH) told higher education officials that his committee intends to complete the Higher Education Act reauthorization this year during a speech at the annual American Council on Education conference in Washington, D.C. on February 15, 2005.

During the speech, Chairman Boehner also stated that "gathering and better utilizing helpful information from colleges and universities is a major part of House Republicans' reform plan" while expressing a desire to reform certain parts of the federal student aid system and work with colleges and universities to achieve mutually beneficial results.

Other areas of interest to Chairman Boehner and other House Republicans include reporting requirements related to the transfer of credit between institutions and increasing loan limits and eliminating origination fees.

Another topic discussed was the competition between the Direct Loan program and the Federal Family Education Loan Program (FFELP). Chairman Boehner stated that "[d]irect loan has never met its targets," and that "anyone who believes the government can do it cheaper than the private sector hasn't been in the private sector for very long." However, Chairman Boehner insisted that he and other lawmakers intend to maintain neutrality on the programs during Reauthorization

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### Legislation Introduced by the 109<sup>th</sup> Congress Related to Higher Education

As Congress prepared for unveiling of President Bush's fiscal year 2006 budget request, lawmakers introduced a host of bills aimed at students, parents, and higher education institutions, for consideration during the forthcoming budget and appropriations debates and in this year's scheduled Higher Education Act reauthorization.

FPPD will continue to monitor and study the legislative proposals that have been introduced and assigned to Committees for debate. Below is a synopsis of the provisions of several key bills introduced that potentially could:

- Strengthen Pell Grants, and funding for the TRIO, FED UP, and GEAR UP programs;
- Permanently shut down excess lender subsidies;
- Simplifying the college aid application process;
- Fairness for non-traditional students;
- Reducing the fees students pay on student loans and updating loan limits;
- Phasing out unfair advantages in campus-based student aid;
- Implementing GAO's recommended changes on loan consolidation;
- Streamlining the financial aid process to make it easier for students and schools;
- Strengthening Minority Serving Institutions;
- Expanding student loan relief for teachers;
- Empowering consumers with access to better information;
- Creating opportunities for graduate study that will improve K-12 education;
- Strengthening international and foreign language studies programs for the post-9/11 era.
- Ensure that all profits from loans made by schools would be used for grant aid for needy college students;
- Require that grant aid derived from loan profits is in addition to and not instead of existing financial aid for students;
- Require competitive bidding for any lender related activities for which a school contracts with outside entities;
- Require schools operating school as lender programs to offer a less costly loan package to students than is permitted under the law;
- Repeal the statute from HEA Reauthorization in 1998 that prohibits individuals with drug/related offense convictions from receiving federal financial aid;
- Make sure the recent tax tables update used in the Federal Need Analysis Methodology does not reduce the amount of aid for which students are eligible; and
  - Place limits on the applicability of the annual updates to the allowance for State and other taxes in the tables used in the Federal Needs Analysis Methodology for the award year 2005-2006, published in the Federal Register on December 23, 2004.