

Information Item

Grants Advisory Committee

Federal Legislative Update

This tab is included as an informational item. Since Congress returned from its summer recess there has been a great deal of legislative activity of interest to the higher education community, much of it related to Hurricane Katrina.

Three bills that address the needs of students and others affected by natural disasters have already been enacted into law. In addition, bills to extend the Higher Education Act of 1965 through December 31, 2005, and the Higher Education Relief Opportunities for Students Act of 2003 through September 30, 2007, have rapidly moved.

This update includes information regarding federal appropriations and higher education, Congressional action regarding the Hurricane Katrina disaster relief efforts, Extension of the Higher Education Act, and other relevant information.

Recommended Action: No action required.

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FEDERAL LEGISLATIVE UPDATE

GENERAL INFORMATION

HOUSE PASSES LABOR-HEALTH AND HUMAN SERVICES (HHS)- EDUCATION APPROPRIATIONS BILL

On June 24, 2005 the House passed a \$602 Billion Labor-HHS-Education (HR 3010) federal fiscal year (FFY) 2006 appropriations bill that adds \$50 to the maximum Pell Grant award, eliminates a controversial subsidy to some student loan providers, and level funds most higher education programs.

The measure includes \$13.38 billion for the Pell Grant program, an increase of \$1 billion, or 8.2 percent, over FY 2005 funding. It also provides a \$50 increase in the Pell Grant maximum grant to \$4,100, half of the amount proposed by the President and recommended in the Congressional Budget Resolution. The bill also includes \$4.3 billion to pay off the shortfall in the Pell Grant program.

Funding levels for select higher education programs include:

- Perkins Loan cancellations funded at \$66.1 million, but no new capital will be added to the loan fund for the second consecutive year. The President's FY 2006 budget proposed to eliminate the Perkins program and to recall the federal portion of revolving funds held by participating institutions.
- Supplemental Education Opportunity Grants (SEOG) flat-funded at \$778.7 million, the same as in the President's FY 2006 budget.
- Federal Work-Study flat-funded at \$990.3 million, the same as in the President's FY 2006 budget.
- TRIO programs flat-funded at \$836.5 million. The FY 2006 budget request proposed to cut funding for the programs by \$467.2 million or 56 percent from the FY 2005 level.
- Funding for both GEAR UP and Leveraging Educational Assistance Partnership (LEAP) funded at FY 2005 levels, \$306.5 million and \$65.6 million respectively. President Bush had proposed to eliminate both programs.
- Funding for the Robert C. Byrd Scholarship Program and the Thurgood Marshall Legal Education Opportunity Program eliminated.

Below is a chart depicting the change in appropriation from FFY 2005 in comparison to the President's budgetary proposal and the House FY 2006 mark.

FEDERAL LEGISLATIVE UPDATE

House Appropriations budget provides minimal hike in student financial assistance

The House Appropriations Committee approved a budget that provides a slight increase in the maximum Pell Grant and restores several higher education programs President Bush had sought to eliminate.

Program	FY05 Enacted	President Bush FY06 Request	House Approp. FY06 Mark	House '06 Mark v. Bush Request
Higher education	\$2.12 billion	\$1.2 billion	\$1.94 billion	+ \$734.6 million
Student financial assistance total	\$14.26 billion	\$15.05 billion	\$15.28 billion	+ \$232.8 million
Pell Grant maximum	\$4,050	\$4,150	\$4,100	- \$50
Pell Grants total	\$12.36 billion	\$13.2 billion	\$13.38 billion	+ \$184 million
Enhanced Pell for State scholars	0	\$33 million	0	- \$33 million
Presidential math and science scholars	0	\$50 million	0	- \$50 million
Perkins Loans capital contributions	0	0	0	0
Perkins Loans cancellations	\$66.13 million	0	\$66.13 million	+ \$66.13 million
SEOG	\$778.7 million	\$778.7 million	\$778.7 million	0
Federal Work-Study	\$990.3 million	\$990.3 million	\$990.3 million	0
TRIO	\$836.5 million	\$369.4 million	\$836.5 million	+ \$467.1 million
GEAR UP	\$306.5 million	0	\$306.5 million	+ \$306.5 million
LEAP	\$65.6 million	0	\$65.6 million	+ \$65.6 million
Byrd Scholarships	\$40.67 million	0	0	0
Thurgood Marshall Legal Opp. Program	\$3 million	0	0	0

CONGRESS CONSIDERS KATRINA FUNDING AND FINANCING PROPOSAL

With the aftermath of Hurricane Katrina and the impending arrival of Hurricane Rita, Congress struggled all week to determine how best to develop the third and largest (to date) emergency supplemental spending bill.

The Louisiana delegation put forth a request for an additional \$250 billion to restart and rebuild the economic fabric of the region. The Republican Study Committee (RSC) put forward a plan, titled "Operation Offset," that outlines federal programs they feel should be eliminated or reduced to pay for the Katrina relief effort. Most of the cuts have been proposed either by the Congressional Budget Office (CBO) in its routine list of possible deficit reduction measures, or were included in the President's budget proposal. The likelihood of these being enacted is considered slim, although some cuts are certainly possible. One of the programs proposed both by the Administration (FY 2006 Budget Proposal in February 2005) and the RSC is elimination of the Leveraging Educational Assistance Program (LEAP).

According to the RSC, the LEAP program helps states provide matching grants for needy college students is no longer necessary since almost all states operate programs far larger than the federal contribution. The RSC projects savings of \$722 million over ten years (\$345 million over five years).

FEDERAL LEGISLATIVE UPDATE

Senators Tom Coburn (R-KY) and John McCain (R-AZ) announced a plan that would pay for Katrina relief by delaying or reducing entitlement spending, limiting growth of domestic programs over the next several years, rescinding current and rejecting future earmarked spending and agreeing in full to the \$20 billion in program eliminations that the Administration had requested in its budget to Congress in February. Democrats have voiced support for delaying tax cuts or implementing targeted tax increases to cover the cost of disaster relief.

The Administration sent its own education request to Capitol Hill that included \$2.5 billion for affected schools in the region. Included in this request was \$227 million for higher education issues including loan forgiveness and \$1,000 payments to schools accepting displaced students. As part of the request is a controversial inclusion of \$7,500 per displaced child, delivered in the form of vouchers to both private and public schools receiving students.

Though none of these proposals were met with much praise, it all points out the growing concern in Congress about the cost of hurricane relief. The Congressional leadership also worked out an agreement for a six-week continuing resolution (CR) that must be adopted by October 1st to keep the government operating. That CR guarantees funding for all programs at the lower level approved in either a House or Senate drafted bill for FY2007. Programs eliminated in one bill or the other would be guaranteed funding at the FY2005 level.

HOUSE AND SENATE PASS CONTINUING RESOLUTION FOR APPROPRIATIONS

Passing the House on a 348-65 vote and the Senate by voice vote, the House and Senate passed a seven-week continuing resolution (CR), H.J. Res. 68 (Lewis, R-CA), on September 30th for several appropriations bills.

A CR is needed because current FY2005 funding expired at the end of the 2005 federal fiscal year (September 30th). The CR, which expires November 18th, provides funding for the Labor, Health and Human Services (HHS) and Education appropriations bill at the lower of either FY2005 levels or the House FY2006 bill. The Senate Labor-HHS-Education bill is not considered because it has not passed the full Senate. If a program is zeroed out in the House appropriations bill (HR 3010), then it receives FY2005-equivalent funding for the length of the CR.

PRESIDENT BUSH SIGNS HIGHER EDUCATION RELIEF BILLS FOR STUDENTS IMPACTED BY HURRICAN KATRINA

In September, President Bush signed two bills proposed by House Republicans to allow the Secretary of Education to waive financial aid repayment requirements for students impacted by natural disasters. The two bills were the Pell Grant Hurricane and Disaster Relief Act (HR 3169) and the Student Grant Hurricane and Disaster Relief Act (HR 3668). A brief description of both bills is below:

- HR 3169, the "Pell Grant Hurricane and Disaster Relief Act," gives authority to the Secretary of Education to waive repayment of Pell Grants by students residing in, employed in, or attending an institution of higher education in a major disaster area. Students may also

FEDERAL LEGISLATIVE UPDATE

qualify for the repayment waiver if their attendance was interrupted due to the impact of a natural disaster, if their withdrawal ended within the academic year when the disaster occurred or during the next succeeding academic year.

- HR 3668, the "Student Grant Hurricane and Disaster Relief Act," authorizes the Secretary of Education to waive requirements for Federal student grant repayments if student withdrawals from institutions of higher education are due to major disasters.

Current regulations require Pell Grant recipients who are forced to withdraw from classes as a result of a natural disaster to repay any Pell Grant funds used toward school-related expenses. If the grants are not repaid, recipients are barred from enrolling in future classes.

On September 30, 2005, the U.S. Senate Friday approved the Natural Disaster Student Aid Fairness Act, legislation that waives institutional matching requirements for the Federal Work-Study, Supplemental Education Opportunity Grants (SEOG), and Perkins Loan funds for affected institutions that participate in these programs during the 2005-06 academic year and provides the Secretary of Education the authority to re-allocate campus-based aid program funds to institutions directly impacted by Hurricanes Katrina and Rita. It is estimated that the bill would provide colleges with up to \$36 million in additional federal financial aid to support affected students. The bill awaits signature from President Bush.

HIGHER EDUCATION ACT EXTENSION PASSED

During late September 2005, the U.S. Senate approved HR 3784, the "Higher Education Extension Act of 2005," legislation to extend programs under the Higher Education Act of 1965 through December 31, 2005. Sponsored by House Education and the Workforce Committee Chairman John Boehner (R-OH), the bill was approved as amended from a six-month to a three-month extension. This shortened extension puts pressure on Congress to move forward with HEA reauthorization this year.

With the September 30th midnight deadline looming, President Bush signed CR H.J, Res. 68, diverting a government shutdown and providing FY2006 funding through November 18, 2005. Pending higher education legislation also signed include the extension of the Higher Education Relief Opportunities for Students (HEROES) Act (HR 2132); the Higher Education Extension Act of 2005 (HR 3784); and the Assistance for individuals with Disabilities Affected by Hurricane Katrina or Rita Act of 2005 (HR 3864).

STUDENT FINANCIAL AID SIMPLIFICATION

A one-year study mandated by Congress in January 2004, conducted by the Advisory Committee on Student Financial Assistance, has culminated in legislation that would simplify student aid forms and processes for all families if implemented. The Committee's report, *"The Student Aid Gauntlet"* received bipartisan backing from members of the House Committee on Education and the Workforce during its markup of the Higher Education Act. Many of the recommendations in the report were included in an amendment offered by Reps. Buck McKeon

FEDERAL LEGISLATIVE UPDATE

(R-CA), Tim Ryan (D-OH), and John F. Tierney (D-MA) that was agreed to by a unanimous voice vote.

Congress charged the Advisory Committee to conduct the short-turnaround study to identify ways in the current reauthorization to streamline the financial aid system and make it easier, more responsive, and fairer for students and families. Eight of the report's ten recommendations were cost-neutral, meeting the study's major challenge of identifying improvements that did not require increases in program costs including creating a paper "EZ FAFSA" and expanding eligibility for simplified financial aid forms for low-income students to improve the financial aid process for all families.

The Advisory Committee will continue to provide assistance to Congress as student aid simplification is revisited by the full House during debate on reauthorization later this fall. Advisory Committee recommendations have also garnered bipartisan support in the Senate.

THOUSANDS OF DRUG OFFENDERS DENIED AID, ACCORDING TO GOVERNMENT ACCOUNTABILITY OFFICE (GAO) REPORT

The Government Accountability Office (GAO) released a report examining a federal law that denies financial aid to college students who have been convicted of drug crimes, finding that between 17,000 to 41,000 students were denied federal student aid each year from 2001 to 2004.

Highlights from the report found that 17,000 to 23,000 students were disqualified from receiving Pell Grants in each of the four academic years, worth \$41-million to \$54-million, and that 29,000 to 41,000 were denied federal student loans, totaling \$100-million to \$164-million in denied aid.

The provision examined refers to the Solomon-Souder amendment to the Higher Education Act introduced in 1998 by Rep. Mark Souder (R-IN). This legislation provided the prohibition of ex-drug offenders receiving federal student aid.

The House is considering legislation based on the requests of Reps. Robert S. Scott (D-VA) and Bobby L. Rush (D-IL).

The report: "Drug Offenders: Various Factors May Limit the Impacts of Federal Laws That Provide for Denial of Selected Benefits," can be accessed at <http://www.gao.gov/new.items/d05238.pdf>.