The Year Ahead: 2015-16

No doubt many of you are gearing up for summer, perhaps celebrating a graduation. At NASSGAP, our member agencies are getting ready for the 2015-16 academic year (AY), and making sure our constituent students are able to access and succeed in their postsecondary education plans. While lots of exciting things are happening in the states, here’s an update on what’s happening in Washington DC that will affect the upcoming school year and beyond.

Changes in Federal Student Aid for 2015-16

Generally the changes for 2015-16 are good news for students: the Pell grant maximum increased by $45 to $5775, and federal education loan interest rates drop by 0.35%. Interest rates for loans first disbursed from July 1, 2015 through June 30, 2016 will carry rates as follows:

- Stafford loans – 4.29%
- Grad PLUS – 5.84%
- Parent PLUS – 6.84%

The origination fees on these loans will also drop a little bit; the new Stafford fee is 1.068% and for all PLUS loans the fee is 4.272%.

While Perkins loans will still be available for eligible students in 2015-16, the program is not authorized beyond September 30, 2015. All loans awarded for the upcoming AY must have a first disbursement date no later than September 30. While Perkins awards can be made to new borrowers for the upcoming AY, only those borrowers whose first Perkins loan was disbursed for the 2014-15 AY or prior are eligible for additional Perkins loans in AY 2016-17 and beyond – and only as long as they remain at the same institution and enrolled in the same program of study.

The Supplemental Educational Opportunity Grants and College Work-Study programs continue to be funded for 2015-16.

Federal Fiscal Year (FFY) 2015 and 2016 Budgets

The 2015 FFY budget funds programs through September 30, and because higher education programs are “forward funded”, higher education programs
have funding to cover the 2015-16 AY. While the President has submitted a FFY 2016 budget to Congress, and the House and Senate have passed a budget resolution, there is little common ground between the two budgets relative to higher education. In addition to needing to pass a FFY2016 budget no later than September 30, Congress will need to increase the debt ceiling, as the US Treasury will be bumping up against the debt ceiling this fall as well. The actual debt ceiling was hit in March, but Treasury uses “extraordinary measures” – and April tax receipts – to extend the debt ceiling deadline into the fall.

Reauthorization
While multiple hearings continue to take place, and many “marker” bills are introduced, reauthorization of the Higher Education Act (HEA) will likely not move forward until an update to the Elementary and Secondary Education Act (ESEA) is enacted. A “marker” bill is a way for a Senator or Representative to identify their priorities for reauthorization and to circulate legislative language for comment prior to negotiating language in the actual reauthorization bill.

In the Senate, Senator Lamar Alexander (R-TN), a former governor, college president, and Secretary of Education, is Chairman of the Senate Health, Education, Labor & Pensions Committee; with Senator Patty Murray (D-WA), a former school teacher, serving as the Ranking Member. Their backgrounds certainly have them well prepared for reauthorizing both the ESEA and the HEA.

In the House, Rep. John Kline (R-MN) continues as the House Education & Workforce Committee chair, with Rep. Bobby Scott (D-VA) as the new Ranking Member.

Areas of potential or apparent bipartisan consensus on HEA reauthorization include FAFSA simplification and perhaps moving to “prior-prior” year (i.e., awards for the 2015-16 AY would be based on the family’s 2013 income, not the current methodology of using 2014 income) for aid award calculations, restoring year-round Pell, and improving and expanding federal direct loan counseling for students and parents. But the Congressional Budget Office scored prior-prior as having a significant cost, so it’s not clear if or when that might move. Senator Alexander’s simplification agenda also includes moving to one grant and one loan (Pell and unsubsidized Stafford, respectively). Unless the savings from eliminating the SEOG, subsidized Stafford and Perkins loan programs are rolled into other federal student aid programs, it is difficult to see this proposal passing the Senate and being signed by the President.

Some believe that the US Department of Education is authorized, under current law, to move to prior-prior year for the FAFSA, but at this point, that’s not likely to happen before 2016-17 AY at the earliest.

Enjoy your summer!