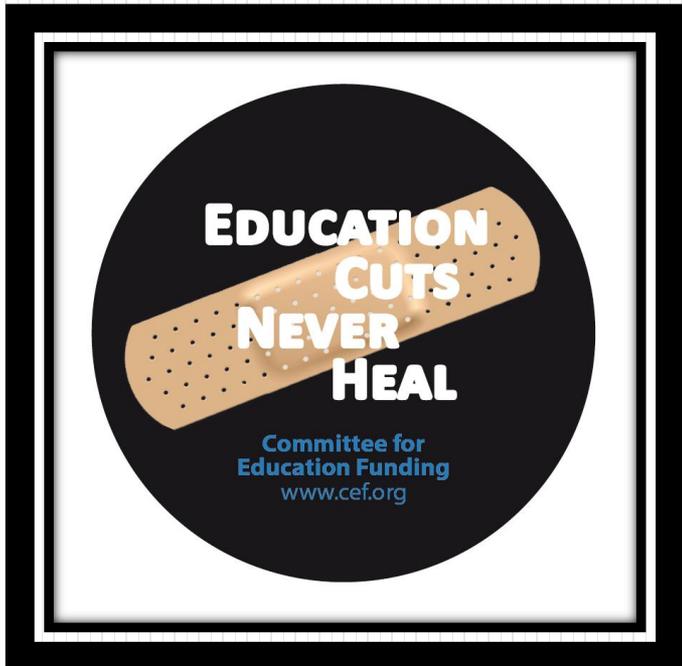


FEDERAL EDUCATION FUNDING



Caps, Cuts, Sequesters and Shutdowns

Joel Packer, Executive Director
The Committee for Education Funding
Jpacker@cef.org



Committee For Education Funding

- The Committee for Education Funding (CEF) is the oldest and largest education coalition.
- We represent 111 national organizations and institutions from PreK through graduate education including NASSGAP.
- For more information: www.cef.org
- Follow us on Twitter: www.twitter.com/edfunding



Trench Warfare!

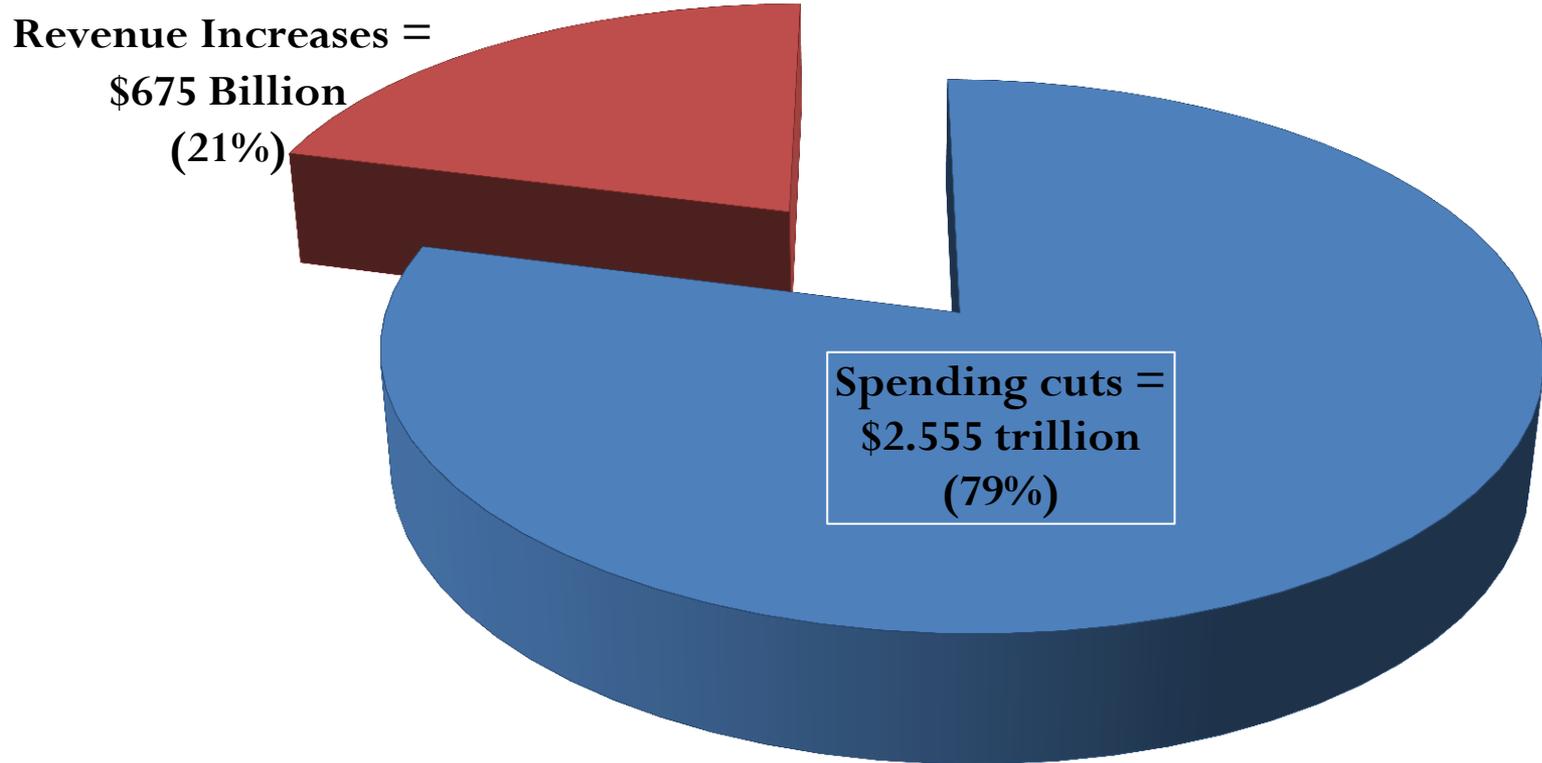
- Since January 2011 Republicans and Democrats have had multiple battles over the budget and deficit.
- Republicans are opposed to any revenue increases.
- Liberal Democrats are opposed to entitlement cuts
- Education and other nondefense programs have borne the brunt of the cuts.



Deficit Reduction

4:1 Spending Cuts v. Revenues

Spending Cuts Including Sequestration Versus Revenue Increases FY 2011-23



FISCAL YEARS 2011/2012

\$1.5 BILLION IN CUTS



Final FY 11 and 12 Appropriations

- **FY 11 cut ED (other than Pell) by \$1.2 billion.**
 - Teacher Quality grants cut 16%, Career/Tech grants cut 11%, ED tech eliminated
 - LEAP and Byrd eliminated and cuts to GEAR UP and TRIO.
- **FY 12 total ED funding cut by \$233 million.**
 - All programs cut by 0.189% across-the-board cut.
- Both FY 11 and FY 12 maintained the Pell maximum award of \$5,550.



Pell/Student Aid Cuts Enacted

- Eliminated the in-school interest subsidy for graduate student loans and for the six-month grace period for undergrads;
- Limited to 150% of program length the period an undergrad can receive a subsidized Stafford loan;
- Eliminated the summer Pell grant and reduced to 12 the number of semesters a student can receive a Pell grant;
- Eliminated ATB eligibility and made it more difficult for some low-income students to automatically qualify for the maximum Pell grant; and
- Cut eligibility for the minimum award.

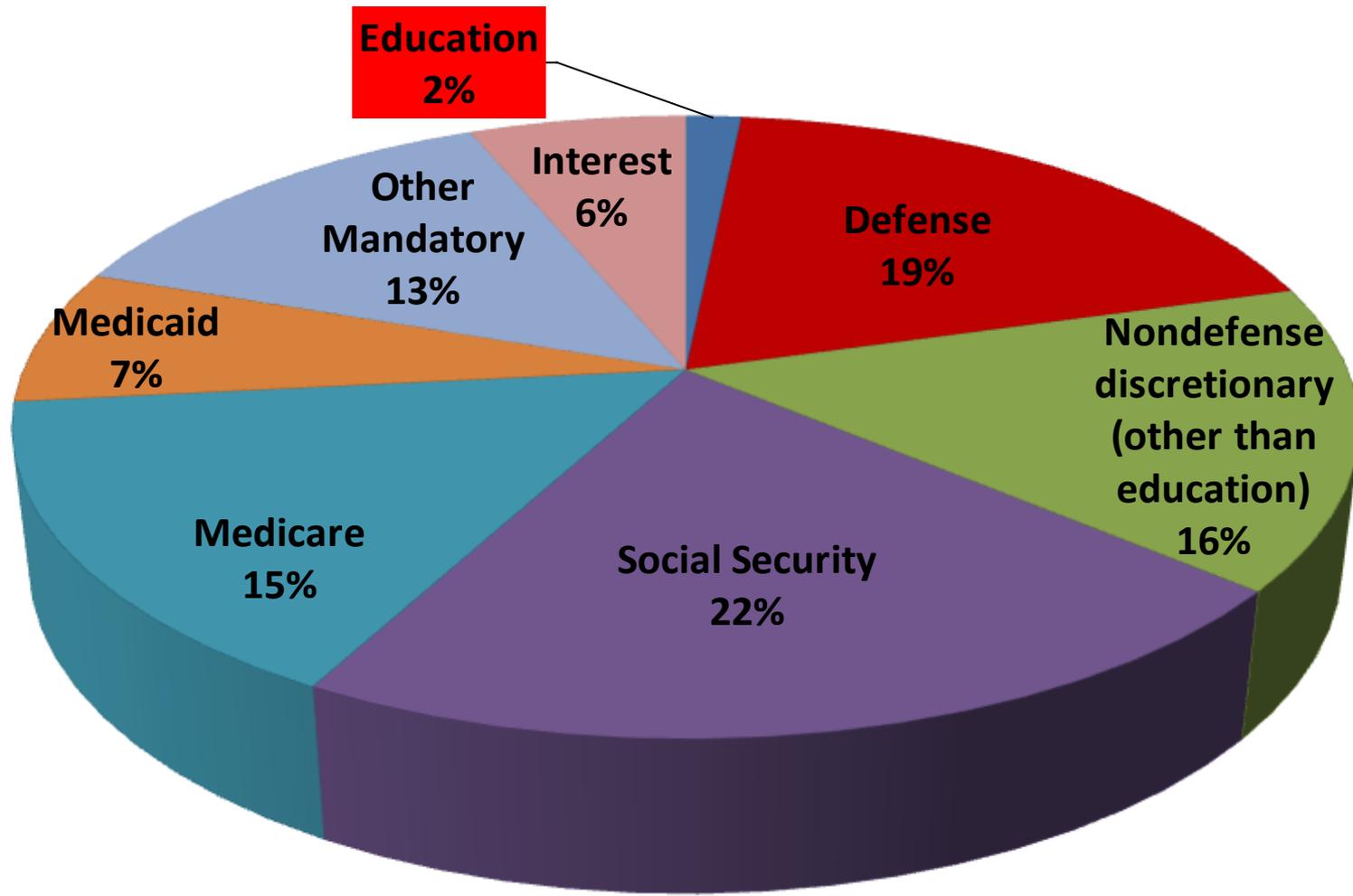


Pell/Student Aid Cuts Enacted

- College students contributed \$4.6 billion out of their pockets to deficit reduction.
- 145,000 students lost their Pell grant.
- 2013 Bipartisan Student Loan Certainty Act shifts another \$715 million over ten years from federal government to students/parents.
- FY 2013 sequester added \$82 million in fees to direct loans.
- FY 2014 sequester added another \$211 million.
- Total costs to students/parents = \$5.6 billion!



Fiscal Year 2012 Outlays



FISCAL YEAR 2013

**LARGEST EDUCATION
CUTS EVER!**

The Budget Control Act

How small will the box be?





Caps and Cuts

- BCA set in law discretionary caps for ten years (FY 12-FY 21).
 - Reduced spending by \$900 billion over ten years.
- Supercommittee failure triggered sequestration.
 - \$1.2 trillion in automatic cuts between FY 13-21; 50% from defense, 50% from nondefense
- FY 13 cuts started on March 1.
 - However, other than Impact Aid and Head Start, education cuts started in 2013-14 school year.



Sequestration =

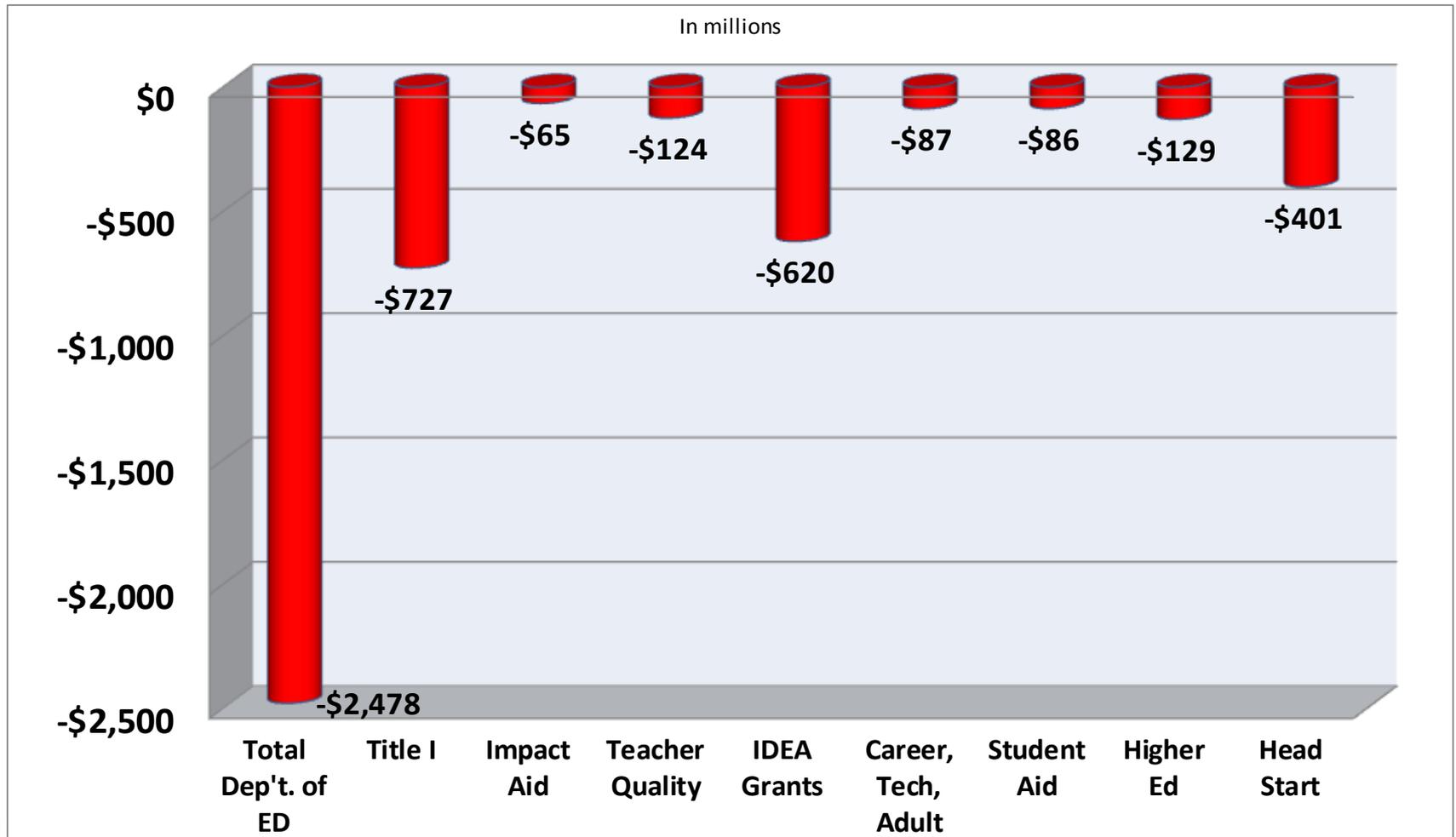
Largest Education Cuts Ever!



- FY 13 = fixed percentage across-the-board (ATB) cuts.
 - NDD cut is 5% = \$2.5 billion from ED.
 - SEOG/CWS cut \$86 million.
 - Student Aid Administration cut \$71 million.
 - **Loan origination fees increased by 5.1%.**
 - **Pell grants exempt from across-the-board cuts.**
- FY 14-21 - not supposed to be ATB cut; further lowers discretionary caps.
 - Squeezes education \$; Pell no longer exempt.
 - Loan origination fees increased 7.2%
- If Congress breaches caps will have another ATB cut (Pell exempt from that).



FY 13 Impact of Sequestration





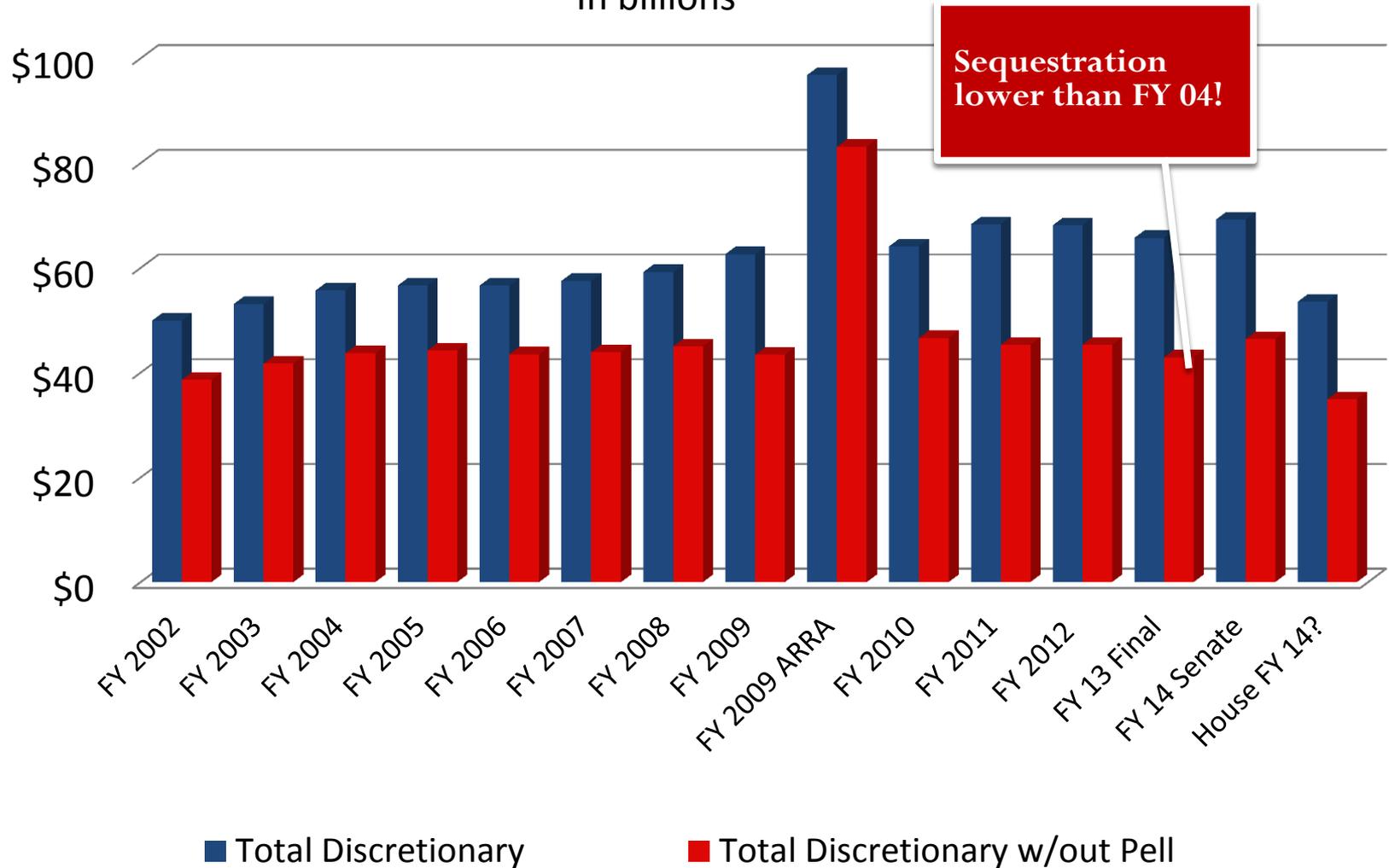
FY 13 CR

- Continuing Resolution extended for Labor-HHS-Education at FY 12 levels.
- New ATB cut of 0.2%.
- Then sequester cuts applied.
- **Final FY 13 = cut of 5.23%.**
- **Final ED non-Pell grant funding now lower than in FY 04.**



Education Department Funding

In billions



FISCAL YEAR 2014

**CONGRESS MUST REPLACE
THE SEQUESTER!**



FY 14 Budget: Dueling Visions

- FY 14 Budget - House Budget by Chairman Ryan (R-WI) passed on party line vote.
- **More than doubles the sequester cuts to nondefense discretionary (NDD) programs.**
 - Cuts NDD funding by \$1 trillion over ten years.
 - Cuts student aid and shifts mandatory Pell to discretionary side.
 - Consolidates ESEA and job training programs.



FY 14 Budget: Dueling Visions

- Senate Budget by Chairman Murray (D-WA) also passed on party line vote.
 - Repeals sequester
 - Increases revenue by \$900 billion.
 - Includes strong support for Head Start, expansion of high-quality pre-K, strongly supports Title I and IDEA and continued investments in literacy, STEM, and career and technical education programs.
 - Eliminate student loan fee increases, retains subsidized loans and flexible repayment programs, and facilitates passage of legislation to prevent student loan interest rates from doubling.



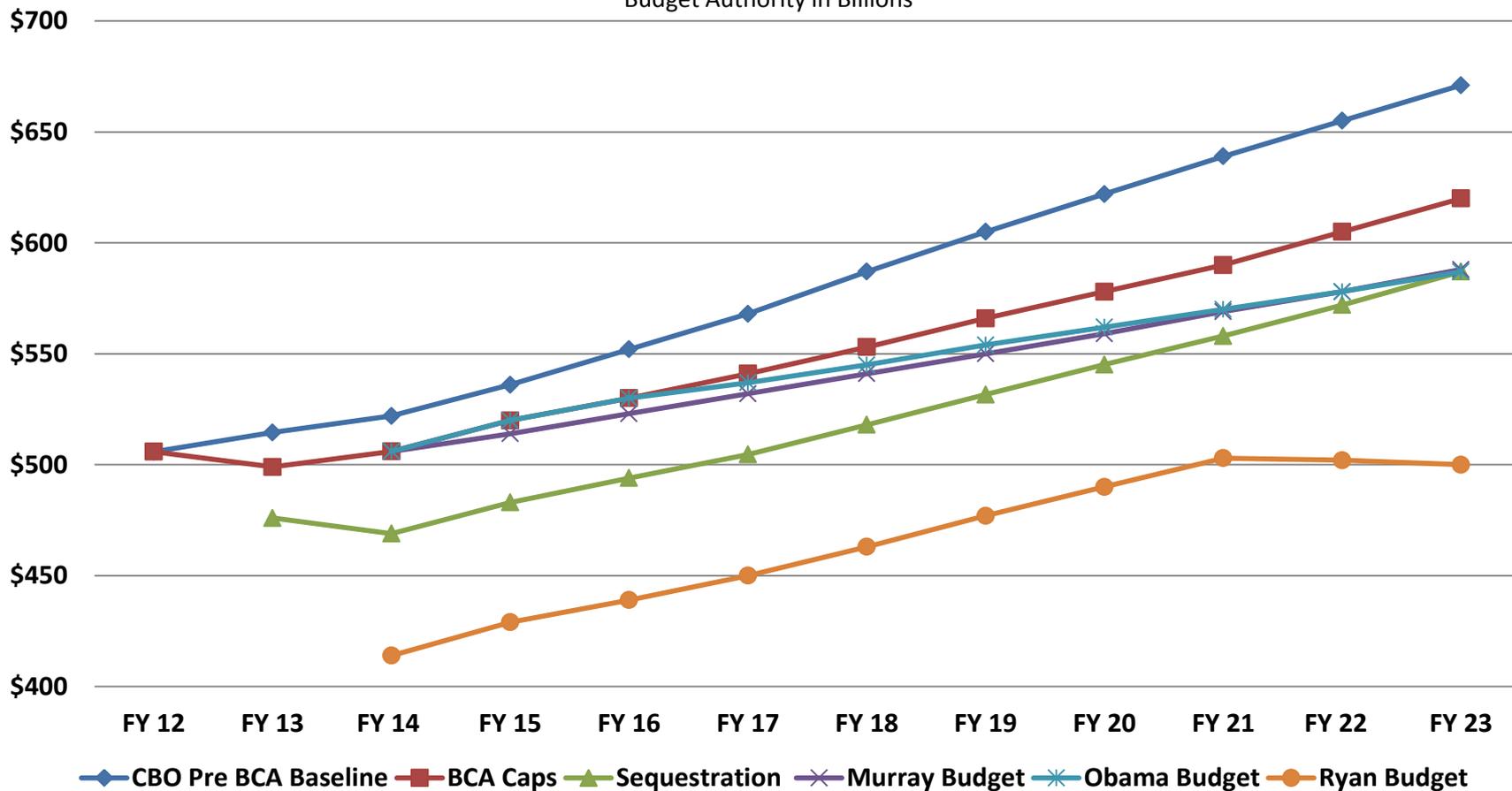
The President's FY 2014 Budget

- Repeals the sequester.
- Raises \$600 billion in revenue.
- Includes some mandatory cuts.
- **The discretionary budget for ED = \$71.2 billion, a \$3.1 billion increase over FY 12, or \$5.5 billion over FY 13.**
- Biggest increase is \$1 billion for proposed new Race to the Top – College Affordability and Completion



House Budget Cuts Nondefense Discretionary Funding Below Sequestration

Budget Authority in Billions





FY 2014 Appropriations

- Based on different Budgets, the Appropriations Committees worked from different allocations for NDD:
 - Senate = \$506 billion
 - House = \$414 billion (12% below sequester level!)
- House only passed 4 bills, Senate passed none.



Senate Labor-HHS-ED

- Senate Appropriations Committee in July reported S.1284 (Senate Report 113-71).
- Increases ED discretionary by \$3.5 billion (+5.4%) over post-sequester level.
 - +1.2 billion (+1.8%) over pre-sequester FY 13.
- Early Childhood Education was big winner – increase of \$2.4 billion.
- New \$250 million Higher Ed Race to the Top



House 302(b) Allocations

- **Labor-HHS-ED cut by 18.6% BELOW sequester level – quadruples the sequester cuts!**
- Allocation is 22.4% below the FY 13 CR pre-sequester level.
- House failed to introduce or markup a bill.
- If all programs cut by equal %, examples of cuts:
 - ED Total = \$12.2 Billion
 - Pell grants = \$4.2 billion
 - SEOG = \$129 million
 - CWS = \$172 million



Government Shutdown!

- Congress is in complete gridlock. The House version extends FY 13 CR levels (including the sequester cuts) through 12/15. Various versions defund or delay Obamacare.
- Senate has voted three times to strip those provisions, shorten length to November 15.
- Current CR = \$986 billion. FY 14 sequester cap = \$967 billion. If CR extended will result in new sequester cut at end of the year – all on the defense side.



Government Shutdown!

- Tentative bipartisan Senate plan would extend current FY 13 CR through January 15.
- If unchanged would lock in sequester cuts for another year.
- Raises debt ceiling through February 7, 2014.
- House trying to add Obamacare changes.



Debt Ceiling

- Treasury said it will run out of cash tomorrow, unless the debt ceiling is raised.
- Failing to raise the debt ceiling will result in higher interest rates for student loans and ever longer delays in payments for education programs including student aid.



Questions?

