



September 2012 Federal Update

The House and Senate are currently on August recess and will not return until September 10th.

Prior to the recess, Congressional leaders agreed on a six-month funding plan for the federal government, which will begin on October 1st, the first day of fiscal year 2013, and lasts through March 2013. Funding will be consistent with last summer's Budget Control Act (BCA). This action has raised concerns because the House has passed a budget that is \$19 billion below the BCA level of \$1.047 trillion. Under the six-month funding plan, programs will be largely level funded unless sequestration happens in January. It is also likely that the continuing resolution will be brought to the floor for consideration in September.

Senate Labor, Health and Human Services, and Education (LHHS-ED) pass FY 2013 Budget Plan

LHHS-ED passed their appropriations bill by a vote of 8 to 6. The bill is funded at \$6.8 billion less than FY 2012 levels and makes significant cuts to a number of areas. Overall, higher education's funding cut is approximately \$60 million, which is less severe than what was proposed under the Ryan House budget. Senate leadership has announced that they will not consider appropriations bills before the end of the fiscal year (Sept. 30th) making it likely that Congress will need to pass a continuing resolution for FY 2013 appropriations. House Republican leadership has indicated that they are open to passing an omnibus extension at levels set by the Budget Control Act of last year in order to avoid funding battles right before the November elections.

Under the bill, Pell grants and student aid were largely safe from vast reductions: the Pell Grant maximum award under the bill is \$5,635 (an automatic statutory increase) with no apparent changes in eligibility.

Programs that experienced cuts include the Obama Administration K-12 proposals and parts of the Workforce Investment Act adult and dislocated worker programs. Programs under the Employment and Training Administration were cut by \$269 million, including the elimination of the Workforce Innovation Fund. There were a number of policy riders added to the bill, including language that strips authority from the U.S. Department of Education to implement regulations dealing with Gainful Employment, defining credit hour, and intervening with statutory authorizations for distance education.

Sequestration Details Released

After significant pressure from Congress and advocates, the White House gave more details on what sequestration will look like if lawmakers cannot find a way to avoid the automatic across-the-board cuts by January 2013. The Administration continues to call for Congress to pass legislation that would avoid sequestration altogether, but if sequestration does happen the Congressional Budget Office (CBO) has estimated that it would cut approximately 7.8% of the U.S. Department of Education's budget. U.S. Secretary of Education, Arne Duncan, stated that such cuts would "put at risk all that we've accomplished in education and weaken programs that help children." Education advocates have predicted that the cut could translate to tens of thousands of job losses. The Pell Grant program would be exempt from sequestration.

Gainful Employment Regulations

The U.S. Department of Education has issued a statement that provides additional guidance in relation to the Gainful Employment court ruling which established the 35 percent repayment rate as arbitrary, and hence invalid. The Department has issued the following guidance in relation to the court decision:

- Institutions are not required to submit gainful employment reports for the 2011-12 award year.
- Institutions may voluntarily submit corrections to previously reported gainful employment information. The National Student Loan Data System was updated in late July of 2012 to make it easier for institutions to update previously reported gainful employment information.
- Institutions do not have to provide the Department with the 90-day notice of intent to offer a new gainful employment program.

New Online Tool helps Students manage Loan Debt

The Department of Education launched a new online tool for students to manage their loan debt. The Financial Awareness Counseling Tool provides students with five interactive tutorials covering topics from avoiding default to managing budgets. Students will be able to access their personal loan history and get personalized feedback on what their financial obligations are. College financial aid professionals will also be available to monitor student's progress and provide personal assistance, if necessary.

Department of Education releases additional guidance on Executive Order 13607

The Department of Education released additional guidance to institutions regarding the implementation of Executive Order (EO) 13607, Establishing Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members. Initially, the deadline was July 1st, but it was extended until August 1st as institutions were wary to sign up without more guidance. The Department has clarified the EO through Q&A's based on the inquiries they received on a number of areas such as standardized cost form, Federal aid information, aggressive and fraudulent recruiting, individual education plans, and academic point of contacts. They have also released the standard cover sheet for financial aid.

New "Shopping Sheet" Released

In late July the U.S. Department of Education and Consumer Financial Protection Bureau unveiled their new "shopping sheet" which will standardize information that institutions send to prospective students regarding financial aid. The shopping sheet will include for each student: total costs of enrollment broken down into tuition, housing, books and transportation; grants and scholarships broken down by type; the school's overall graduation, loan default, and median borrowing rates, in addition to loan options. Participation is voluntary, but institutions who wish to sign into the Establishing Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses, and Other Family Members must also agree to implement the shopping sheet.

GAO Report Captures Disabled Students Struggle in Transitioning to Higher Education

A new Government Accountability Office (GAO) report released this week shed light on the challenges students with disabilities face accessing federally funded transition services and the lack of coordination between federal agencies that offer such services. The report found that individuals with disabilities have an unemployment rate of 15.2%, nearly double the rate of those without disabilities. The report found that the key challenges disabled students face are lack of preparedness for higher education or employment, difficulty navigating multiple programs that are not always coordinated, possible delays in services as they move to adult transition programs, limited access to transition services, and lack of adequate information of available programs.