The Torch

August 12, 2011

A bi-weekly report from the Coalition of Higher Education Assistance Organizations

COHEAO News

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- **Free Webinar for COHEAO Members August 26!**
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  The House and Senate passed, and the President signed, legislation to increase the borrowing authority of the federal government on August 2.
- **The Members of the Joint Select Committee on Deficit Reduction (AKA "The Super Committee")**
  Leadership named the twelve members of the Joint Select Committee on Deficit Reduction this week.
- **New CRS Report on Pell Grants**
  The Congressional Research Service issued a new report on Pell Grants this month.
- **Warren for Senate?**
  Numerous Capitol Hill based publications are indicating that former presidential advisor and Consumer Financial Protection Bureau organizer Elizabeth Warren is "taking steps" toward a Massachusetts Senate run.
- **New Staff Changes in Key Offices**
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- **ED Provides Info on Liquidation and Assignment of Perkins Funds**
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  Moody's Analytics issued a report last week, "Student Lending's Failing Grade
- **Ed Sector Unveils the "Borrowing to Credential Ratio"**
  Education Sector recently announced a new measure for an ever-elusive task in higher education--measuring institutional quality--the "borrowing-to-credential ratio."
- **New Study: Though Other Factors Important, College Degrees Continue to Offer Financial Benefits for Individual, Economy**
  Georgetown's Center on Education and the Workforce and the Lumina Foundation released a new report on the value to the individual of a bachelor's degree.

Attachments

- **Board of Directors**
- **COHEAO Commercial Members**
- **CEF Budget Control Act Summary**

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COHEAO would like to think all of the 2011 Mid-Year attendees. If you need a copy of a presentation or other materials from the conference, please email Wes Huffman (whuffman@wpllc.net).

For those who were unable to make the conference, the presentations and other materials from the conference will be posted on the new and improved COHEAO website, which will officially launch on August 26. In the meantime, if a certain session caught your attention, but you were unable to attend the meeting, please feel free to contact Wes for more information.

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The webinar is free for COHEAO members, but you must register beforehand. Please click on the following link to register: https://www3.gotomeeting.com/register/378254646

With school and Congress starting back up in the fall, this free webinar will offer Harrison's take on what to look for in terms of higher education, student aid, and student loans for the rest of the year. As you will see in today's edition of *The Torch*, the new deficit "super committee" is taking shape and will begin work on developing plan that may have a lasting impact on the federal student aid programs.

COHEAO Vice President Maria Livolsi will also highlight some of the new features of the new COHEAO website. Maria previewed the website at the Mid-Year Conference and it will officially go "live" on the 26th.

The Congress

Debt Deal Reached Just Prior to Deadline

The House and Senate passed, and the President signed, legislation to increase the borrowing authority of the federal government on August 2. Included in the final agreement are provisions related to Stafford Loans and the Pell Grant Program.

Below please find a summary of the student aid provisions in the debt ceiling bill. This information is taken from the official CBO cost analysis of the bill. The full CBO document may be found online: http://www.cbo.gov/ftpdocs/123xx/doc12357/BudgetControlActAug1.pdf

> *Pell Grants.* *The bill would directly appropriate $10.0 billion for fiscal year 2012 and $7.0 billion for fiscal year 2013 for Pell grants. Those funds would be used to supplement funding for the portion of the Pell Grant program that is funded through annual discretionary appropriations. CBO estimates that this provision would increase direct spending by $17.0 billion over the 2012-2015 period (with no impact on outlays after*

2015).

<u>Student Loans</u>. As required under the Federal Credit Reform Act of 1990, most of the costs of the federal student loan programs are estimated on a net-present-value basis. The bill would make two changes to the student loan programs. CBO estimates those changes would reduce direct spending by $9.6 billion over the 2012-2016 period and $21.6 billion over the 2012-2021 period. The legislation would:

<u>Eliminate the subsidized loan program for graduate students.</u> Beginning July 1, 2012, the bill would eliminate the interest subsidy on subsidized student loans for almost all graduate students while a borrower is in school, in the post-school grace period, and during any authorized deferment period. (Certain post-baccalaureate students would still be eligible.) The current annual and cumulative loan limits for unsubsidized loans would be adjusted to permit students to borrow additional funds in the unsubsidized loan program. CBO projects that, over the 2012-2021 period, the provision would shift approximately $125 billion in loan volume from the subsidized to the unsubsidized loan program. Because borrowers would be responsible for the interest accrued on those loans while in school, CBO estimates that this provision would reduce direct spending by $8.2 billion over the 2012-2016 period and $18.1 billion over the 2012-2021 period.

<u>Eliminate loan repayment incentives</u>. Beginning July 1, 2012, the bill would terminate, with one exception, the Secretary of Education's authority to make incentive payments to borrowers to encourage the on-time repayment of their federal loans. Specifically, the bill would eliminate the Secretary's authority to offer a partial rebate of the origination fee but would still allow the current interest rate reduction for borrowers who agree to repay their loans through electronic debiting.

Because borrowers would effectively pay a higher upfront origination fee, CBO estimates this provision would reduce direct spending by $1.4 billion over the 2012-2016 period and $3.6 billion over the 2012-2021 period.

The law provides much needed funds for the Pell Grant Program, but even with the elimination of the in-school interest subsidy, $24.2 billion in discretionary funds will need to be appropriated for the program in 2012 and 2013 to maintain current eligibility requirements and award levels.

In addition to the initial student aid provisions shoring up Pell Grants by eliminating this subsidy, there is no doubt education programs (both P-12 and higher education) will be impacted by this proposal. The special joint commission with equal representation from both parties and both chambers will be looking at every agency, including the Department of Education, for significant cuts to include in its final proposal.

A summary and timeline for the Budget Control Act of 2011, prepared by the Committee for Education Funding, is include as a special attachment with today's special edition.

In the end, the bill passed on a bipartisan basis in both the House and Senate. It passed 269-161 in the House and 74-26 in the Senate.

- Additional information on the final vote in the House, including a full roll call and party breakdown, is available online: http://clerk.house.gov/evs/2011/roll690.xml
- Additional information on the final vote in the Senate, including a full roll call and party breakdown, is available online: http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=112&session=1&vote=00123

The Members of the Joint Select Committee on Deficit Reduction (a.k.a. "The Super Committee")

Leadership named the twelve members of the Joint Select Committee on Deficit Reduction this week. Observers are skeptical about the chances of this committee to agree on anything, given the vast political differences between the members. On the other hand, if the committee is able to come up with a recommendation, it will be impossible for the left or the right of the Congress to say they weren't part of the negotiations. The full list of members is below:

SENATE

- **Patty Murray** (D-WA) - co-chair; Senate Democratic Conference Secretary; member of Budget, HELP and Appropriations Committees [See: Joint Statement by Senators Murray, Baucus and Kerry on Joint Committee Appointments]
- **Max Baucus** (D-MT) – Chair, Finance; former member of the National Commission on Fiscal Responsibility and Reform (Simpson-Bowles Commission– voted against report)
- **John Kerry** (D-MA) - member, Finance Committee
- **Jon Kyl** (R-AZ) – Senate Minority Whip; member, Finance Committee
- **Pat Toomey** (R-PA) – member, Budget Committee [See: Sen. Toomey Issues Statement On Super Committee Selection]
- **Rob Portman** (R-OH) - member, Budget Committee [See: Portman Statement on Appointment to Joint Select Committee on Deficit Reduction]

HOUSE

- **Jeb Hensarling** (R- TX) - co-chair; Chairman of the House Republican Conference; former member of the National Commission on Fiscal Responsibility and Reform (Simpson-Bowles Commission– voted against report)
- **Dave Camp** (R- MI) – Chair, Ways and Means; former member of the National Commission on Fiscal Responsibility and Reform (Simpson-Bowles Commission– voted against report)
- **Fred Upton** (R-MI) – Chair, Energy and Commerce; former member of the National Commission on Fiscal Responsibility and Reform (Simpson-Bowles Commission – voted against report)
- **James E. Clyburn** (D-SC) – Assistant Democratic Leader
- **Xavier Becerra** (D-CA) – member, Ways and Means; former member of the National Commission on Fiscal Responsibility and Reform (Simpson-Bowles Commission– voted against report)
- **Chris Van Hollen** (D-MD) - Ranking Member, Budget [See: Van Hollen Statement on Joint Select Committee Appointment]

The Super Committee is charged with developing and approving a plan to reduce the deficit by $1.2-$1.5 trillion over the next 10 years by November 23. The committee is co-chaired by Rep. Hensarling and Sen. Murray and must convene its first meeting by September 16.

New CRS Report on Pell Grants

The Congressional Research Service issued a new report on Pell Grants this month. The new report stays away from concrete policy suggestions, instead providing background information on the operations of the program and recent legislative changes. We would recommend this report as an excellent resource for anyone interested in the recent history and future of the Pell Grant program. If you would like a copy, please email whuffman@wpllc.net. An excerpt from the report is below:

> *The Pell Grant program recently experienced substantial increases in program costs—largely due to legislative changes that have led to increased benefits for more students, increases in the number of students enrolling in college and applying for Pell Grant aid, and a weakened economy. Consequently, these factors contributed to annual funding shortfalls in four of the last five years from FY2007 to FY2011.*
>
> *Many of the issues concerning the Pell Grant program that confront Congress include potential challenges associated with funding the program, both in the short term and the long term. Additional mandatory funding provided in the BCA may alleviate the need for additional substantial discretionary appropriations in FY2012 and FY2013, although additional funding may still be required in order to maintain the current eligibility parameters of the program in FY2012. As a long-term strategy, Congress could consider ways to change the distribution of overall benefits by targeting aid to the most needy students or by revising the program's award rules and eligibility parameters.*

Warren for Senate?

Numerous Capitol Hill based publications are indicating that former presidential advisor and Consumer Financial Protection Bureau organizer Elizabeth Warren is "taking steps" toward a Massachusetts Senate run. One such step was a blog post on an influential liberal blog in the Bay State, the *Blue Mass Group*. In relevant part, Warren's post reads:

> *Last week, my role setting up the consumer agency ended. My husband and I packed up the car and made it back to our home of 17 years in Massachusetts.*
>
> *I left Washington, but I don't plan to stop fighting for middle class families. I spent years working against special interests and have the battle scars to show it – and I have no intention of stopping now. It is time for me to think hard about what role I can play next to help rebuild a middle class that has been hacked at, chipped at, and pulled at for more than a generation—and that that is under greater strain every day.*
>
> *In the weeks ahead, I want to hear from you about the challenges we face and how we get our economy growing again. I also want to hear your ideas about how we can fix what all of us – regardless of party – know is a badly broken political system. In Washington, I saw up close and personal how much influence special interests have over our law-making, and I saw just how hard it is for families to be heard. I want to hear your thoughts about how we can make sure that our voices – our families, our friends, and our neighbors — are heard again.*
>
> *We have a lot of work to do in our commonwealth and our country. We need to rebuild our economy family by family and block by block. We need to create new jobs and to fix our broken housing market.*
>
> *We need to make sure that there is real accountability over Wall Street and that the greed and recklessness that created the last financial crisis do not create the next one. We need to restore the hope of a secure retirement and the promise of a good education. We need to stop measuring our*

economy by profits and executive compensation at our largest companies and start measuring it by how many families can stand securely in the middle class.

I am glad to be back home. And I'm looking forward to discussing with you what we can accomplish together.

Warren's post is available online: http://bluemassgroup.com/2011/08/coming-home/

New Staff Changes in Key Offices

In recent weeks, there has been turnover in several key Congressional offices.

Most notably, Luke Swarthout has left the Senate HELP Committee to pursue graduate studies at Princeton. Spiros Protopsaltis now serves as the top higher education advisor for Chairman Tom Harkin on HELP.

In other committee staff news, Allison Perkins Cohen left the Senate Labor-HHS-Education Appropriations Subcommittee. Robin Juliano is moving from HELP to Senate Appropriations to take over that position.

In the personal offices, Stacey Wong, Sen. Daniel Akaka's (D-HI) top staffer on financial education issues, has stepped down from his position to attend law school in Colorado. Erika Moritsugu is now the point person in Sen. Akaka's office on financial education. Additionally, Lexi Barrett, Sen. Dick Durbin's (D-IL) legislative assistant for education issues, is leaving his office to go the Department of Education. Barrett will be working on K-12 issues at ED.

The Administration

ED to Convene Meeting on Financial Aid Award Letters

The Department of Education announced it will be convening a public meeting on September 13 to discuss "model financial aid offer forms," otherwise known as award letters. The meeting is all day (9:00 am-4:00 pm) on September 13 at the Department's Office of Postsecondary Education offices at 1990 K Street, NW in Washington, DC.

Below is the background on the meeting, as published in the *Federal Register:*

Section 484 of the HEOA, Public Law 110-315, requires the Secretary to convene a group to make recommendations to improve financial aid offer forms. The group must include students, families of students, secondary school guidance counselors, representatives of institutions of higher education (including financial aid administrators, registrars, and business officers), and nonprofit consumer groups.

The group's meeting will be held on September 13, 2011, from 9:00 a.m. to 4:00 p.m. at the U.S. Department of Education, 1990 K Street, NW., Eighth Floor Conference Center, Washington, DC 20006. We will conduct an overview and a panel discussion on financial aid award offer letters and related issues during the morning session. We will randomly separate attendees into small groups for the afternoon session. All attendees will be invited to participate in a small group discussion.

Each small group will be given a set of questions to discuss. Results from the small group meetings will be reported to participants to conclude the public meeting.

We encourage persons interested in attending and participating in the meeting to register by 5:00 p.m. on September 7, 2011. Register by sending an e-mail to ModelAidOffer@ed.gov. The e-mail should include the *name, address, telephone, and e-mail contact information for the individual, as well as the constituency or interest group that the individual represents. We will accept walk-in registrations to the extent space permits.*

II. HEOA Requirements for Model Financial Aid Offer Form

The HEOA requires that the recommendations for improving the model financial aid offer form present the following material in a consumer-friendly manner that is simple and understandable:
(1) Information on the student's cost of attendance, including tuition and fees, room and board costs, books and supplies, and transportation.
(2) The amount of financial aid that the student does not have to repay, such as scholarships, grants, and work-study assistance, offered to the student for such year, and the conditions of such financial aid.
(3) The types and amounts of loans under part B, D, or E of title IV of the Higher Education Act of 1965, as amended, for which the student is eligible for such year, and the applicable terms and conditions of such loans.
(4) The net amount that the student, or the student's family on behalf of the student, will have to pay for the student to attend the institution for such year, equal to--
(A) The cost of attendance for the student for such year; Minus.
(B) The amount of financial aid described in paragraphs (2) and (3) that is offered in the financial aid offer form.
(5) Where a student or the student's family can seek additional information regarding the financial aid offered.
(6) Any other information the Secretary of Education determines necessary so that students and parents can make informed student loan borrowing decisions.

III. Proposed Issues for Discussion

We propose that answers to the following questions be used to develop recommendations for improving the model financial aid offer form:
(1) What is the most important change to improve financial aid offer letters?
(2) How can we make clear the bottom line cost that the student must pay?
(3) How can we ensure that the student understands what is included in the cost of attendance?
(4) How can we help the student clearly identify ``free'' (grant and scholarship) money?
(5) Would it be useful to offer additional details on an accompanying information sheet to maintain a comprehensible format?

The full *Register* notice is available online:
http://www.ifap.ed.gov/fregisters/FR072911ImprovementofStudentFinancialAidOfferForms.html

ED Provides Info on Liquidation and Assignment of Perkins Funds

The Department of Education issued multiple electronic announcements on the liquidation of a Perkins fund on an individual campus.

One announcement provided background information and reminders on the process for liquidating a campus fund and assigning accounts to the Department. It is available online:
http://ifap.ed.gov/eannouncements/080511CBPerkinsLiquidationAssignmentProc.html

The second electronic announcement announced the creation of a new inbox for liquidation issues, perkinsliquid@ed.gov. According to that announcement, "The specific purpose of the

perkinsliquid@ed.gov mailbox is for communication between schools and the Department's Perkins Liquidation Team concerning the Perkins Loan portfolio liquidation process." The full announcement is available online:
http://ifap.ed.gov/eannouncements/080511FederalPerkinsLoanPrgmLiquidationEmailAddress.html

Technical Update on Disability Discharges

FSA provided a technical update for Perkins Loan administrators this week. A new loan code, "VA", has been added to NSLDS. The "VA" code is for a discharge based on documentation from the Department of Veterans Affairs indicating the borrower is unemployable due to a service connected disability.

Unlike the standard disability discharge process, the separate process for certain veterans does not include a post-discharge monitoring period.

Additional information is available online: http://ifap.ed.gov/nsldsmaterials/PK201101TechUpdate.html

Industry News

NASFAA Issues Survey on Importance of ACA

NASFAA released a survey of its members on the administrative cost allowance (ACA) in the Pell Grant and campus-based programs. The top three areas ACAs supported in 2009-10 were

- Staff salaries (44% of Pell ACA institutions; 43% of campus-based ACA institutions),
- Office supplies and equipment (43% Pell; 37% CB), and
- Office travel to financial aid meetings and/or training (35% Pell; 32% CB).

A majority of the financial aid administrator respondents indicated their school would be "moderately" or "greatly" affected if administrative cost allowances for federal financial aid were eliminated. According to the survey, ACA is particularly important for public institutions. More than half of public four-year schools indicated their institution was heavily reliant on the funds.

The $5 per grant ACA in the Pell Grant program has been a target in recent deficit reduction discussions. The most notable example being the Simpson-Bowles Deficit Reduction Commission, which proposed to eliminate the payments in the Pell Grant program, arguing the schools were already receiving benefits from the revenues provided for by Pell.

"Elimination of the ACA would have a detrimental impact on the financial aid offices that serve our nation's postsecondary students," states NASFAA in the survey summary. "We urge lawmakers to consider its importance and necessity as they make difficult budgetary choices."

The survey is available online: http://www.nasfaa.org/EntrancePDF.aspx?id=6298

Law Schools Face Increasing Scrutiny

With allegations that are very similar to those surrounding the ongoing debate on for-profit colleges, the increased scrutiny facing law schools was apparent on multiple fronts this week. Another set of schools was sued by students over misrepresenting job-placement data, Sen. Charles Grassley (R-IA) continued his inquiry on the accreditation practices of the American Bar Association, and an anonymous law professor's blog that is highly critical of the legal academia gained further notoriety this week.

Early in the week, Grassley announced he had written the ABA seeking additional information due to its "inadequate response" to his initial inquiry. Grassley wrote to the ABA on July 11, citing a news report that the organization was out of compliance with 17 regulations that the federal Department of Education requires accreditation agencies to meet. In its response, a 67 page memo, the ABA said a more restrictive approach to accreditation would be in violation of Department of Education regulations. In the second letter Grassley asks how "more restrictive accreditation standards would 'deny access to the legal profession' and would violate the law." He also notes the influence of academics on the ABA committees on accreditation asking, "Has the ABA taken any steps to make these panels more representative of the legal profession as a whole in order to minimize the appearance of a conflict of interest in favor of accrediting more law schools to create more jobs in academia?"

On Wednesday news of another lawsuit for law schools broke. The plaintiffs — attendees of the Thomas M. Cooley Law School and the New York Law School -- seek monetary damages and suggest their suit is "to remedy a systemic, on-going fraud that is ubiquitous in the legal education industry and threatens to leave a generation of law students in dire financial straits." The two schools have denied the charges, with Thomas M. Cooley going as far as to file a defamation suit against the plaintiffs' attorneys, but the media coverage of the complaint tended to stay away from the merits of the specific case, instead suggesting it points to a larger problem with transparency in job and income data for prospective students and the "value proposition" of law school.

Additionally, the on-line trade publication *Inside Higher Ed* reported on the "Inside the Law School Scam" blog and the anonymous professor behind it. IHE's article says:

> *Another unemployed lawyer blog probably wouldn't attract much attention, but these "scam" bloggers have been abuzz about the latest arrival on their blogrolls: a blog sharing many of their points of view, but written by a tenured law professor.*
>
> *"I can no longer ignore that, for a very large proportion of my students, law school has become something very much like a scam," says the introductory post of the blog,* ***Inside the Law School Scam.*** *"Yet there is no such thing as a 'law school' that scams its students -- law schools are abstract social institutions, not concrete moral agents. When people say 'law school is a scam,' what that really means, at the level of actual moral responsibility, is that law professors are scamming their students." The professor has gone on in subsequent posts to describe his law faculty colleagues as overpaid, and as inadequate teachers. "The typical professor teaches the same classes year after year. Not only that -- he uses the same materials year after year. I'm not going to bother to count -- this is law school after all, and we don't do empirical research -- but I bet that more than half the cases I teach in my required first-year course were cases I first read as a 1L 25 years ago. After all I use the same casebook my professor used. I even repeat some of his better jokes (thanks Bill)," says* ***one post.***

Aside from the direct response to Grassley, the ABA has been relatively silent on these matters. However, the organization does acknowledge the problem of student loan debt.

At its annual meeting, in addition to passing resolutions it hopes will improve transparency on salary and job placement data, the organization passed a resolution that "urges Congress to enact legislation that assists individuals who are experiencing financial hardship due to excessive levels of student loan debt." The top recommendation: "Extending federal student-loan repayment terms and federal student-loan programs to individuals who borrowed from commercial lenders to fund their education in whole or in part." It goes on to suggest establishing programs that have already been created for federal loans, such as income-based repayment or public service loan forgiveness.

- The complaint against Thomas M. Cooley School of Law and New York Law School is available online: http://www.kurzonstrauss.com/uploads/Thomas_M._Cooley_Complaint_11-cv-00831.pdf
- Additional information on Sen. Grassley's follow up letter to the ABA is available online: http://grassley.senate.gov/news/Article.cfm?customel_dataPageID_1502=36215
- The ABA resolution on student debt is available online: http://www.abajournal.com/files/111a.pdf
- *Inside Higher Ed* coverage of the "Inside the Law School Scam" blog is available online: http://www.insidehighered.com/layout/set/print/news/2011/08/09/tenured_law_professor_aims_to_expose_the_excesses_of_his_profession

Moody's Bearish on Student Loans, Gives Market "Failing Grade"

Moody's Analytics recently issued a report, "Student Lending's Failing Grade." As the title would indicate, it offered a pessimistic view on the student lending marketplace. Below is an excerpt from the executive summary:

> *The long-term outlook for student lending and borrowers remains worrisome. Unlike other segments of the consumer credit economy, student loans have not demonstrated much improvement in performance despite some improvement in the broader economy. Origination volumes have remained elevated and are projected to continue to grow with rising demand. However, there is increasing concern that many students may be getting their loans for the wrong reasons, or that borrowers—and lenders—have unrealistic expectations of borrowers' future earnings. Unless students limit their debt burdens, choose fields of study that are in demand, and successfully complete their degrees on time, they will find themselves in worse financial positions and unable to earn the projected income that justified taking out their loans in the first place.*
>
> *Fewer people may pursue higher education should the returns fall and the required debt burdens continue to rise. The implications for the macroeconomy of a decline in higher education enrollment are twofold. In the short run, weaker demand for educational services would be a drag on consumption, at a time when the economy continues to suffer from a shortfall in aggregate demand. Longer term, a less educated workforce would necessarily be less productive, putting the U.S. at a disadvantage relative to other countries.*

If you would like a copy of the full report, please email **whuffman@wpllc.net**.

Ed Sector Unveils the "Borrowing to Credential Ratio"

Education Sector recently announced a new measure for an ever-elusive task in higher education--measuring institutional quality--the "borrowing-to-credential ratio."

For each college, authors Kevin Carey and Erin Dillon have taken newly available U.S. Department of Education data showing the total amount of money borrowed by undergraduates and divided that sum by the total number of degrees awarded. Among the new report's findings:

- Nationwide, the overall borrowing-to-credential ratio has risen sharply in recent years. The average amount of student debt needed to produce a degree in America is increasing rapidly. In 2006–07, students borrowed $13,334 for every credential earned. In 2007-08, that amount rose to $14,560, a 9 percent increase. In 2008–09 it rose by another 24 percent to $18,102.

- There are significant differences among the various sectors of higher education. the average ratio at public four-year universities was $16,247. At private nonprofit colleges and universities, it was $21,827. For-profit universities, by contrast, produced $43,383 in debt for every degree.

- Some elite colleges and universities are making good on their pledge to help low- and middle-income students graduate without major financial burdens. The average debt for a Princeton graduate, for example, is $2,385. The borrowing to debt ratio at New York University, however, is $25,886—exceeding that of some for-profit colleges.

While some (particularly the authors) view the report as an exciting new way to measure colleges against one another, others questioned the sole use of student debt as a metric.

"If you think about it, they could go no-loans and have just a few low-income students; or they could have students borrow some reasonable amount and have many more low-income students. They would look much worse on this measure, but they would be doing something better for low-income students," Sandy Baum of the College Board told *Inside Higher Ed*.

Additional information on the report is available online:
http://www.educationsector.org/publications/debt-degree-new-way-measuring-college-success

New Study: Though Other Factors Important, College Degrees Continue to Offer Financial Benefits for Individual, Economy

Georgetown's Center on Education and the Workforce and the Lumina Foundation released a new report on the value to the individual of a bachelor's degree. The report is designed to refute recent claims, which are starting to come from unexpected people and places, that federal aid and loan policies have created a "higher education bubble" and questioning the value of a degree.

According to the study, individuals with a bachelor's degree now make 84 percent more over a lifetime than those with only a high school diploma, up from 75 percent in 1999. Today, bachelor's degree holders can expect median lifetime earnings approaching $2.3 million. By comparison, workers with just a high school diploma average roughly $1.3 million, which translates into a little more than $15 per hour.

Going beyond the simple bachelor's vs. high school diploma debate, the report also delves into other variations, such as type of degree and race and gender. While the study is meant to trumpet the importance of higher education, it also shows the variation within majors and programs as well as the importance race and gender continue to hold over an individual's lifetime earnings.

"On average, people with more education and higher attainment make more than people with less education," said Anthony P. Carnevale, the Center's director and co-author of the report. "But, major and occupation matter just as much as degree level. For example, 28 percent of people with an Associate's degree make at least as much as the average Bachelor's degree holder—mostly due to occupational choice."

In addition, race and gender are "wild cards that can trump everything else" in terms of earnings according to Carnavale. For instance, according to the study, a male dropout can (on average) expect to earn roughly as much as a female with a bachelor's degree.

Though the report generally received praise for digging deeper on the relative value of a degree issue, some questioned the 84 percent "premium" the study placed on a college degree, arguing many of the same skills that allow a student to attend, matriculate, and graduate from college are the same skills that make them valuable in the workforce. Though Carnavale acknowledged the importance of other factors, such as choice of major and occupation, supporters of the study state it is further evidence of the importance of higher education for individuals and the broader economy.

“The vast majority of new jobs require higher skills and if you don’t have a college degree, your chances of being in the middle class are visibly diminished,” said Jamie P. Merisotis, president and chief executive officer of Lumina.

Additional information on the report is available online: **http://cew.georgetown.edu/collegepayoff/**

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Committee for Education Funding

Budget Control Act Timetable and Summary

August 8, 2011
(revised)

- Upon enactment (8/2/11), new statutory caps on discretionary spending are set in law for the next ten fiscal years (FY 2012-FY 2021) that result in an aggregate reduction in discretionary spending of $840 billion in Budget Authority compared to CBO's adjusted March 2011 baseline. For FY 12, the aggregate total of $1.043 trillion is $7 billion below the final FY 11 Continuing Resolution level. The FY 13 level of $1.047 trillion is $3 billion below FY 11.

  The Act established for FY 12 and FY 13 separate caps (firewalls) for "security" spending (which is newly defined to include the Departments of Defense, Homeland Security, Veterans Affairs, the National Nuclear Security Administration, the intelligence community management account and all accounts in Budget Function 150 (international affairs) and "nonsecurity" spending. The cut to security spending in FY 11 is roughly $4 billion, while the cut to nonsecurity is roughly $3 billion.

- 8/2/11: Under the authority in the Act, the President submitted a certification to Congress that the debt is within $100 billion of the debt limit which authorizes the Secretary of the Treasury to issue an additional $900 billion of debt. The first $400 billion occurs automatically upon the submission of the certification. The additional $500 billion is made available unless a Congressional resolution of disapproval is enacted within 50 calendar days of the submission (9/21/11). If the resolution of disapproval passes both the House and Senate, the President can veto it; Congress can attempt a veto override.

- Upon enactment $10 billion in mandatory funding is provided to the Pell grant program for FY 12 and an additional $7 billion is provided in FY 13. With this additional funding, the FY 12 Pell "shortfall" will be $1.3 billion (see chart at end). This increased funding is "paid for" with reductions in student loan expenditures (see below for details).

- As soon as practicable, the Chair of the Senate Budget Committee must report allocations (302(a) allocations) for FY 11 and FY 12 to the Appropriations Committee based on the new discretionary caps set forth in the Act and for FY 11, FY 12, FY 12-16 and FY 12-21 for other Senate committees consistent with the March 2011 CBO baseline. [Note: there is no explicit authorization for the House to establish new 302(a) allocations.]

- Not later than 14 days after enactment (August 16): The House Speaker, House Minority Leader, Senate Majority Leader and Senate Minority Leader each appoint three members to the Joint Select Committee on Deficit Reduction (the Joint Committee). Also by that date the Speaker of the House and the Senate Majority Leader each must name a co-chair of the Joint Committee from among the Committee members.
    - The co-chairs are authorized to hire a staff director.

- Not later than 45 days after enactment (September 16): The Joint Committee shall hold its first meeting.
    - The Co-Chairs must provide an agenda to joint committee members at least 48 hours in advance of any meeting. [Note: the Act does not require that meetings of the joint committee be open to the public.]
    - The Joint Committee may hold hearings. It must announce not less than 7 days in advance the date, time, place and subject matter of any hearing.
    - Written statements of any witnesses must be submitted at least 2 days before the hearing.

- Between 10/1/11 and 12/31/11: Both the House and Senate must vote on a Balanced Budget Constitutional Amendment. [The details of such amendment are not specified.]

- Not later than 10/14/11: House and Senate Committees may submit to the Joint Committee recommendations for deficit reduction.

- Not later than 11/23/11: The Joint Committee shall vote on a report including findings, conclusions, recommendations, a CBO estimate and legislative language designed to achieve at least $1.5 trillion in deficit reduction over the period FY 2012 - FY 2021.

- Any CBO estimates must be available at least 48 hours prior to a vote of the Committee.

- Not later than 12/2/11: If the Joint Committee approves a report and legislative language by a majority vote of at least seven members, it must submit the report and the legislative language to the President, the House and the Senate.

- Not later than 12/9/11: Any standing House committee to which the Joint Committee's report has been referred must report it without amendment. By this same date any Senate Committee to which the Joint Committee's report has been referred must report it without amendment with either a favorable, unfavorable or no recommendation to the Senate.

- Not later than 12/23/11: Both the House and Senate must vote up or down without amendment on the report of the Joint Committee.

- 1/15/12: Unless a Joint Committee bill achieving at least $1.2 trillion in deficit reduction is enacted by this date, the discretionary caps are revised for FY 12 - FY 21. While the total discretionary funding level remains the same, the caps are divided between a "revised security category" which includes just Budget Function 050 (as compared to the broader definition of "security" used in the initial establishment of the caps) and a "revised nonsecurity category" which is everything else. Thus, firewalls would be set in place for ten years.

- Expected early in 2013: After the debt limit is increased by $900 billion, if the President submits a certification to Congress that the debt is within $100 billion of the debt limit the Secretary of the Treasury is authorized to issue an additional $1.2 trillion of debt. This amount will be increased to $1.5 trillion if a balanced budget amendment to the Constitution has passed both the House and Senate and been submitted to the states. If the joint select committee bill is enacted which achieves a reduction in the deficit greater than $1.2 trillion, the borrowing authority will be increased by that amount up to $1.5 trillion. The additional borrowing authority is made available unless a Congressional resolution of disapproval is enacted within 15 calendar days of the submission. If the resolution of disapproval passes both the House and Senate, the President can veto it; Congress can attempt a veto override. (See below for sequestration process if at least $1.2 trillion of deficit reduction is not enacted.)

- Not later than 4/15/12: The Chair of the Senate Budget Committee must report allocations for FY 12 and FY 13 to the Appropriations Committee based on the new discretionary caps set forth in the Act and for FY 12, FY 13, FY 13-17 and FY 13-22 for other Senate committees consistent with the March 2012 CBO baseline.

- 7/1/12: The in-school interest exemption for graduate and professional student loans is eliminated for new loans incurred on or after this date. In addition the Secretary of Education's authority to provide incentives for on-time repayment of loans is terminated on this date. CBO estimates that these two changes result in ten-year budget savings of $21.6 billion. Thus, after $17 billion is provided for Pell grants, a net of $4.6 billion from student loan savings is used for deficit reduction.

- 1/2/13: If Congress has not adopted the joint committee's report to reduce the deficit by at least $1.2 trillion, sequestration of both defense and non-exempt domestic programs will occur as calculated by OMB and ordered by the President.

  If Congress adopts deficit reduction of less than $1.2 trillion, the sequester shall make up the difference. If the total $1.2 trillion must be accomplished by a sequester, the actual dollar amount of the sequester will be $984 billion (the rest occurring through reduced interest payments).

  The sequester will be equally divided for each of nine years (FY 13 - FY 21), so the yearly dollar reduction of the sequester will be $109.3 billion, with 50% of that amount sequestered from defense accounts in Function 050 and the other 50% from non-exempt domestic discretionary and mandatory spending programs, with a limitation of no more than a 2% reduction to Medicare by reducing provider payments.

  The list of exempt programs is contained in Section 255 of Balanced Budget and Emergency Deficit Control Act (BBEDCA) and special rules are contained in Section 256. Both of those sections have been amended by the Statutory Pay-As-You-Go Act of 2010.

  Included among exempt programs that are of interest to the education community are:
    - Child Nutrition Programs (with the exception of special milk programs)
    - Children's Health Insurance Fund
    - Federal Pell Grants

  There is also a special rule for computing sequestration for student loans:

- "For all student loans under part B or D of title IV of the Higher Education Act of 1965 made during the period when a sequestration order under section 254 is in effect as required by section 252 or 253, origination fees under sections 438(c)(2) and (6) and 455(c) and loan processing and issuance fees under section 428(f)(1)(A)(ii) of that Act shall each be increased by the uniform percentage specified in that sequestration order, and, for student loans originated during the period of the sequestration, special allowance payments under section 438(b) of that Act accruing during the period of the sequestration shall be reduced by the uniform percentage specified in that sequestration order.''

The sequester shall result in a uniform percentage reduction for each defense account and a separate uniform reduction to each nonexempt domestic account [Note: there can be multiple programs within an account], except that the percentage reduction for Medicare provider payments shall not exceed 2 percent.

The sequestration must be carried out in accordance with Section 256(k) of the BBEDCA, which states, "the same percentage sequestration shall apply to all programs, projects, and activities within a budget account (with programs, projects, and activities as delineated in the appropriation Act or accompanying report for the relevant fiscal year covering that account, or for accounts not included in appropriation Acts, as delineated in the most recently submitted President's budget)."

The exact percentage cuts will not be known until the time of the sequester order because they will be based on the final FY 13 spending levels. However, the Center on Budget Policy and Priorities has projected that the cut to both defense spending and to non-exempt domestic programs (other than Medicare) will each be approximately 9 percent in FY 13.

To illustrate the severe impact of such a cut to Department of Education programs, based on FY 11 funding a 9 percent cut would have equaled $4.09 billion.

It is also important to note that the discretionary portion of the Pell grant program (as well as other discretionary programs exempt from sequestration) is not protected from cuts resulting from sequestration in FY 2014-21. That is because for those years, the Act simply lowers the caps for both the revised security and nonsecurity categories by the calculated sequestration amount. Thus, Pell discretionary, along with other discretionary spending, will be squeezed by the lower caps and could be subject to further cuts.

PELL FUNDING TABLE

Funding Needed to Fully Fund Pell $5,550 maximum award (in billions of $)[i]	FY 11	FY12	GAP: FY 12 v. FY 11
FY 11 CR discretionary appropriation	22.956		
CBO cumulative shortfall as of FY 11[ii]		5.727	
FY 12 mandatory funding provided in FY 11 CR[iii]		3.183	
CBO projected FY 12 shortfall		2.544	
CBO estimated FY 12 costs for discretionary maximum award of $4,860		31.686	
CBO estimated total FY 12 discretionary BA needed for $4,860 maximum		34.230	11.274
Budget Control Act[iv]		10.000	1.274

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[i] Note: Pell grant funding comes from both mandatory and discretionary funding. In addition to the amounts on this table, the Healthcare and Education Reconciliation Act of 2010 provides mandatory funding for Pell. In FY 12, it provides funding for a $690 add-on to the maximum award. Thus, if the discretionary appropriation pays for a maximum award of $4,680, the total maximum award will be $5,550 – the $4,860 discretionary plus the $690 mandatory.

[ii] CBO Federal Pell Grant Program, Discretionary Baseline, Cumulative Surplus/Shortfall, And Funding Gap

[iii] DOD and Full-Year Continuing Appropriations Act of 2011

[iv] This is mandatory funding. The Budget Control Act also provides $7 billion for Pell grants in FY 13.