

FEDERAL EDUCATION FUNDING

Caps, Cuts, Freezes and Sequesters

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CEF

- The Committee for Education Funding (CEF) is the oldest and largest education coalition.
- We represent over 100 national organizations and education institutions from PreK through graduate education, including NASFAA.
- For more information: www.cef.org
- Follow us on Twitter: www.twitter.com/edfunding



Final FY 11 and 12 Appropriations

- **FY 11 cut ED (other than Pell) by \$1.2 billion.**
 - 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.

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Pell/Student Aid Cuts Enacted

- Eliminated the 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 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.

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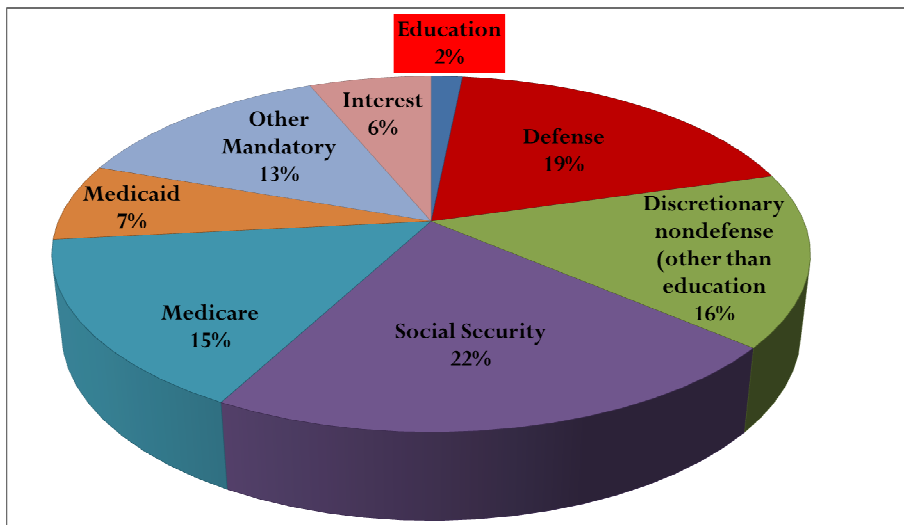
Pell/Student Aid Cuts Enacted

- College students have contributed \$4.6 billion out of their pockets to deficit reduction.
- 145,000 students have lost their Pell grant.

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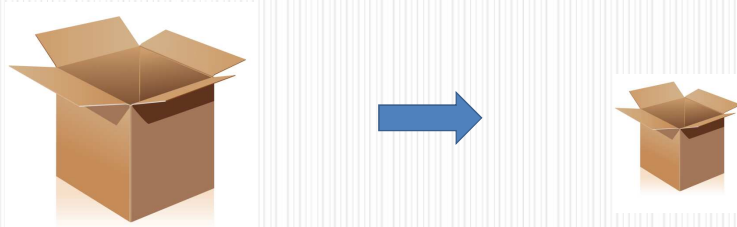


Fiscal Year 2012 Outlays



The Budget Control Act

How small will the box be?



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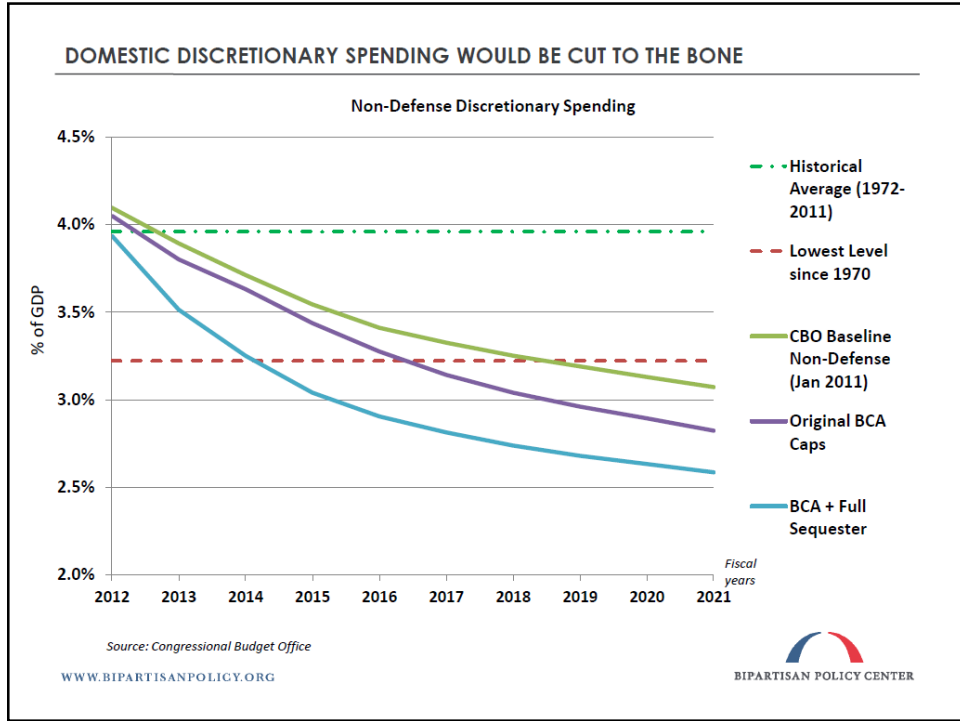



Caps and Cuts



- 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, education cuts would not start until July 2013.

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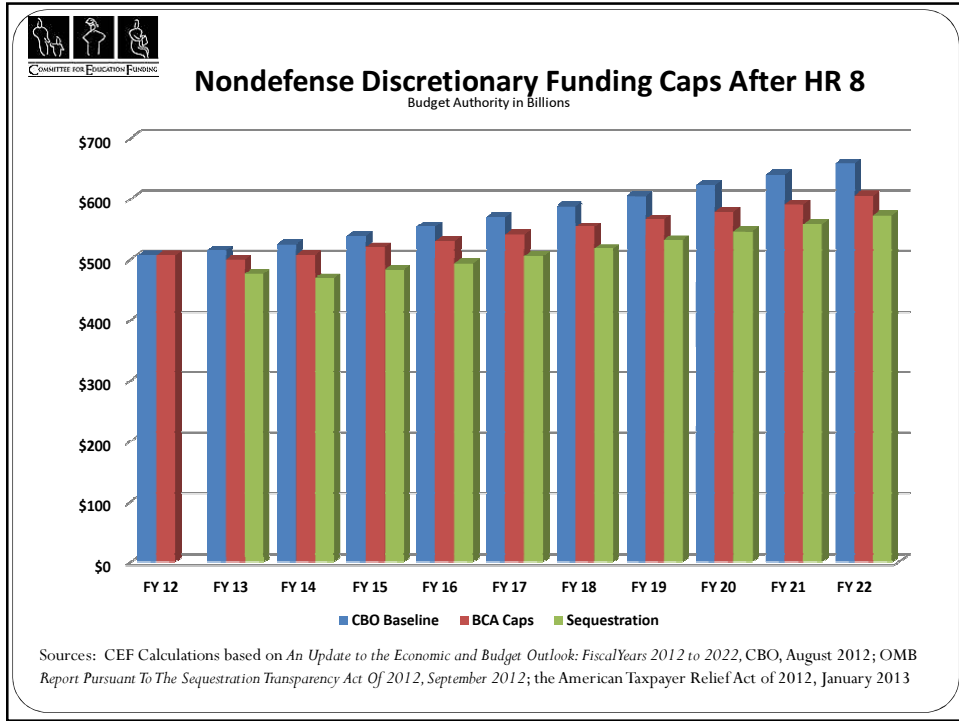






The Fiscal Cliff Deal and the Sequester

- 2 month delay in sequester until March 1, 2013.
- \$24 billion reduction paid for with \$12 billion in revenues and \$12 billion in spending cuts.
- Cuts \$6 billion from defense and \$6 billion from NDD by lowering spending caps in FY 13 and FY 14.
- Results in a reduced across-the-board cut from 8.2% to 5.0% after addition of Sandy supplemental funds to base NDD.

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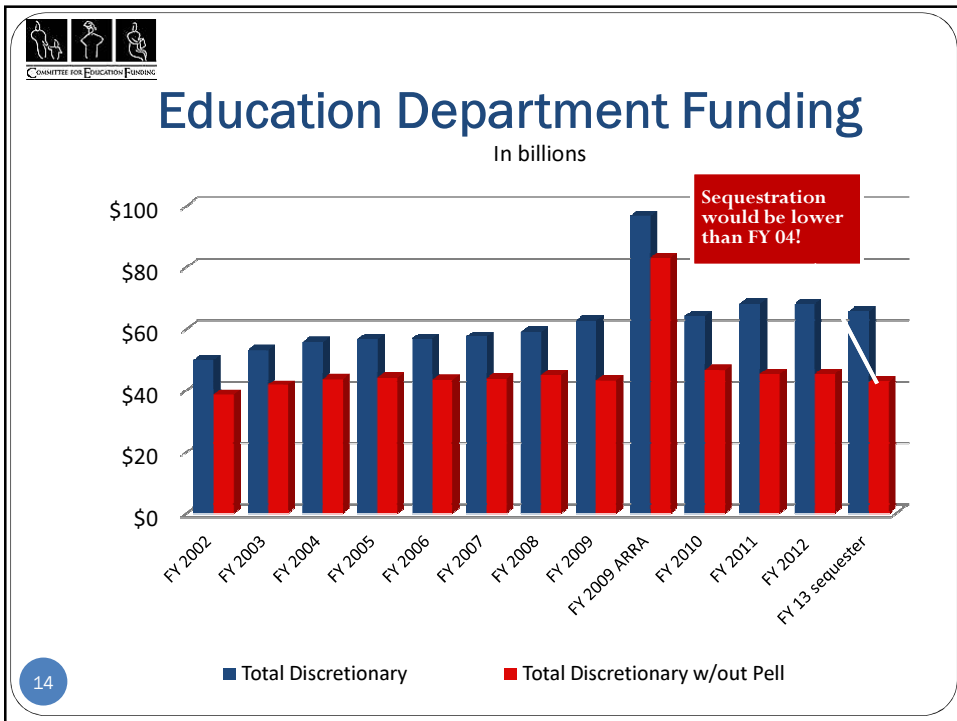
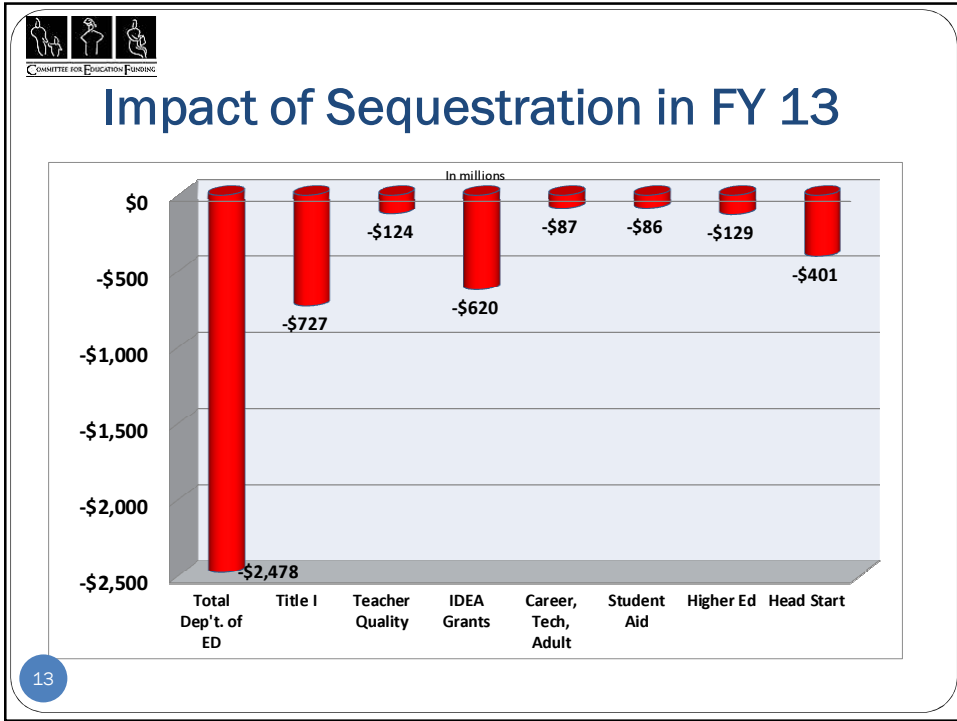



Sequestration = Largest Education Cuts Ever!



- FY 13 = fixed percentage across-the-board cuts.
 - **OMB ordered a cut of 5% = \$2.5 billion for ED.**
 - Pell grants exempt in first year; SEOG and CWS cut.
 - Loan origination fees increase
 - (1.0% to 1.051%; 4% to 4.24%)
- FY 14-21 – will not be ACB cut; further lowers discretionary caps
 - Squeezes education \$; Pell no longer exempt.

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OUTLOOK – Multiple Cliffs

- Debt Ceiling extended until May 19
 - In reality, debt ceiling won't need to be raised until late July.
- Sequester took effect on March 1.
 - Repealing entire sequester costs \$960 billion.
 - President Obama called for one year delay.
 - White House wants 50% new revenues/50% spending cuts.
 - Republicans are opposed to new revenues.
 - Senate voted down competing Dem/Republican plans

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OUTLOOK – Multiple Cliffs

- Six-month CR expires on March 27, 2013
- House passed new CR last week.
 - Full year bills for defense, but CR extended for everything else.
 - New ATB cut of 0.098%.
- Senate acts on CR this week. No major changes expected for education.
- CR won't undo the sequester. Sequester cuts from CR levels.

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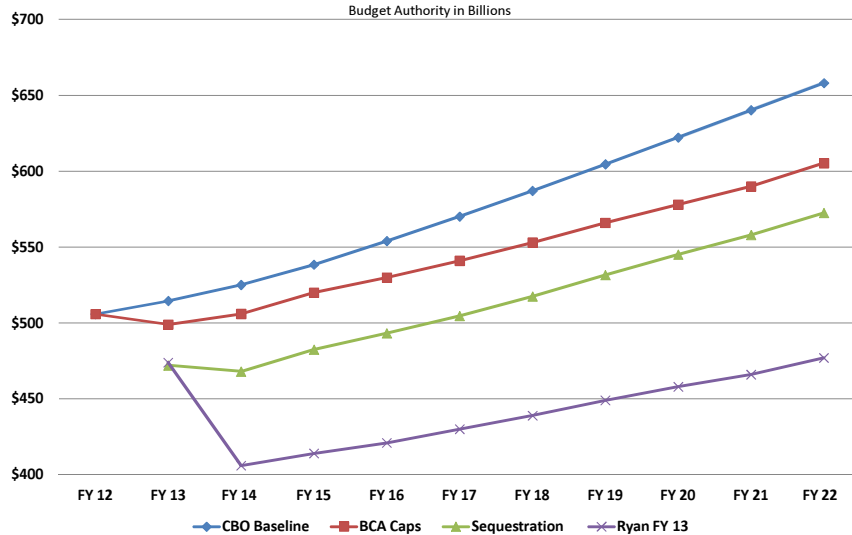
OUTLOOK – Multiple Cliffs

- FY 14 Budget - House Republican leadership promises balanced budget within ten years.
 - Will likely lead to deeper NDD cuts than the sequester. Eliminate in-school interest subsidy?
 - Markup on March 13
- Senate Budget Committee also plans markup this week. Expected to replace sequester.
- Both bills on the floor the week of March 18
- President's FY 14 budget out April 8?

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Ryan Budget Cuts Nondefense Discretionary Funding Below Sequestration



Sources: House Report 112-241 and *An Update to the Economic and Budget Outlook: Fiscal Years 2012 to 2022*, CBO, August 2012



OUTLOOK – Higher Education \$

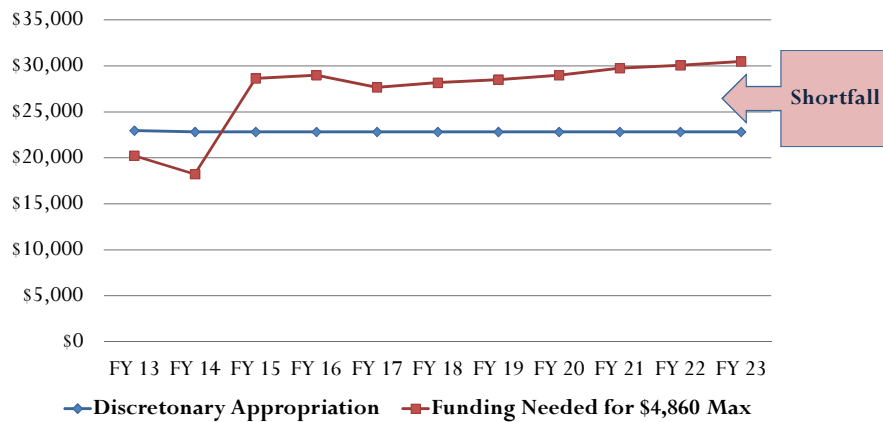
- **Higher Education Fiscal Cliffs:**
 - Subsidized undergraduate student loan interest rates set to double on July 1, 2013.
 - Good News! CBO recently projected a FY 13 Pell SURPLUS of \$9.4 billion.
 - If discretionary funding maintained in FY 14 = surplus of \$4.5 billion.
 - But starting in FY 15, more shortfalls – total of \$51.4 billion between FY 15-23

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Projected Pell Grant Discretionary Funding

In millions



20

Source: CEF calculations based on CBO 2/6 Memo. Assumes appropriations remain constant at FY 12 level .