

THE LATEST ON PENDING STUDENT LEGISLATION

Despite reports yesterday that the text of the budget reconciliation bill on health care and student loans would be posted on the House Rules Committee website around midnight, the no such posting has occurred. The delay appears to reflect two problems: the administration and Democratic leadership are experiencing a more difficult time in securing the requisite number of votes in support of the measure than they had anticipated and, a related one, that the leadership is having a hard time getting the legislation to be scored by the Congressional Budget Office as reducing the deficit by a total of \$2 billion over the next 10 years.

CBA has been following the unfolding events surrounding the Reconciliation Act of 2010 closely. The following is the latest as of 8:00 a.m. on Wednesday, March 17, 2010:

- On March 15th, the House Budget Committee favorably reported the Reconciliation Act of 2010 by a vote of 21-16, starting the process expected to lead to the enactment of a highly modified version of SAFRA, the student aid legislation, before the end of the month. In the Budget Committee, only two Democrats voted no—Representatives Boyd (FL) and Edwards (TX). All Republicans voted no. As has been widely reported, the changes to the House-passed version of SAFRA, H.R. 3221, are largely in the spending provisions of the bill and have been made to assure the technical compliance of the reconciliation bill with House and Senate rules. The FFELP student loan changes made in SAFRA have not been released as of the date of this memo but are expected to be relatively minor.
- During the House Budget mark-up, Rep. Boyd offered an amendment to instruct the Rules Committee to permit the private sector to originate student loans. This amendment failed 4-32 after Republicans decided to vote against it. Republicans are strongly against eliminating the FFEL Program in favor of the Direct Lending, but they also are not ready to adopt compromise proposals like Boyd's, whose amendment was referring to the student loan community proposal.
- As soon as a final decision is made on the content of the Reconciliation Act of 2010, it will be posted on the House Rules Committee website at: www.rules.house.gov.
- The House Rules Committee is expected to report a rule for full House consideration of the reconciliation bill later this week, perhaps as early as Wednesday that will 1) adopt the "live" version of health care reform and SAFRA; 2) limit amendments to the bill on the Floor; and 3) "deem" the House to have passed the Senate version of health care reform if the reconciliation bill passes (thus sparing House Democrats having to vote in

favor of a health care reform bill that includes provisions that many of them find objectionable). Please note that Congressional Republicans are vocally objecting to the procedure and insisting on a direct vote on the Senate version of health care rather than the “deem and pass” procedure.

- The contents of the revised SAFRA bill are not yet known, but are expected to include dropping of new funding for community colleges (the “American Graduation Initiative”), expansion and modification of the Perkins Loan program, and early childhood education innovation grants. Also included in the bill are changes to the Pell Grant proposal, including dropping a provision to set the maximum grant at CPI plus one percent.
- In terms of student loans, we are told that a possibility exists of including “reconsolidation” in the bill as a means of producing additional budget savings. Similarly, S. 1541, the Sherrod Brown “Private Student Loan Debt Swap Act” may be included because CBO estimated it would “save” \$9 billion over five years. Remarkably, CBO also noted that its scoring methodology fails to completely account for risk, stating: “If projected budget impacts of this legislation were calculated using risk-adjusted discount rates, it would cost about \$700 million over the 2010–2019 period—a difference of almost \$10 billion relative to the estimated savings of \$9.2 billion...” The latest indications are that this controversial provision is not likely to be included in the reconciliation bill.
- The carve out of Direct Loan servicing for non-profit student loan companies is still included in the modified SAFRA as a way to hold the votes of senators from states where the non-profits are based. Senator Harkin, who has become the principal advocate for the carve-out, indicates that the language may be strengthened to ensure that government servicing contracts go to the designated companies. It is unclear what changes have been made but they are expected to include: 1) setting a time frame for the Secretary to enter into new Direct Loan servicing contracts with non-profits; 2) requiring payment of high enough servicing fees to non-profits that enable them to take advantage of the carve-out; and 3) increasing the volume of loans the government will be required to award to each company.
- The House is planning to consider reconciliation later this week and had hoped to finish by Saturday night (March 19). That timetable is now in question. CBA expects a clarification of the timetable later this day.
- The Senate hopes to begin consideration next week and to pass the bill next weekend, impinging as little as possible on the Easter Congressional recess, which is scheduled to begin Friday, March 26th. Obviously, this timetable could be impacted by a delay in the House.