

To:       AASCU Presidents, Chancellors and Government Relations staff

From:   Ed Elmendorf, Senior Vice President of Government Relations and Policy Analysis
            Makese Motley, Assistant Director of Federal Relations and Policy Analysis
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Re:      Federal Update
Date:    7/19/2013

**Student Loan Interest Rate**

Yesterday, a bipartisan group of Senators, with backing from the Obama administration, agreed on a compromise that would change the interest rates on federal student loans. Senators Lamar Alexander (R-TN), Tom Harkin (D-IA), Dick Durbin (D-IL), Tom Carper (D-DE), Angus King (I-ME), Richard Burr (R-NC), and Tom Coburn (R-OK) introduced the Student Loan Certainty Act (S.1334). The bill would tie interest rates on student loans to the yield on the 10-year Treasury Note plus 2.05% for both the subsidized and unsubsidized undergraduate Stafford loans. For graduate loans, the add-on margin would be 3.6% and for PLUS loans, the margin would be 4.60% above the 10-year Treasury yield. Loans would be capped at 8.5% for undergraduate loans, 9.5 percent for graduate loans and 10.5% for PLUS loans.

While a number of higher education associations have endorsed the bill, AASCU and student and consumer groups do not support this bill for several reasons. First, while the bill would lower rates in the short term, it would quickly raise them above the current 6.8%, starting as early as four years from now.  Over the slightly long term, the rates could reach as high at 8.25% for students. Second, the bill would raise rates considerably for graduate students and parents. Finally, the bill lowers the deficit through the life of legislation, by extracting more money from students via higher interest rates.

The Senate is expected to vote on this bill on Tuesday. It is unclear when the House will vote on a bill, but it is widely believed that it would adopt the Senate bill upon the latter’s passage.

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|   | **2013-14** | **2014-15** | **2015-16** | **2016-17** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **2022-23** | **2023-24** |
| **10-Yr Interest Rates** | 2.08 | 2.66 | 3.47 | 4.33 | 5.01 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 |
|   |   |   |   |   |   |   |   |   |   |   |   |
| **Current Law: Sub** | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 |
| **Current law: Unsub** | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 |
| **Proposed: Undergrad** | 4.13 | 4.71 | 5.52 | 6.38 | 7.06 | 7.25 | 7.25 | 7.25 | 7.25 | 7.25 | 7.25 |
|   |   |   |   |   |   |   |   |   |   |   |   |
| **Proposed: Grad** | 5.68 | 6.26 | 7.07 | 7.93 | 8.61 | 8.8 | 8.8 | 8.8 | 8.8 | 8.8 | 8.8 |
|   |   |   |   |   |   |   |   |   |   |   |   |
| **Current Law: PLUS** | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 | 7.9 |
| **Proposed: PLUS** | 6.68 | 7.26 | 8.07 | 8.93 | 9.61 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 | 9.8 |

**Appropriations**

House

The House Appropriations Committee approved its 7th bill last week, Transportation/HUD. Heading into the July 4th recess, here is the status of House Appropriations bills:

* Passed House (3): Homeland Security, Energy and Water, Military Construction-VA
* Reported by full committee and cleared by the Rules Committee (1): Agriculture
* Reported by full committee (3): Defense, Transportation-HUD
* No action (6): Commerce-Justice-Science, Financial Services, Interior-Environment, Labor-HHS-Education, Legislative Branch, State-Foreign Operations

For Labor-HHS-ED appropriations, no date has yet been set for subcommittee or full committee markup. Staff has indicated that it could be early September before it is taking up by the subcommittee or full committee

Senate

Passed Senate-(0)
Passed Committee-Agriculture, Commerce-Justice-Science, Energy-Water, Homeland Security, Labor-HHS-Education, Legislative Branch, Military Construction, Transportation-HUD

Based on our conversations with the Hill, AASCU does not expect any of the appropriations bills to reach the President’s desk. We expect that come September Congress will pass another 1 year continuing resolution.

**ESEA/No Child Left Behind (NCLB)**

Today the House passed H.R. 5, the Student Success Act which would reauthorize ESEA. It passed on a mostly party-line vote of 221-207. This bill essentially rolls back many elements of the original NCLB. It would end Adequate Yearly Progress, thus letting the states set their own goals. The Department of Education would be prohibited from encouraging states to commit to the Common Core standards. It would also end requirements that states preserve their own spending levels on education to receive federal dollars.

While both the House and the Senate have passed versions of ESEA this year, it is not expected that a final bill will reach the President’s desk. Conferees would need to be appointed to resolve differences between the Senate and House bills. This has not happened for any major piece of legislation this year.

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