

The 113th Congress: Crisis Management (once again)



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February 5, 2013

Balance of Power



The 113th Congress

Senate

55

+2 Senators



45

-2 Senators

Note: Bernard Sanders (I-VT) and Angus King (I-ME) are shown above with the Democratic caucus.

House

201

+8 Representatives



234

-8 Representatives

Note: +/- reflects changes since the beginning of the 112th Congress and does not include vacancies or changes since the 2010 election.

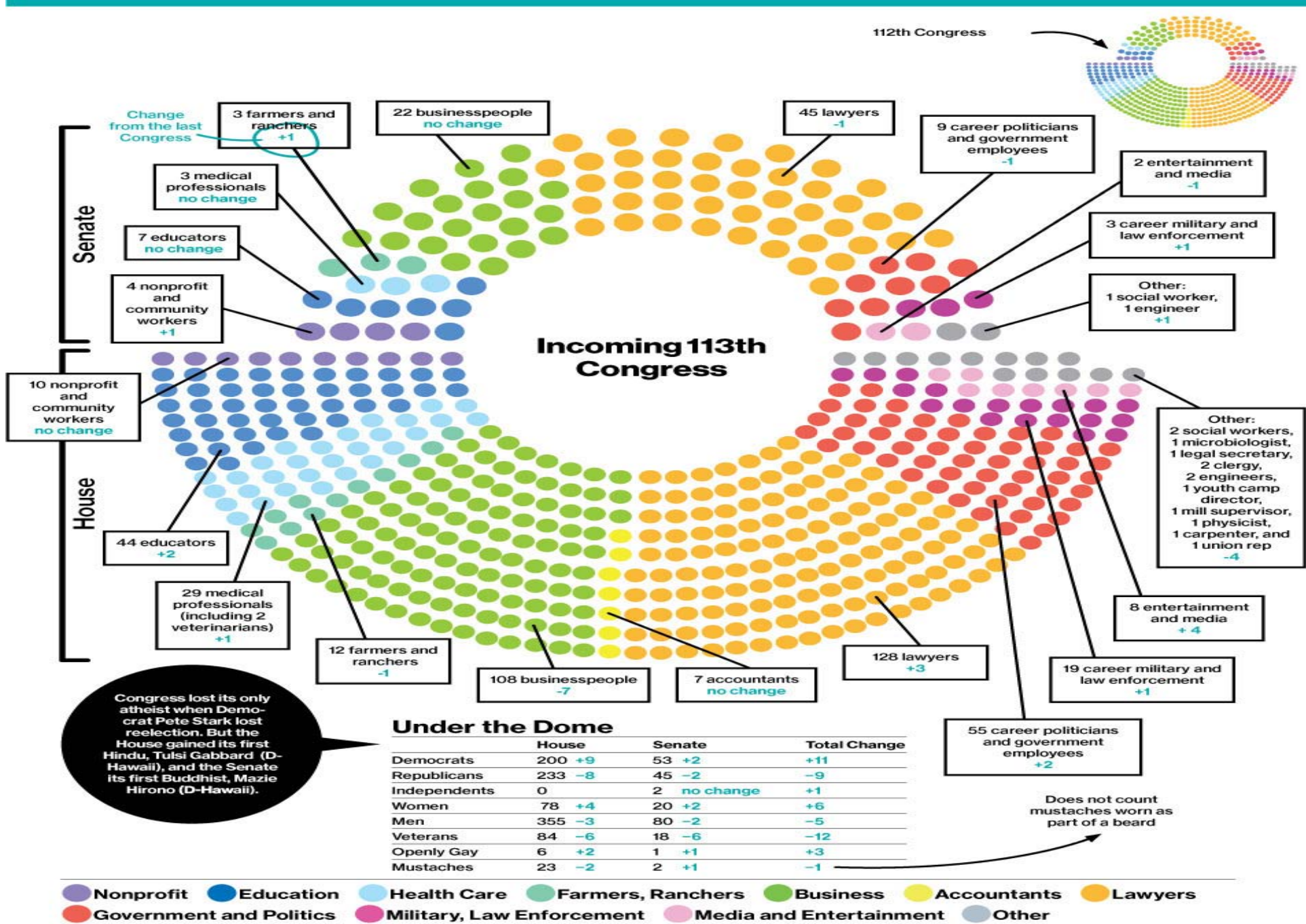
■ Democrats ■ Independents ■ Republicans

Senate members



House members





Congress lost its only atheist when Democrat Pete Stark lost reelection. But the House gained its first Hindu, Tulsi Gabbard (D-Hawaii), and the Senate its first Buddhist, Mazie Hirono (D-Hawaii).

DATA: INDIVIDUAL CONGRESSIONAL WEBSITES AND CAMPAIGN WEBSITES; CONGRESSIONAL BIOGRAPHICAL DIRECTORY; AMERICAN LEGION; LGBT EQUALITY CAUCUS



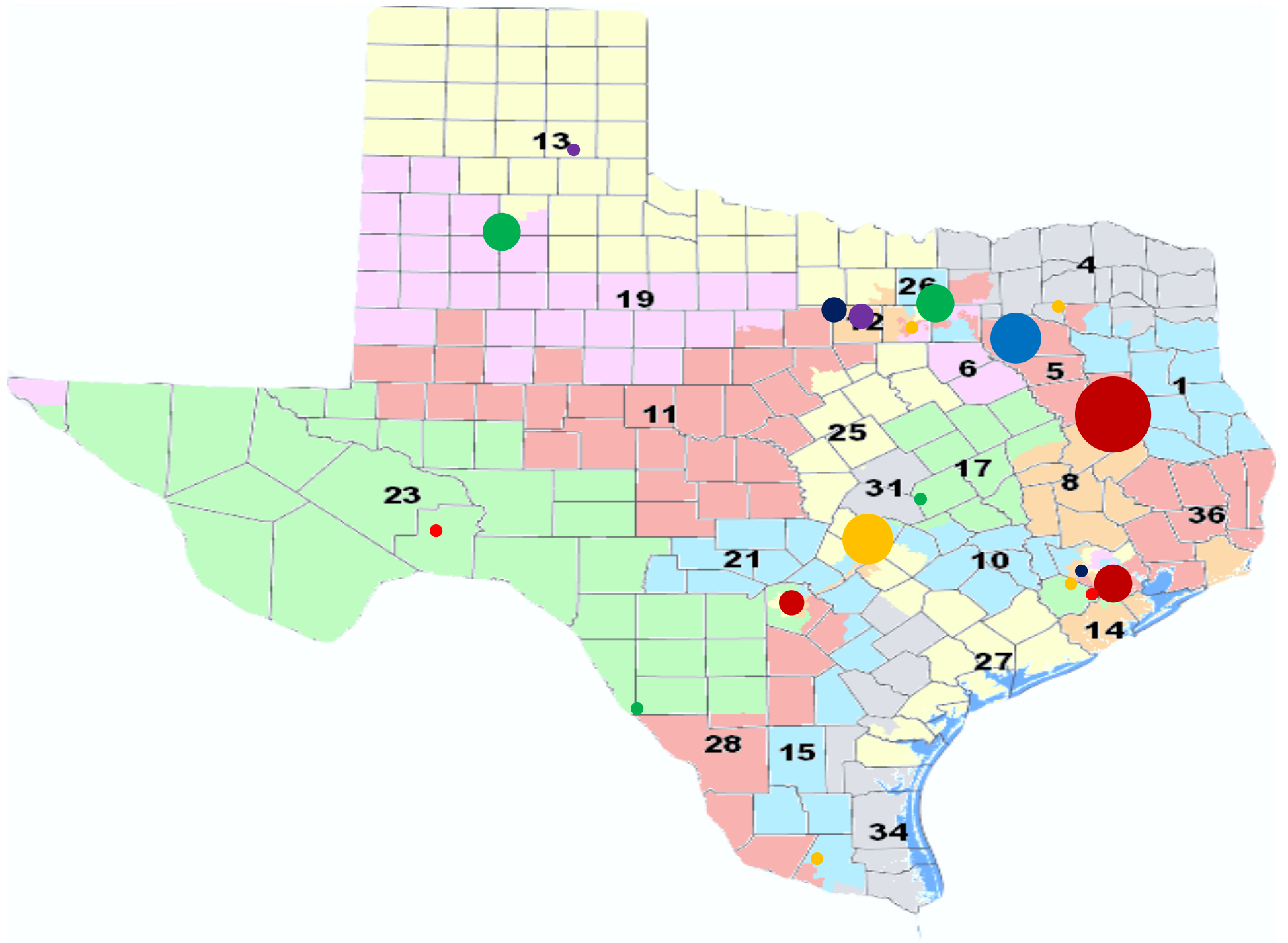
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Voter Party Affiliation

“In politics, as of today, do you consider yourself a Republican, a Democrat, or an Independent?”
 (Asked of independents: *“As of today, do you lean more to the Democratic Party or the Republican Party?”*)

	Republicans	Independents	Democrats	Republicans (including "leaners")	Democrats (including "leaners")
	%	%	%	%	%
Sep. 24-27, 2012	28	38	32	43	50
Aug. 11-14, 2011	28	44	26	47	40

Gallup Poll

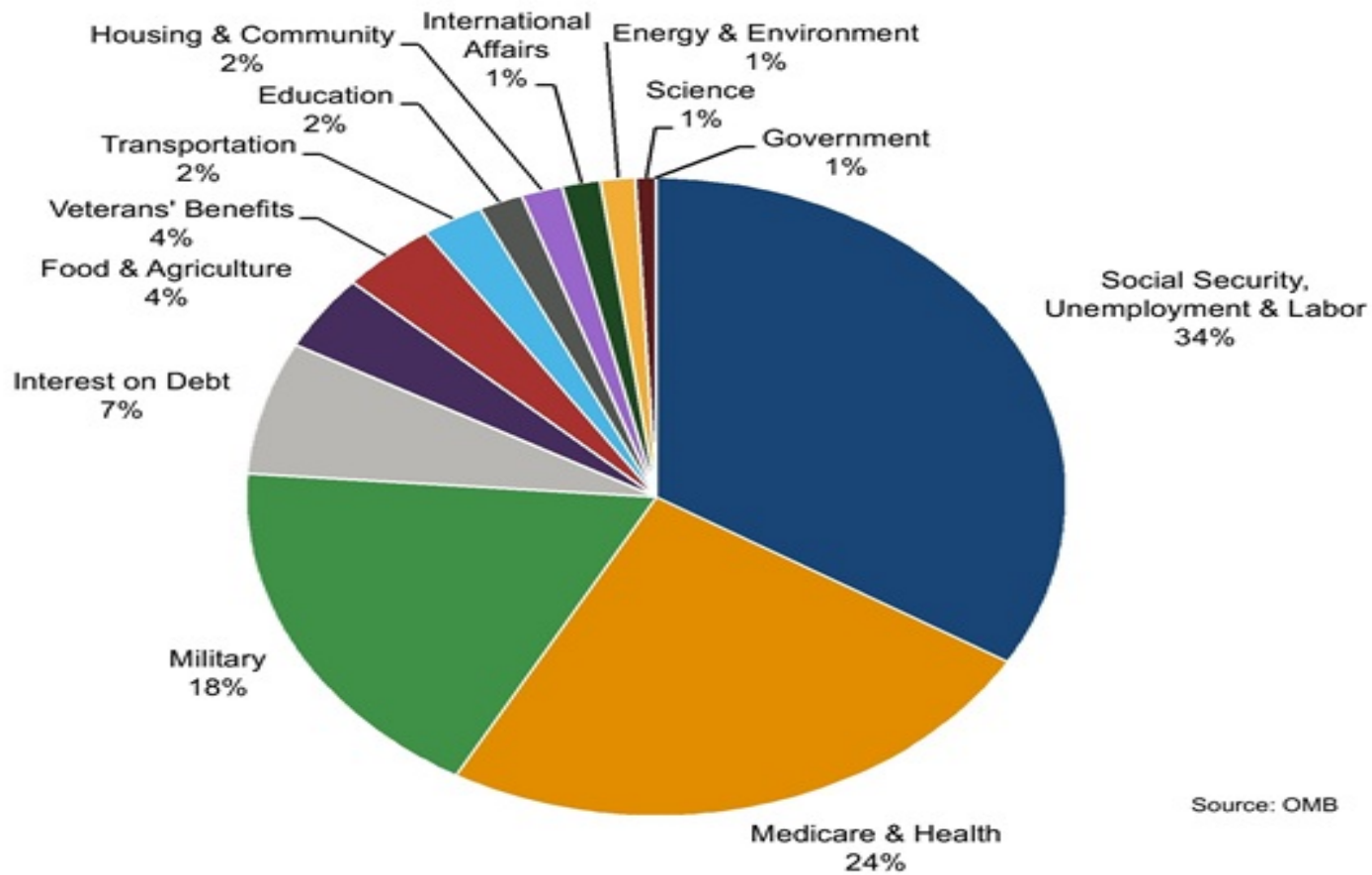




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President's Proposed Total Spending (FY 2013)

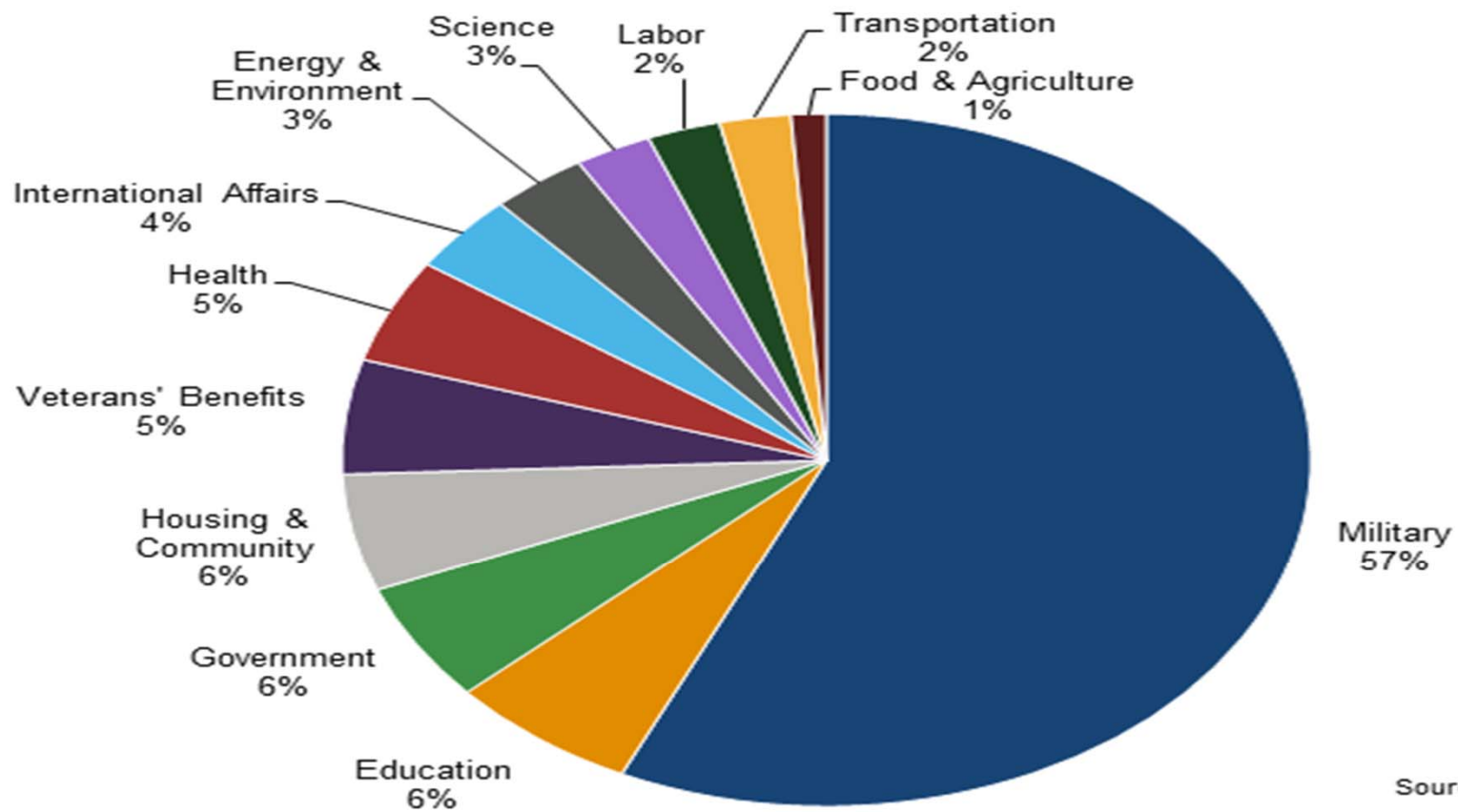




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President's Proposed Discretionary Spending (FY 2013)



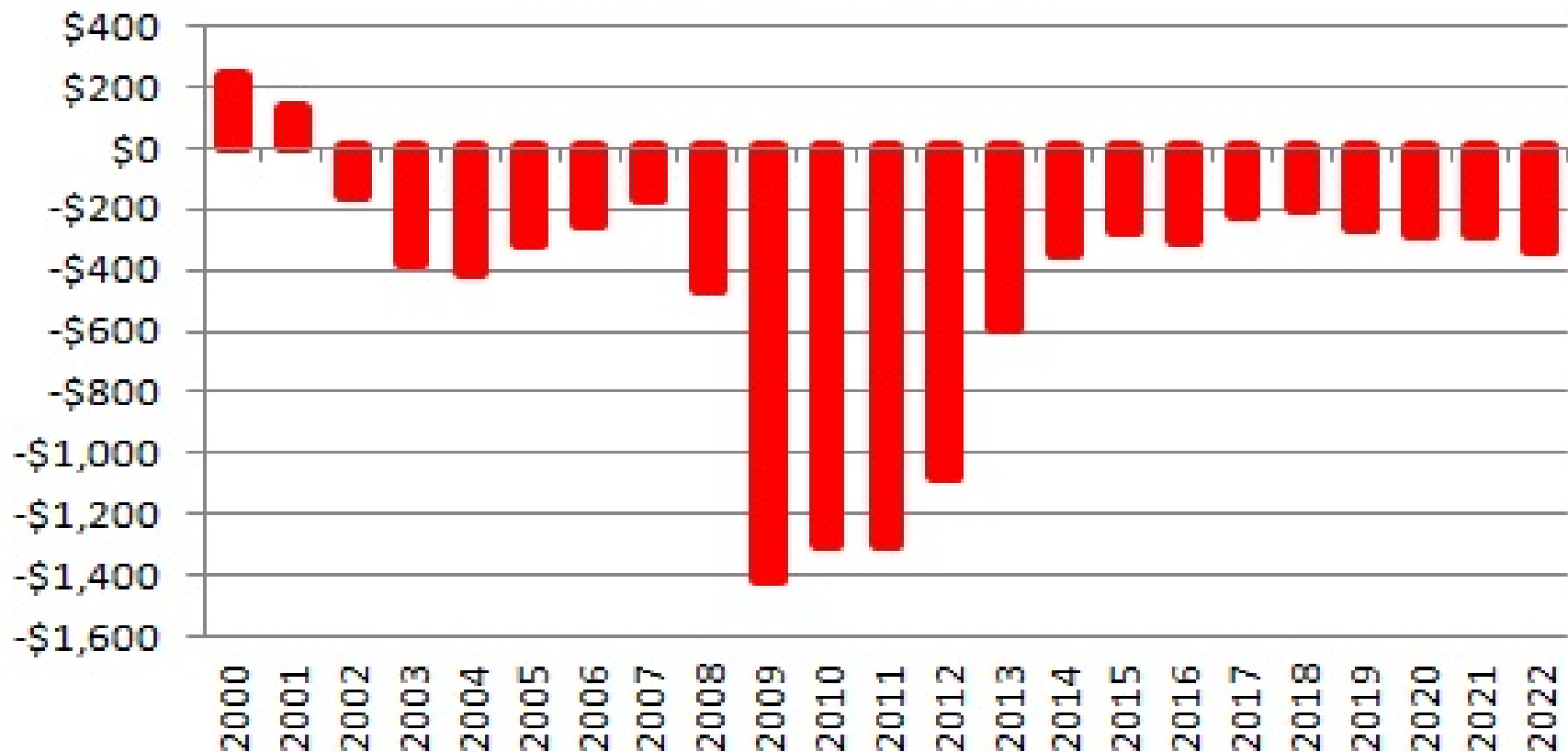
Source: OMB



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The Overarching Problem

Budget Deficit

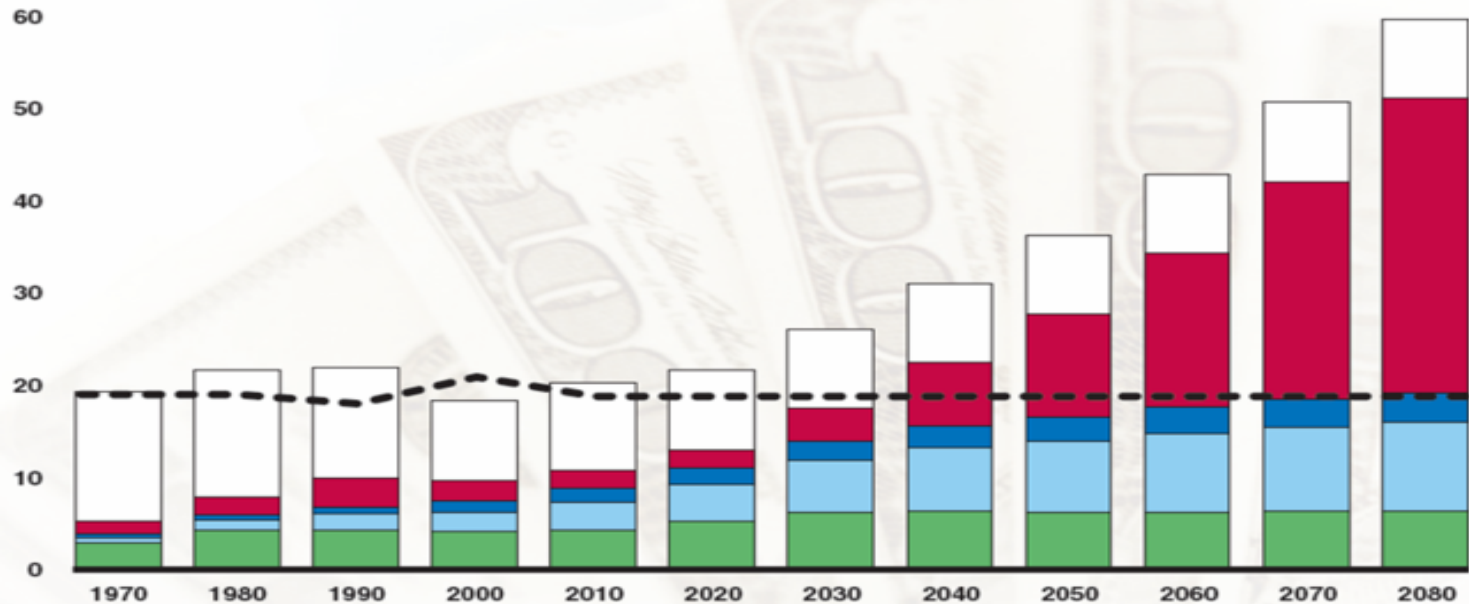




The Overarching Problem

The Risks of Growing Entitlement Spending

Percent of GDP



- Revenue
- Other government programs
- Net interest
- Medicaid
- Medicare
- Social Security

Sometime between 2030 and 2040,
mandatory spending will exceed
government revenues.

Source:
GAO Citizen's
Guide 2007



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Budget Cuts So Far

- The bipartisan deals made in 2011 have cut discretionary spending by almost \$1.5 trillion for FY2013 through FY2022 (\$1.7 trillion including interest savings).
- These savings were achieved in two ways, first through a series of Continuing Resolutions (CRs) that cut spending by about \$550 billion over ten years, and then through enactment of the Budget Control Act (BCA), which established spending caps – saving an additional \$900 billion over ten years.
- *spending will fall to its lowest level as a share of the economy in over half a century.*



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The Budget Control Act of 2011

The Budget Control Act:

- Set temporary spending limits and debt ceiling triggers
- Required Congress to establish deficit reduction and spending cuts over next ten years
- Created sequestration if Congress failed

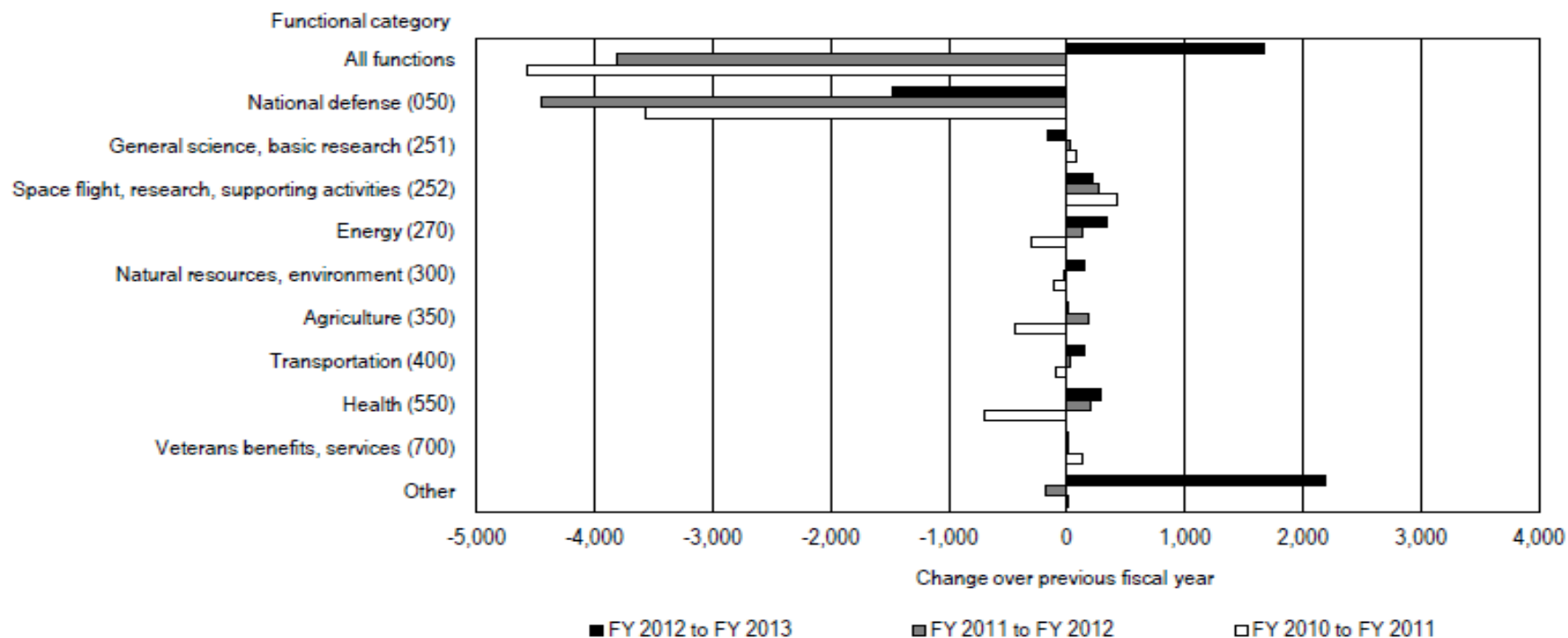


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FIGURE 1. Federal budget authority for R&D and R&D plant, change over previous fiscal year: FYs 2010–13

(Millions of current dollars)



NOTE: "Other" includes International affairs (150), Commerce and housing credit (300), Community and regional development (450), Education, training, employment, and social services (500), Medicare (570), Income security (600), and Administration of justice (750).

SOURCES: Agencies' submissions to Office of Management and Budget per MAX Schedule C, agencies' budget justification documents, and supplemental data obtained from agencies' budget offices.



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The Overarching Problem

Due to recent cutbacks, the light at the end of the tunnel has been turned off.



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Sequestration

- Mandatory cuts to all non-exempt budget accounts
- Half from defense accounts, half from non-defense (“domestic”) accounts
- September 14 OMB analysis
 - 10% cuts to defense accounts, 7.6-8.4% cuts to domestic accounts
 - Some accounts are exempt



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Sequestration

Sequestration (post-2012 tax deal):

- January 2013 implementation delayed two months
- Due to two-months of offsets, FY13 potential reductions:
 - Defense now 7.3% - 7.5%
 - Non-defense discretionary now 5.1% - 5.3%
 - Medicare remains at 2%



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Debt Ceiling

Debt Limit Reached

- Deja vu all over again
- House GOP plan to approve short-term extension
 - Will allow rolling three-months extensions if House and Senate approve budgets with long-term deficit reductions



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American Taxpayer Relief Act of 2012

American Opportunity Tax Credit

- \$2,500 tax credit per eligible student for qualified education expenses for an individual
 - up to \$80,000 income level (\$160,000 for joint filing), phasing down to \$1,875 for those earning \$90,000 (\$180,000 for joint filing)
 - Eligible expenses: tuition, fees, and required course materials
 - Forty percent refundable
 - First four years of postsecondary education
-
- **Five-year extension (expires Dec. 31, 2017)**
 - **Cost = \$67.3 billion over 10 years (Joint Committee on Taxation)**



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American Taxpayer Relief Act of 2012

Employer-provided Educational Assistance Benefits

- Up to \$5,250 in tax-free employer provided educational assistance per year
 - Eligible expenses: tuition, fees and similar expenses, books, supplies, and equipment
-
- **Permanent extension**
 - **Cost = \$11.5 billion over 10 years (JCT)**



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American Taxpayer Relief Act of 2012

Student Loan Interest Deduction

- Deduction of up to \$2,500 in student loan interest
 - Eligible: tuition, fees, course materials, room and board, and other necessary expenses
-
- **Permanent extension**
 - **Cost = \$9.7 billion over 10 years (JCT)**



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American Taxpayer Relief Act of 2012

Coverdell Education Savings Accounts

- Save up \$2,000 annually tax-free
 - Eligible expenses: tuition, fees, course materials, and room and board
-
- **Permanent extension**
 - **Cost = \$271 million over 10 years (JCT)**



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American Taxpayer Relief Act of 2012

Above-the-Line Deduction for Qualified Tuition and Related Expenses

- Maximum deduction is \$4,000 for an individual earning up to \$65,000 (\$130,000 for joint filers), phasing down to \$2,000 for those earning \$80,000 (\$160,000 for joint filers)
- Eligible expenses: tuition and fees
- **Two year extension retroactive to Dec. 31, 2011 (expires Dec. 31, 2013)**
- **Cost = \$1.7 billion over 10 years (JCT)**



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American Taxpayer Relief Act of 2012

Charitable Giving Provisions

- **Itemized Deduction Limitation for Certain Taxpayers**

- Reduces the deductibility of most itemized deductions, including charitable deductions, by the lesser of three percent of adjusted gross income above a specified threshold or 80 % of a person's itemized deductions
- Limitation applies to individuals with income of at least \$250,000 and couples with income of \$300,000 or more

- **IRA Charitable Rollover**

- Permits IRA owners to make charitable gifts totaling up to \$100,000 per year from their IRAs directly to eligible charities, including colleges and universities.
- Two-year extension retroactive to December 31, 2011



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DoD Tuition Assistance MOU

- Following the principles laid out in the President's Executive Order of April 27, 2012, the Department of Defense recently released a revised version of a Memorandum of Understanding that institutions participating in the Tuition Assistance (TA) and other service-related tuition support programs are required to sign.
- MOU addresses standardized cost form, Federal aid information, aggressive and fraudulent recruiting, accreditation, readmission, refund, individual education plans, and academic and financial counseling point(s) of contact.



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DoD Tuition Assistance MOU

A school that is not a member of the Servicemembers Opportunity Colleges (SOC) Consortium will be required to:

- Disclose transfer credit policies
- Disclose policies on academic credit for prior learning experiences
- Disclose academic residency requirements pertaining to a student's program of study
- Disclose basic information about the institution's programs and costs
- Prior to enrollment, provide service members access to a financial aid advisor
- Prior to enrollment, provide information on add/drop, withdrawal, and readmission policies
- Conduct academic screening and competency testing
- Designate a point of contact for Service members seeking information on academic and financial counseling, as well as student support services



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DoD Tuition Assistance MOU

Some business officers had been concerned about DoD insistence in the original MOU on making payments to schools using Visa. These provisions are generally unchanged, although an option has been maintained for schools that do not accept credit cards for tuition payments to be paid by check. Such payments will, however, be delayed. A provision intended to address the interplay between TA payments -- which are restricted to tuition and fee charges -- and Pell grants has been clarified. Institutions need to ensure that funds are applied appropriately, but do not have to wait until TA payments are made to disburse Pell grant funds.



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Veterans Affairs Issues

Maximum Post-9/11 GI Bill Tuition and Fee Benefit Increases

- The annual increase in the Post-9/11 GI Bill education benefit has been calculated for the 2013-14 academic year, allowing eligible veterans to receive up to \$19,198.31 for tuition and fees at independent institutions.
- VA will continue to pay the net cost of tuition and fees not exceeding in-state amounts for students attending public institutions.
- The increase, a statutory requirement, mirrors the increase in the average cost of undergraduate tuition in the United States, as determined by the Department of Education.
- ED used data from the 2011-12 academic year to calculate the 6.2 percent increase for the 2013-14 academic year, which is effective beginning August 1, 2013. A notice of the increase appeared in the [*Federal Register*](#) on December 26, 2012 .



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Veterans Affairs Issues

Institutions Must Submit EFT Information to VA

- Institutions were reminded by VA to submit electronic funds transfer (EFT) information to VA as soon as possible in order to receive payments, including the Annual Reporting Fee, this spring. Federal agencies are required by law to make most payments electronically.
- VA sent letters this fall to School Certifying Officials (SCOs) at institutions still receiving payments by check informing them of the requirement that all payments to schools be made by EFT. The letters included details on how to submit EFT information to VA. If they have not done so already, business officers should contact their SCO to locate the letter and instructions. Those with questions should contact the institution's VA Education Liaison Representative (ELR). ELRs can be identified on the VA's [website](#).
- Institutions that are not receiving payments from VA electronically by April 2013 may be contacted by the Treasury Department regarding noncompliance.



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Veterans Affairs Issues

SCO Hotline

- School Certifying Officials (SCOs) now have a direct line of communication for official inquiries on student issues. This line will be staffed by Education Case Managers who have the expertise to answer and resolve most SCO questions. The toll free number is 855.225.1159 and the hours of operation are 7:00am to 5:00pm (CST), Monday through Friday.
- SCOs must provide the school's facility code and will be validated as a certifying official through WEAMS. Routine questions should continue to go through the regular toll-free number. *VA stressed that it is very important this hotline number remain confidential and not be shared with students.*
- The hotline is solely for official SCO business, and students should continue to call the toll-free number 888.442.4551 of the Education Call Center for their questions.



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Veterans Affairs Issues

Tips on Treasury Offsets

- VA has started sending school debt notices stemming from tuition and fee payments under the new GI Bill to the Treasury Department for collection through the Treasury Offset Program (TOP).
- It is important to ensure that debt collection letters from VA not be ignored. (Because the current batch of debts sent to Treasury encompasses old debts stemming from 2009, 2010, and 2011, the first two letters in the series may have been sent months or years earlier.)
- Schools should email any disputes to VA's Debt Management Center (DMC) at dmcedu.vbaspl@va.gov
- Offsets taken in error are refunded by the creditor agency. To date, VA does not have a system in place to distribute refunds taken in error through TOP, but is working to put one in place.
- NACUBO will monitor the situation and share information with members once a system is developed.



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Health Insurance Market Reforms

Health Insurance Market Reforms for Individual and Small Group Plans

- The proposed HHS rule would prohibit health insurance companies from discriminating against individuals with pre-existing conditions. The proposal also provides for:
 - **Guaranteed availability of coverage.** Health insurance issuers will be prohibited from denying coverage due to a pre-existing health condition.
 - **Fair premiums.** Issuers in both the individual and small group markets would only be allowed to vary premiums (within limits) based on age, tobacco use, family size, and geography.
 - **Single risk pool.** Issuers will be required to maintain a single statewide risk pool for each of their individual and small employer markets.



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Health Insurance Market Reforms

Health Insurance Market Reforms for Individual and Small Group Plans

- Proposed rule provisions (Continued):
 - **Guaranteed renewability of coverage.** The proposed rule reiterates existing protections with respect to renewability of coverage for individuals and employers, and prohibits issuers from refusing to renew coverage if an individual or employee becomes ill or has a pre-existing condition.
 - **Catastrophic plans.** These ensure affordable coverage options for young adults, and individuals for whom coverage would otherwise be unaffordable.
 - The proposed rule also amends the standards for the rate review program to streamline data collection for health insurance issuers and states.



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Health Insurance Market Reforms

Health Insurance Market Reforms for Individual and Small Group Plans

- Proposed rule provisions (Continued):
 - Student health insurance plans would be exempt from the guaranteed availability and renewability of coverage for individuals who are not, or are no longer, students or dependents of students.
 - The proposal would require issuers to include student health coverage in their individual market single risk pool which, since are students are generally younger and healthier than other people with individual coverage, is likely to increase premium levels for students.
 - HHS specifically asks for comments on whether the rules should allow issuers to maintain separate risk pools for student health insurance coverage.



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Higher Ed Act Reauthorization

HEA due for reauthorization

- Title IV (financial aid) will receive the most attention
- Also includes campus and student programs such as FERPA and fire and safety issues
- Funding for HSIs



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