The Torch

July 2, 2015

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

COHEAO

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- **Hotel Rooms for COHEAO Mid-Year Conference Are Going Fast- Discounted Room Rate Extended to July 10 But Rooms Are Almost Gone**
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- **Perkins Loan Advocacy Continues as H. Res 294 and a Dear Colleague Letter Highlight Support for the Program**
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- **Senate Budget Committee Chairman Mike Enzi Writes Letter to GAO on IDR**
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- **Despite Court Challenge, Gainful Employment and Other New Rules Now in Place**
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- **CFPB Releases Latest Supervision Report**
  The Consumer Financial Protection Bureau released its latest supervision report last Tuesday outlining problems the Bureau reported finding in the first four months of 2015.
- **CFPB Asks Search Engines to Stop "Debt Relief Scammers"**
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- **Special Master for Corinthian Student Debt Named**
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- **Direct Loan Rates for 2015-2016 Now Effective**
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- **Lawmakers Ease 1098-T Penalty Enforcement**
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- **President's Advisory Council on Financial Capability for Young Americans Releases Final Report**
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- **New IFAP and *Federal Register* Announcements**
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- **Center for American Progress Hires Rohit Chopra as Senior Fellow**
  The Center for American Progress hired Rohit Chopra as a Senior Fellow, immediately following his departure from the Consumer Financial Protection Bureau (CFPB) as its Student Loan Ombudsman.
- **States Examining Student Debt Relief Firms**
  After New York's governor Andrew Cuomo's office launched an investigation into Ineractiv Education LLC, a student-debt-relief firm, the company has announced it would be closing its doors.
- **Research Shows Some Student Debt May Actually Be Beneficial**
  Two papers released within the past few weeks show that a modest level of student loan debt is actually not as bad as the public perceives.
- **Study Shows 70 Percent of College Students Stressed About Finances**

Ohio State University's Office of Student Life and College of Education and Human Ecology released its National Student Financial Wellness Study yesterday.

Attachments

- **COHEAO Commercial Members**
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- **Summary of the House Committee on Appropriations Markup**
- **Summary of the Senate Subcommittee and full Committee Appropriations Debate**

COHEAO

Time is Running Out to Register for the 2015 COHEAO Mid-Year Conference

Registration is still available for the **2015 COHEAO Mid-Year Conference**, taking place in Chicago July 26-28. Sign up today!

COHEAO is thrilled to have **Gail McLarnon** provide this year's keynote address. Gail is the Senior Director of Policy Development, Analysis, and Accreditation in the Office of Postsecondary Education's (OPE) Office of Policy, Planning and Innovation. McLarnon is a leading authority on Perkins Loans at the Department and will be offering a presentation on the future of the program and other relevant issues. The Department of Education recently published a Q&A document on the "wind down" of Perkins Loans and this session will provide more information (or at least the opportunity to register ongoing concerns with the Department)

Join us for informative sessions on regulatory and legislative matters, compliance, and operations in campus-based loans and student financial services. Set to take place at the beautiful **Fairmont Chicago Millennium Park** in downtown Chicago, the 2015 COHEAO Mid-Year features engaging and informative conference programming. Sessions planned include COHEAO's legislative update and perspective, a Department of Education update on the budget and potential HEA reauthorization, Perkins Loan Program expert panel, a discussion on financial responsibility agreements, guidance on developing an institutional loan program, and much more.

The registration fee for all members is $510, and the institutional non-member fee is $610. The commercial non-member rate is $1,660.

Click here for more details on a program that is sure to be informative and engaging. We hope to see you in the Windy City this July for another fantastic COHEAO Mid Year Conference! Register today!

Please contact Hannah Allen with any questions: hallen@wpllc.net

Hotel Rooms for COHEAO Mid-Year Conference Are Going Fast- Discounted Room Rate Extended to July 10 But Rooms Are Almost Gone

Have you booked your hotel room for COHEAO's Mid-Year Conference? Set to take place at the beautiful **Fairmont Chicago Millennium Park** in downtown Chicago, COHEAO has secured a good rate for a single or double room in central Chicago at **$189 per night** for conference delegates. The hotel deadline for the COHEAO discounted rate was today, but the hotel has agreed to extend this rate through next week, depending upon availability. However, it will not be holding rooms for conference

attendees after today, so they may be booked up before the 10th by others. ***The Bottom line: BOOK YOUR ROOM TODAY because rooms are filling up fast! Prices will rise significantly if you aren't able to secure the COHEAO rate.***

Rooms may also be available in limited amounts three days before or after the dates of the conference, and the COHEAO rate includes free internet access in guest rooms and free access to the fitness center.

Follow the link here to book your room. You may also call the hotel to make reservations - be sure to mention you are attending COHEAO's Mid-Year Conference - at 1 (800) 441-1414.

Reminder: COHEAO Institutional Membership Due July 1

On May 5, institutional membership dues invoices were sent out to the primary account holders for each institutional membership. Dues may be paid by logging into your COHEAO account: navigate to "Manage Profile," select "Invoices" under Invoicing, Payments & History. On this page, be sure to select the dues tab and your open invoice should appear with an option to submit payment.

If you are the primary point of contact for your college or university's COHEAO membership and you did not receive a notice of an open dues invoice please contact Hannah Allen at hallen@wpllc.net. Feel free to reach out to Hannah if you have any other questions pertaining to membership dues, how to submit payment or view open invoices. Institutional membership dues were due by **July 1.**

Perkins Loan Advocacy Continues as H. Res 294 and a Dear Colleague Letter Highlight Support for the Program

COHEAO's advocacy efforts to preserve the Perkins Loan Program continued since the previous edition of *The Torch*. In the House, there are parallel efforts to show support for the program: 1) A bipartisan resolution, H. Res. 294, sponsored by Reps. Luke Messer (R-IN) and Mark Pocan (D-WI); and 2) A Dear Colleague Letter, written by Rep. Louise Slaughter (D-NY) and addressed to House Education and the Workforce Committee Chairman John Kline (R-MN) and Bobby Scott (D-VA).

Though Messer and Pocan are taking a slightly different tack than Slaughter, both of these efforts are meant to show the level of support for Perkins Loans within the House of Representatives. Currently, H. Res 294 has 21 cosponsors, and the letter has more than 30 signatories.

Please contact your legislators and urge them to cosponsor H. Res 294 and sign onto the Slaughter Dear Colleague letter. If you have questions on contacting the House, please contact Hannah Allen (hallen@wpllc.net) of the COHEAO staff.

COHEAO is continuing to organize calls for our members and other Perkins Loan advocates in particular states. The next states we'll be looking to are North Carolina and Massachusetts. If you are located in either NC or MA (or have a large population of student borrowers from those states), please contact Hannah (hallen@wpllc.net) about COHEAO's advocacy efforts.

For more information on what you can do to support the effort to Save Perkins, please visit: http://www.coheao.com/advocacy/the-future-of-perkins-loans-what-you-can-do-to-help/

Congress

FY16 LHHS Funding Bill Marked Up in House Committee on Appropriations and Senate Subcommittee and Full Committee

Last Wednesday, for the first time in six years, the House Committee on Appropriations held a markup to debate and approve the FY 2016 funding bill for the Departments of Labor, Health and Human Services, Education and Related Agencies.

In addition, the Senate made public its FY 2016 Labor, Health and Human Services and Education Appropriations bill last week. The measure recommends $153.2 billion in discretionary spending for the Departments of Labor, Health and Human Services, and Education and related agencies. The bill is $3.6 billion below the FY2015 level and $14.5 billion below the President's budget request.

Last Tuesday, the House Appropriations Subcommittee acted on the bill; last Thursday, full Committee action occurred. In both instances, while debate was generally collegial, it was clear that Democrats and Republicans strongly disagree on the merits of the spending proposal. Sen. Roy Blunt (R-MO), Chairman of the LHHS Subcommittee, noted that the size of the allocation he received required hard choices. His Democratic counterpart, Senator Patty Murray (D-WA), while complimentary of Blunt's work, said a larger budget agreement must be reached and that "this bill will never become law." Senate Democrats plan to block the bill from coming to a vote in the full Senate and should it somehow pass, President Obama has pledged to veto it and all other appropriations bills unless they include more spending.

Attached to this edition are summaries of the House Committee on Appropriations markup and the Senate Subcommittee and full Committee debates.

Senate Budget Committee Chairman Mike Enzi Writes Letter to GAO on IDR

Senate Budget Committee Chairman Mike Enzi (R-WY) wrote the Government Accountability Office (GAO) last week asking GAO to look at how the Department of Education is calculating the expected cost of income-driven repayment plans (IDR). The letter notes the continued expansion of the plans, which account for 28 percent of loans in repayment.

The letter to Comptroller General Gene Dodaro indicates the government's "subsidy cost" of a Stafford Loan is four and a half times higher when the loan goes into IDR instead of standard repayment. On Stafford Loans, the subsidy rate is 3.2 percent on the standard repayment plan and 14.5 percent under incomeEnzi asks the GAO to answer the following two questions:

- How many new income-driven repayment plans affected Education's method of estimating subsidy costs?
- What are the strengths and limitations of Education's method of estimating costs of these plans?

If you would like to see a copy of the letter, email mcravez@wpllc.net

House and Senate Gearing Up for ESEA Floor Debate

Senators and their staff are gearing up for a week-plus long debate over reauthorization of the Elementary and Secondary Education Act (ESEA), which is due to start next week. Debate is expected to

extend into the following week. The last time the full Senate debated the reauthorization of ESEA was in 2001, a debate which led to passage of the last reauthorization, known as No Child Left Behind.

In addition, the House Rules Committee plans to hold a hearing next Tuesday on the chamber's ESEA reauthorization, *The Student Success Act*. The House is expected to consider several new amendments to the bill if it takes it up again in July, including an amendment that would allow states to opt out of the law's provisions while still receiving federal funds.

The work on ESEA will take resources away from work on the Higher Education Act (HEA), particularly in individual offices where a lone staffer is responsible for both higher education and K-12 issues. However, at the Committee level, work on HEA reauthorization will continue.

The Senate is expected to hold its next HEA hearing July 16 (though that could be delayed due to the ESEA debate), while the House is less likely to convene, further hearings and Committee staff are beginning to draft language in earnest. Although the need for an extension before the September 30 deadline seems increasingly inevitable, both the HELP and Education and Workforce Committees are working diligently toward producing HEA legislation by the fall.

Rep. DesJarlais Introduces *Andrew P. Carpenter Tax Act*

Representative Scott DesJarlais (R-TN) introduced the *Andrew P. Carpenter Tax Act*, H.R. 2874, to exempt families of troops killed in the line of duty from paying taxes on forgiven student loans. The legislation, named after Lance Corporal Andrew P. Carpenter who lost his life while serving in Afghanistan, would amend the Internal Revenue Code by exempting student loan forgiveness from taxable income for families of veterans who lost their lives while serving on active duty in the United States Armed Forces.

Three years prior to his tour of duty, Andrew took out a private student loan. Although this loan was ultimately forgiven by the lender, the Carpenter family received a $1,000 tax bill from the Internal Revenue Service (IRS) informing them that the discharged debt would still be factored into their gross taxable income for that year.

"Having already sacrificed so much for our country, it is simply wrong to require our military families to pay taxes on loans already forgiven," said Representative DesJarlais. "This legislation is a fitting way to fix a glaring problem in our tax code while paying tribute to the memory of Lance Corporal Carpenter. His family has experienced the pain of losing a son, husband and father. If passed, I hope this measure will in some way ease their burden."

The *Andrew P. Carpenter Tax Act* would have a retroactive effective date of October 7, 2001, the start of Operation Enduring Freedom.

For more information, see: https://desjarlais.house.gov/media-center/press-releases/representative-desjarlais-introduces-the-andrew-p-carpenter-tax

White House & Administration

Education Department Nixes College Ratings System

Last Thursday, the Department of Education announced it is scrapping the contentious college-ratings system in favor of customizable, consumer-focused website. As opposed to the creatively titled Postsecondary Institutions Rating System (PIRS), the website will not include evaluations of colleges but will contain an extensive amount of data that has never been available before.

The site will allow students and others to compare colleges "on whatever measures are important to them," said Jamienne S. Studley, deputy undersecretary of education.

Undersecretary Ted Mitchell said the Department is "still discussing" what specific data will be included on the website, but that the purpose is to provide students, families, and policy makers with the appropriate information that will allow them to "compare college costs and outcomes."

Mitchell told *The Chronicle of Education* that many of the categories the Department was discussing in December to include in their ratings system are still under consideration. These include graduates' earnings and loan-repayment rates. "We're not giving up on accountability at all," he said. The consumer tool, he said, "will become a form of public accountability."

Since plans of its creation were first announced, the federal ratings system received a major backlash. PIRS was roundly criticized both in Congress and by leaders in the higher education community who questioned the Departments' ability to create a fair system, particularly given concerns with the underlying federal data.

For more information, see: http://chronicle.com/article/Education-Department-Now-Plans/231137/

Despite Court Challenge, Gainful Employment and Other New Rules Now in Place

Over five years after the Department of Education began working on regulations to define "gainful employment," the new rules took effect July 1 after a federal court upheld the regulations last Tuesday. The rules establish certain metrics relating to debt to income ratios that all programs at for-profit colleges and certificate programs at non-profit institutions must pass in order for the programs to continue to be eligible for Title IV aid for their students.

Last week, a federal judge ruled the Education Department has the right to demand that schools show their graduates make enough money to repay their student loans. This was the second lawsuit filed by the for-profit education sector intended to block the new provisions. The suit called into question the Department's ability to determine if a school has provided adequate tools for students graduating from a program can find employment.

Under the new rules, programs risk losing their federal aid eligibility if their typical graduate's annual loan repayments exceed 20% of their discretionary income, or 8% of their total earnings. Using the highest of mean or median earnings for a given program, the new gainful employment metric establishes a "pass, zone, and fail" structure. If a program fails both metrics for two out of three years, or falls into the "zone" category (missing one of the benchmarks) for four consecutive years, it may lose access to Title IV funds.

According to Education Department officials, the new gainful employment rules are expected to cause 1,400 individual programs (not schools), 99 percent of them at for-profit colleges, to be put at risk of losing eligibility for student aid. Together these programs enroll 840,000 students. The new regulations rules will affect all institutions of higher education that offer career-focused certificate programs.

In addition, the Department of Education sent a "Dear Colleague" letter to remind postsecondary institutions that beginning on July 1 they could lose their eligibility for Title IV federal aid programs if they are not authorized by a state agency that has a process to review and act upon student complaints about institutions. ED's new rules derived from changes in the Violence Against Women Act (VAWA) also became effective on July 1.

- For coverage on the federal court upholding gainful employment, see: http://chronicle.com/blogs/ticker/gainful-employment-rule-survives-for-profit-groups-court-challenge/101079
- For the Department of Education's Fact Sheet on gainful employment regulations, see: http://www.ed.gov/news/press-releases/fact-sheet-obama-administration-increases-accountability-low-performing-profit-institutions
- For the Department of Education's "Dear Colleague" letter, see: http://www.ifap.ed.gov/dpcletters/GEN1510.html

CFPB Releases Latest Supervision Report

The Consumer Financial Protection Bureau released its latest supervision report last Tuesday outlining problems the Bureau reported finding in the first four months of 2015. The report highlighted activity in debt collection and student loan servicing among other industries. The CFPB found that across all industries supervisory resolutions resulted in remediation of $11.6 million to more than 80,000 consumers.

Examiners found some financial institutions did not have formal follow-up procedures for when third-party debt collectors failed to complete required training. The report states, "These providers were allowed to continue collecting on debt and interacting with consumers, even when their training was overdue."

The findings in this report relating to student loans appear to be relatively minor, touching on tax deductions and seemingly minor Fair Credit Reform Act violations. The report states, "During one or more examinations, examiners determined that student loan servicers included language on periodic statements suggesting that borrowers could not deduct on tax filings interest paid on qualified student loans unless they paid more than $600 in interest. Examiners found this practice to be deceptive because there is no minimum amount of qualified student loan interest that borrowers must pay before taking a deduction. At the time of the examination, one or more student loan servicers had already removed the language suggesting a $600 threshold for deducting student loan interest. In addition, relevant servicers offered free tax advice and re-filing assistance for borrowers negatively affected by the misleading language."

The supervisory report also highlighted unlawful FCRA adverse action notices: "If a student loan servicer uses a consumer report to deny a cosigner release request, the servicer must provide a FCRA adverse action notice. During one or more examinations, Supervision determined that a student loan servicer

did not include all required information in FCRA adverse action notices when denying cosigner release requests. In response to a citation, one or more student loan servicers conducted a root cause analysis to determine why the adverse action notices were deficient, and have undertaken remedial and corrective actions regarding this violation, which is under review by Supervision."

For more information, see: http://www.consumerfinance.gov/newsroom/cfpb-identifies-illegal-practices-uncovered-through-supervision/

CFPB Asks Search Engines to Stop "Debt Relief Scammers"

Last Monday, the Consumer Financial Protection Bureau (CFPB) wrote to Facebook, Bing, Google and Yahoo asking them to keep an eye on suspicious ads and search results that pop up on their sites when consumers type keywords like "student loan default," "student loan forgiveness" and "Obama student loan relief." There has been an increase in the amount of pop-up ads offering to solve these student loan debt problems and the CFPB has received complaints about sites that charge an up-front fee for these services.

In one of his last acts before departing the CFPB's Office of Students for the Center for American Progress, Rohit Chopra wrote to former Congresswoman, now lobbyist, Susan Molinari of Google:

> *I am writing to alert Google that student debt relief scammers may be targeting student loan borrowers through the company's search products.*
>
> *There are over 40 million Americans who collectively owe over $1.2 trillion in student debt, with a substantial portion in distress. The Consumer Financial Protection Bureau estimates that there are more than 8 million Americans in default on a federal or private student loan. While federal student loan borrowers are able to avoid or get out of default through various income-driven repayment and rehabilitation plans, we are concerned that student loan servicers have left many borrowers in the dark about these options. The CFPB has seen an increase in the number of companies and websites requiring large upfront fees to help borrowers enroll in a plan that can be done for free. While we have warned consumers about these scams, we are concerned that unscrupulous companies may be using aggressive advertising through search products to lure distressed borrowers.*
>
> *We understand that Google has policies in place to protect consumers against misrepresentations in advertisements. We would like to alert you to the fact that there may be companies within this sector who do not meet these requirements….*
>
> *We urge you to work closely with federal and state agencies to ensure your search products are not being used by individuals and companies seeking to prey on the most vulnerable student loan borrowers by implying an affiliation with the federal government. By more closely monitoring advertising on key search terms and helping to drive traffic toward unbiased sources of information, your users will gain greater value from your search products and scammers will be less likely to flourish.*

For more information, see: http://www.nbcnews.com/business/personal-finance/feds-ask-facebook-google-yahoo-help-stop-student-loan-scams-n380516

Special Master for Corinthian Student Debt Named

Last Thursday, the Department of Education appointed Joseph A. Smith as a special monitor to create a debt relief program for students who attended Corinthian Colleges. Undersecretary Ted Mitchell, who appointed Smith, called him a "distinguished advocate for consumers and taxpayers."

In addition to advising the Department on issues related to Corinthian, Smith will help develop a broader system to aid students at other institutions who are seeking debt relief of their federal Direct Loans because they believe they were defrauded.

Smith has experience specializing in the independent oversight of complex financial services settlements. In 2012, he was appointed by a bipartisan group of state attorneys general, the federal government and the nation's five largest mortgage servicers to monitor the National Mortgage Settlement, the largest consumer financial protection settlement in U.S. history. In 2013, Smith was appointed to monitor the consumer relief obligations included in the $13 billion settlement between the U.S. Department of Justice and JPMorgan Chase.

Smith will report to the undersecretary and advise on creating a simple application for debt relief for all, make recommendations on issues of law and fact related to borrower defense claims received by the Department, and help strengthen the process by which the Department can recover money from schools after successful borrower defense claims.

For more information, see: https://www.ed.gov/news/press-releases/education-department-appoints-special-master-inform-debt-relief-process

Direct Loan Rates for 2015-2016 Now Effective

The final May auction of 10-year Treasury notes led to a drop in Direct Loan interest rates for loans made from July 1, 2015 until July 1, 2016. The Treasury reported a high yield of 2.237 percent, which when rounded to 2.24 percent result in a 0.37 percent cut in the interest rate on federal loans originated from July 1, 2015 through June 30, 2016.

For the cheapest loans, undergraduate Staffords, the rate would be 4.29 percent. The graduate Stafford rate will be 5.84 percent. PLUS loans, both for graduate students and parents, will be 6.84 percent.

Additional information on Direct Loan interest rates is available online:
https://studentaid.ed.gov/sa/types/loans/interest-rates

Lawmakers Ease 1098-T Penalty Enforcement

Included in the recently passed trade legislation was a provision easing 1098-T penalty enforcement.

One of the initial objections from Democrats over the trade regulations was over a provision that would have cut Medicare payments to pay for aid to workers displaced by trade policies. Lawmakers removed the Medicare provision and replaced it with language that establishes a safe harbor from Internal Revenue Service (IRS) penalty notices for missing taxpayer identification numbers (TIN) and requires certain taxpayers claiming education tax benefits to possess a valid 1098-T. The legislative language is similar to a bill introduced in May by Sen. Dan Coats (R-IN). The Joint Committee on

Taxation estimates the new provision requiring possession of a 1098-T will raise $576 million over 10 years.

In August 2013, the IRS began penalizing colleges and universities for filing 1098-T Forms with incorrect or missing TINs. The National Association of College and University Business Offices (NACUBO) and other higher education organizations have fought hard against what they believe were unjust penalties, and their efforts have proven successful with the recent passage of the trade legislation.

The new law reads as follows:

"No penalty shall be imposed under section 6721 or 6722 solely by reason of failing to provide the TIN of an individual on a return or statement required by section 6050(S)(a)(1) if the eligible educational institution required to make such return contemporaneously makes a true and accurate certification under penalty of perjury (and in such form and manner as may be prescribed by the Secretary) that it has complied with standards promulgated by the Secretary for obtaining such individual's TIN."

The provision goes into effect for statements furnished after December 31, 2015.

For more information, see:
http://www.nacubo.org/Business_and_Policy_Areas/Tax/Tax_News/Lawmakers_Ease_1098-T_Penalty_Enforcement.html?utm_source=MagnetMail&utm_medium=email&utm_term=lclark@nacubo.org&utm_content=Current6-29-15&utm_campaign=NACUBO%20Current%20for%20June%2029%2C%202015

President's Advisory Council on Financial Capability for Young Americans Releases Final Report

The President's Advisory Council on Financial Capability for Young Americans (Council) published its final report to the President and Secretary of the Treasury this week. The 68-page report is light on specifics, but does highlight some promising public-private partnerships. It also brings further attention to issues relating to youth financial literacy.

The report includes recommendations for improving the financial capability of youth and identifies a number of areas where progress is needed to improve financial decision-making. These areas include: "simplifying student aid, tying together youth employment opportunities and financial education, addressing identity theft and financial abuse, and encouraging innovative approaches to build teachers' ability to teach financial education in schools."

Members of the Council include the Secretary of the Treasury, the Secretary of Education, the Director of the Consumer Financial Protection Bureau and 22 non-governmental members appointed by the President. President Obama created the Council with Executive Order 13646 in June 2013 for a two-year term.

In the report, Council members outlined several actions that private sector and non-profit organizations are taking to implement initiatives that align with the recommendations. Some highlights include:

- Council members intend to grow partnerships for college mentoring by expanding existing mentoring partnerships such as the Davidson College, Franklin & Marshall College and the

College Advising Corps program by training college students to help underserved students and families to prepare and make informed choices about college and financial aid.

- With support from PricewaterhouseCoopers, Digital Promise will develop a pilot to test whether teachers who become more comfortable and confident with personal finance topics and effective strategies for teaching these topics will be better equipped to teach them. The pilot will provide access to tools powered by digital technologies to improve teachers' motivation, confidence, and skills.

- The National Endowment for Financial Education and the Take Charge America Institute at the University of Arizona are building a new online national teacher resource center. The center will provide financial capability resources for middle and high school educators.

- The Citi Foundation and Cities for Financial Empowerment Fund expanded their Summer Jobs Connect program into the District of Columbia and St. Louis to provide more than 2,000 low-income youth with summer work experience, access to financial education, and appropriate financial services. Other cities involved in the initiative include Los Angeles, New York, Miami, San Francisco, and Chicago.

To view a full list of initiatives and the Council's report, see: http://www.treasury.gov/press-center/press-releases/Pages/jl0099.aspx

New IFAP and *Federal Register* Announcements

Recent additions to the Information for Financial Aid Professionals (IFAP) website and *The Federal Register* have been made that may be of interest to COHEAO members.

FSA IFAP and *Federal Register* Announcements and Dear Colleague letters:

- School Portfolio Report Import Tool
- Additional 2013-2014 Direct Loan Program Year Closeout Information
- Errata and Updates - Application and Verification Guide [2015-2016 Federal Student Aid Handbook]
- Approved Ability-to-Benefit (ATB) tests
- 2015-2016 Federal Student Aid Handbook Errata and Updates
- FAFSA® Information To Be Verified for the 2016-2017 Award Year
- Dear Colleague on State Authorization Regulations Effective Date July 1, 2015
- Dear Colleague on Regulatory Requirements Related to Gainful Employment Programs
- Dear Colleague on 2016-2017 Award Year: FAFSA® Information to be Verified and Acceptable Documentation
- Gainful Employment Electronic Announcement #56 - Updated NSLDS Gainful Employment User Guide
- Ending of Publication of the "The Blue Book"

Industry

Center for American Progress Hires Rohit Chopra as Senior Fellow

The Center for American Progress hired Rohit Chopra as a Senior Fellow, immediately following his departure from the Consumer Financial Protection Bureau (CFPB) as its Student Loan Ombudsman. Chopra will work on issues facing young people and the economy, including the impact of growing student debt.

"We are thrilled to welcome Rohit Chopra, one of the leading voices on student debt reform, to the Center for American Progress," said Carmel Martin, Executive Vice President for Policy at CAP. She added, "Rohit's deep knowledge of the student loan crisis will be a tremendous asset as CAP works to make needed fixes."

States Examining Student Debt Relief Firms

After New York's governor Andrew Cuomo's office launched an investigation into Ineractiv Education LLC, a student-debt-relief firm, the company has announced it would be closing its doors. Gov. Cuomo's office found that that company advertised it could lower student-loan payments for borrowers, but in actuality, it just filled out a loan-consolidation form that is available free to all borrowers through the Department of Education. Interactiv charged as much as $3,400 for the service. Interactiv was one of the 13 firms the governor's office launched its public investigation on in 2014.

In other news, Minnesota's Attorney General, Lori Swanson, sued a Florida-based company she accuses of similarly preying on student borrowers with promises of loan forgiveness. Swanson alleges that Student Aid Center Inc. charged more than 800 Minnesota borrowers as much as $1,500 per person to have their federal student loans "forgiven" when the company is actually just enrolling them in free repayment or consolidation programs.

Finally, in Virginia, these services have yet to come under regulatory scrutiny and are even generating some positive local press. WWBT-12, Richmond's NBC affiliate, ran a piece on Student Loan Freedom. In the story, the company's founder Mark Resnick acknowledges the criticism that borrowers can work with their servicers and the Department directly, as opposed to paying for his company's services.

"What we do for people can be done for free. I make no secret of that. Is it easy? No. Is it tricky? Yes. That's why we exist," Resnick told the outlet.

- For more information on Minnesota and New York, see: http://chronicle.com/blogs/ticker/student-debt-relief-firm-will-shut-its-doors-after-new-york-investigation/101439
- For more information on Virginia, see: http://www.nbc12.com/story/29452676/richmond-business-helps-borrowers-reduce-student-loan-payments

Research Shows Some Student Debt May Actually Be Beneficial

Two papers released within the past few weeks show that a modest level of student loan debt is actually not as bad as the public perceives. Third Way, a centrist Democratic think tank, published a paper that used previous research to prove that college students with some amount of student debt are more likely to graduate than those with less or no debt-up to a point. The authors found that for students who began college in the early 2000s, graduation rates improved along with debt up to $10,000, then

decreased as debt increased beyond $10,000. The pattern held true for students from both poor and wealthy backgrounds but wealthier students often withstand higher debt levels and graduate at higher rates than poor ones.

Moreover, a new report from the Center for American Progress (CAP) analyzes the link between debt and college completion. The paper states that not all student loans are bad, but that rather the major issue is student borrowers not completing their education. The report found that borrowers who earn a degree are much less likely to default on their loans than those who do not, and dropouts represent an estimated 60 percent of all people who default on their loans.

The report also looked at the relationship between debt and educational attainment from a state perspective, and found that high levels of debt may not be as problematic if they are due to many students earning degrees. For example, in Virginia the average debt per borrower is $28,467, and the state ranks fourth in highest average student loan debt. However, it also has a high attainment rate, with 41 percent of adults holding at least an associate's degree. When CAP used the number of graduates to measure student loan debt, Virginia had the 11th lowest debt per degree holder.

- For Third Way's paper, see: http://www.thirdway.org/report/student-loans-and-graduation-from-american-universities
- For Center for American Progress' paper, see: https://www.americanprogress.org/issues/higher-education/news/2015/06/26/116019/the-relationship-between-student-debt-and-college-completion/

Study Shows 70 Percent of College Students Stressed About Finances

Ohio State University's Office of Student Life and College of Education and Human Ecology released its National Student Financial Wellness Study yesterday. The study surveyed 18,975 undergraduate students at 52 colleges and universities across the country and found the majority of college students are stressed but generally optimistic about their financial future.

Researchers found that seven out of 10 college students feel stressed about their personal finances, and nearly 60 percent worry they will not have enough money to pay for school. Co-author, Anne McDaniel, said the findings suggest that the pressures of student loan debt and the ability to make ends meet are weighing on America's college students.

Thirty-two percent of students reported neglecting their studies at least sometimes because of the money they owed. Despite their financial stress, the survey found more than three-quarters of students think college is a good investment for their future and they will be able to support themselves after graduation.

The survey found that 64 percent of college students used loans to help pay for college. Roughly 18 percent of students said they relied mostly on loans to finance school. For those with loans, nearly one-third owed less than $10,000, but one in five owed more than $30,000. About 30 percent of students with loans said they borrowed the maximum amount they qualify for each year.

In regards to credit card debt, the CARD Act of 2009 is showing some effect, as the availability of credit cards for college students has plummeted. About 43 percent of students don't have a credit card and, of those who do, nearly half (47 percent) pay off the full balance each month. Of those who don't pay off the full balance, the majority (55 percent) owe less than $1,000.

For the most part, the survey found that students are generally confident that their financial future. Nearly 8 out of 10 said they believed they would be able to pay off any debt they acquired while they were still in school and 67 percent said that, when they thought about their financial situation, they were "optimistic about their future."

For the full report, see: http://cssl.osu.edu/national-student-financial-wellness-study/results/

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518-525-2628
MLivolsi@albany.edu

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Assistance & Third Party Billing
University of Minnesota
211 Science Teaching & Student Services
222 Pleasant St. SE
Minneapolis, MN 55455
612-625-1082
Fax: 612-624-2873
t-schm@umn.edu

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803-329-9791 x 2104
Fax: 803-329-0797
bperrin@wfcorp.com

Member at Large
David Stocker
General Counsel
ACSI, Inc.
2802 Opryland Drive
Nashville, TN 37214
800-445.1736 x1845
Fax: 615.361.4816
DStocker@acsi.net

Commercial Committee Chair/Membership Co-Chair
Bob Frick
Transworld Systems (TSI)
Vice President-Education Services
2520 South 170th Street
New Berlin, WI 53151
262-780-7500
Fax: 866-543-6814
bob.frick@tsico.com

Vice President
Carl Perry
Senior Vice President
Progressive Financial Services
516 N Production Street (Suite 100)
Aberdeen, SD 57401
800-585-4986
cperry@progressivefinancial.com

Treasurer
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Vice President
Todd, Bremer & Lawson
560 Herlong Avenue
Post Office Box 36788
Rock Hill, South Carolina 29732-0512
800-849-6669
Fax: 803-323-5211
lori.hartung@tbandl.com

Member at Large
Larry Rock
Director of Student Loan Repayment
Concordia College
901 S. 8th St. S
Moorhead, MN 56562
218-299-3323
Fax 218-299-4357
larock@cord.edu

Member at Large
Cindy Schick
Vice President, Business Development
NCC Business Services of America, Inc.
9428 Baymeadows Road, Suite 200
Jacksonville, FL 32256
904-352-2745
Fax: 904-352-2746
Cschick@ncc-business.com

Legislative Chair
Jan Hnilica
Student Accounts Manager
Wheaton College
501 College Ave.
Wheaton, IL 60187
630-752-5803
Fax: 630-752-7008
Jan.hnilica@wheaton.edu

Legislative Co-Chair, Regulations
Lee Anne Wigdahl
Manager, Loan Administration
DeVry Inc.
814 Commerce Drive
Oak Brook, IL 60523
630-645-1178
Fax: 630 891-6292
lwigdahl@devrygroup.com

Legislative Co-Chair, Perkins
Jeff "JP" Pfund
University of Wisconsin, Madison
Office of Student Financial Aid
Student Loan Servicing Dept.
333 East Campus Mall #9508
Madison WI 53713-1382
608-263-7100
jeff.pfund@finaid.wisc.edu

Internal Operations Chair
Jeane Olson
Director
Northern Arizona University
Gammage Building
Flagstaff, AZ 86011
928-523-3122
Jeane.olson@nau.edu

Internal Operations Co-Chair, Financial Literacy
Todd Woodlee
Associate Vice President
iGrad
1775 Warfield Dr.
Clarksville, TN 37043
706.231.0150
twoodlee@igrad.com

Internal Operations Co-Chair, Communications
Michael Mietelski
Regional Director of Business Development
ConServe
200 CrossKeys Office Park
P.O. Box 7
Fairport, NY 14450-0007
800-724-7500 x4450
mmietelski@conserve-arm.com

Internal Operations Co-Chair, Support
Nancy Paris
Vice President Client Services
RMS-Recovery Management Services, Inc.
4200 Cantera Drive, Suite 211
Warrenville, IL 60555
800-900-3944, ext. 104
Fax: 630-836-2413
nparis@rmscollects.com

Membership Chair
Karen Reddick
Vice President Business Development
National Credit Management
10845 Olive Blvd
St. Louis, MO 63141
800-627-2300, 229
kreddick@ncmstl.com

Membership Co-Chair, Institutions
Carolyn James
Accounting Supervisor
Student Loans & Collections
University of Michigan
6000 Wolverine Tower, 3003 S State St.
Ann Arbor, MI 48109
734-763-6607
Fax: 734-647-3804
ctjames@umich.edu

Membership Co-Chair, Support
Claude Payne
Loan Services Specialist
Weber State University
3850 Dixon Parkway, Dept. 1023
Ogden, UT
(801) 626-7346
Fax: (801) 626-7276
cpayne@weber.edu

Executive Director
Harrison Wadsworth
1101 Vermont Ave. N.W. Suite 400
Washington, DC 20005-3521
202-289-3910
Fax 202-371-0197
hwadsworth@wpllc.net

HOUSE APPROPRIATIONS COMMITTEE MARKUP OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES FY2016 SPENDING BILL

Prepared by:
Ellin Nolan (**enolan@wpllc.net**)
Kuna Tavalin (**ktavalin@wpllc.net**)

June 25, 2015

On June 24, for the first time in six years, the House Committee on Appropriations held a markup to debate the FY 2016 funding bill for the Departments of Labor, Health and Human Resources, Education and Related Agencies (LHHS). Just as the Subcommittee markup of the LHHS bill was remarkably collegial in spite of unanimous Democratic opposition, Chairman Rogers (R-KY) and Ranking Member Lowey (D-NY) maintained a similar tone. The markup spanned 6 hours and 18 minutes, with Members taking a brief break to go to the House floor for votes.

On June 16, the draft bill was released to the public and included $153 billion in discretionary funding, which is a reduction of $3.7 billion below the FY 2015 enacted level and $14.6 billion below the President's FY 2016 budget request. According to the Majority's press release, "Funding within the bill is targeted to proven programs with the most national benefit…while the bill reduces funding in lower-priority areas, and cuts ineffective or wasteful programs and agencies." For the Department of Education this means a drastic $2.8 billion cut in its programs including a freeze on Title I funds at last year's $14.4 billion level and the proposed elimination of approximately 27 programs. The bill includes a few proposed increases in targeted areas, such as special education state grants, Head Start and programs that help first generation students prepare for college. Programs that were zeroed out included several high-profile Obama Administration priorities, such as School Improvement State Grants, Investing in Innovation (i3) and Preschool Development Grants.

MEMBERS PRESENT

Chairman Hal Rogers (R-KY), Ranking Member Nita Lowey (D-NY), Subcommittee Chairman Tom Cole (R-OK), Subcommittee Ranking Member Rosa DeLauro (D-CT), and Representatives Rodney Frelinghuysen (R-NJ), Robert Aderholt (R-AL), Kay Granger (R-TX), Mike Simpson (R-ID), John Culberson (R-TX), Ander Crenshaw (R-FL), John Carter (R-TX), Ken Calvert (R-CA), Mario Diaz-Balart (R-FL), Charlie Dent (R-PA), Tom Graves (R-GA), Kevin Yoder (R-KS), Steve Womack (R-AR), Jeff Fortenberry (R-NE), Tom Rooney (R-FL), Chuck Fleischmann (R-TN), Jaime Herrera Beutler (R-WA) David Joyce (R-OH), David Valadao (R-CA), Martha Roby (R-AL), Andy Harris (R-MD), Mark Amodei (R-NV), Chris Stewart (R-UT), Scott Rigell (R-VA), David Jolly (R-FL), David Young (R-IA), Evan Jenkins (R-WV) Marcy Kaptur (D-OH), Peter Visclosky (D-IN), Jose Serrano (D-NY), David Price (D-NC), Sam Farr

(D- CA), Sanford Bishop (D-GA), Adam Schiff (D-CA), Michael Honda (D-CA, Betty McCollum (D-MN), Steve Israel (D-NY), Tim Ryan (D-OH), Dutch Ruppersberger (D-MD), Debbie Wasserman Schultz (D-FL), Henry Cuellar (D-TX), Chellie Pingree (D-ME), Mike Quigley (D-IL), Derek Kilmer (D-WA), Barbara Lee (D-CA), Chaka Fattah (D-PA) and Lucille Roybal-Allard (D-CA).

OPENING STATEMENTS

Chairman Rogers praised Subcommittee Chair Cole (R-OK) for his leadership in producing a bill that deserves Committee support in spite of a tough financial climate. He acknowledged that the "caps were tight" but said "that's the law until we change it". He praised the Committee for being on track to pass all 12 funding bills before the August Recess. He then turned the gavel over to Cole.

Subcommittee Chair Cole described the bill as "responsible." He noted a $2 billion increase in funding for biomedical research; increased education funding for the most vulnerable students, referring to a $500 million increase in Part B IDEA State Grants; a $200 million increase in funding for Head Start; the elimination of funding for programs of limited value; the addition of riders that prohibit costly and "morally objectionable" regulations; and importantly, no funding for the Department of Health and Human Services to support Obamacare. Cole said the bill reflects a "balanced approach" to meeting a difficult budget cap. He complimented Ranking Member DeLauro (D-CT) for her willingness to find common ground where she could and also offered praise for the hard work of Subcommittee staff.

Subcommittee Ranking Member DeLauro also began by saying it was a pleasure to work with Chairman Cole. She said the 12 hearings convened by the Subcommittee had been productive and that the markup allowed for a good, transparent debate of the bill. Regardless, she remarked that it is a bill she and her Democratic colleagues cannot support. In her view, the LHHS bill is "the peoples' bill" that helps level the playing field for low income families. It provides vital support for education, job training and healthcare. She noted that the positive and important increases in funding described by Chairman Cole came at a serious cost. The allocation given to the Subcommittee—a stark $4 billion reduction from the previous year—made the task of producing a bill extremely difficult. The real culprit, she acknowledged, is the Sequester required by the Budget Control Act. Absent the elimination of this "self-imposed austerity," she said it will be impossible to produce a bill that meets the critical national needs of the nation. Budgeting, according to DeLauro, is about values. She noted that a $2.7 billion cut to education, $1.3 billion to health and human services and a $205 million cut to labor have resulted in woefully under funding these agencies and the Committee "abdicating it's responsibility" to those in greatest need. Turning to the riders on the bill that affect all three agencies, she called them "ideological" and urged their removal.

Ranking Member Lowey (D-NY) added her praise for holding a markup for the first time in six years but quickly turned to her criticism of the legislation. She called it one of the most important bills before the Congress, adding that because of the deep programmatic cuts it is an affront to women, families and all working Americans. "The grossly inadequate allocation means a litany of dangerous cuts too long to detail," she remarked. According to Lowey, rather than accept the

bill and its dire consequences, it is within the power of the Committee to make the choice to eliminate the Sequester, and she urged her colleagues to do so.

AMENDMENTS OFFERED

After the opening statements, the Committee began consideration of a number of amendments, most of which were aimed at restoring education programs but lacked funding offsets. As she did last week, Subcommittee Ranking Member DeLauro offered the first amendment, to add an additional $11.7 billion to numerous programs across the bill to match the President's requested funding levels in his budget proposal. This amendment and all other amendments that did not have financial offsets failed.

Additional amendments that were either withdrawn or defeated included:

- **DeLauro** (D-CT) – to increase funding by nearly $2 billion for the Child Care and Development Block Grant, Head Start, and Preschool Development Grants.
- **Honda** (D-CA)- to increase funding to combat human trafficking (withdrawn).
- **Quigley** (D-IL)- to close the loophole on the 90/10 rule to include GI bill and Department of Defense tuition assistance programs in the calculation.
- **Fattah** (D-PA) – to increase funding by $1.7 billion for Title I, Teacher Quality State Grants and English Language Acquisition.
- **Roybal-Allard** (D-CA)- to restore funding to the Corporation for National and Community Service.
- **Price** (D-NC) – to restore funding for all teacher development programs.
- **McCollum** (D-MN) – to restore funds for Safe and Drug-Free Schools, physical education, and school counseling.
- **Pingree** (D-ME) – to restore funding for Investing in Innovation (i3) grants program.
- **DeLauro** (D-CT) – to strike section 309, which blocks implementation of the Gainful Employment regulation.
- **Honda** (D-CA) – to restore the Institute of Education Sciences back to its FY 2015 level.
- **Israel** (D-NY) - to direct the Department of Education to study the pipeline for cybersecurity experts (withdrawn).

Two amendments that did not require additional funding were adopted by a voice vote:

- **Roybal-Allard** (D-CA) - directing the Administration of Children and Families to conduct a study on child poverty and report to Congress with a plan to reduce the child poverty level by 50 percent in the next ten years.
- **Kilmer** (D-WA) - direction the Department of Education to issue guidance to districts seeking Impact Aid funds on how to measure their districts' tax rates.

CONCLUSION

After nearly seven hours of discussion and consideration of amendments, the committee advanced the bill by a vote of 30-21. Chairman Rogers announced that the House will complete floor action on all 12 appropriations bills by the time Congress leaves town for the August recess. He has also urged Democrats and the President to come to the table to address the budget constraints put into place by sequestration. For more information about the markup, go here.

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FY 2016 SPENDING
MARK UP SUMMARY

SENATE SUBCOMMITTEE AND FULL COMMITTEE DEBATE OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES FY2016 SPENDING BILL

Prepared by:
Della Cronin (dcronin@wpllc.net)

June 25, 2015

This week, the Senate released its FY 2016 Labor, Health and Human Services and Education (LHHS) Appropriations bill. The measure recommends $153.2 billion in base discretionary spending for the Departments of Labor, Health and Human Services and Education and related agencies and includes a historic $2 billion increase to the National Institutes of Health (NIH). The bill is $3.6 billion below the FY2015 level and $14.5 billion below the President's budget request. In addition, the bill includes $1.561 billion in cap adjustment funding "for preventing waste, fraud, abuse, and improper payments in the Social Security, Medicare and Medicaid programs," according to a press release on the bill.

On Tuesday, the LHHS Subcommittee acted on the bill; on Thursday, full Committee action followed. In both instances, while debate was generally collegial, it was clear that Democrats and Republicans strongly disagree on the merits of the spending proposal. **Senator Roy Blunt (R-MO)**, Chairman of the LHHS Subcommittee, noted that the size of the allocation he received required hard choices. His Democratic counterpart, **Senator Patty Murray (D-WA)**, while complimentary of Chairman Blunt's work, asserted that a larger budget agreement must be reached and that "this bill will never become law."

LHHS SUBCOMMITTEE ACTION

On Tuesday, the Subcommittee spent less than 30 minutes debating the spending bill that will fund programs at the Departments of Labor, Health and Human Services, Education and related agencies. Under the plan, the Department of Education (ED) would receive $65.5 billion—a $1.7 billion cut compared to current levels. The proposal was less draconian than the plan approved by the House appropriations Committee on Wednesday; that proposal slashes ED's budget by $2.8 billion and eliminates 20 programs. The Senate proposes eliminating 10 programs, like the Investing in Innovation (i3) program, Preschool Development grants, and—much to the dismay of Subcommittee Ranking Member Murray, the Striving Readers Comprehensive Literacy program. Senator Blunt noted that the panel's paltry allocation required cuts throughout the bill and a certain focus on "core programs."

Education advocates note that School Improvement Grants would be cut by $56 million in the plan, Promise Neighborhoods would be cut by $20 million and 21st Century Community Learning Centers would be reduced by $117 million. Among other proposed cuts: Teacher Quality State Grants would be cut by $103 million; $10 million would be taken from Safe and Drug-Free schools; English Language Acquisition would be cut by $25.3 million; and, Advanced Placement spending would fall by $5.6 million. Unlike in the House bill, the Mathematics and Science partnerships program would see $141.3 million under the bill—a cut of $11.4 million, but a proposal better than the House's plan for no funding for ED's only STEM-focused K-12 education program. Like the House plan, there were some increases proposed, including for Title I, the Individuals with Disabilities Education Act (IDEA), and charter schools. Head Start would also get $8.7 billion—or a $100 million increase over current FY 2015 spending levels.

Like the House bill, the plan has controversial policy riders. Two are related to education. One would prohibit the federal government from requiring or incentivizing the adoption of any specific set of standards or assessments—like the Common Core State Standards. The other would prevent the Department of Education from moving forward with several regulatory packages related to the *Higher Education Act*, including the development of a college rating system or the implementation of the so-called "gainful employment" regulations. Ultimately, the Subcommittee approved the bill by voice vote, clearing it for full Committee consideration two days later. It should be noted that this bill has already won a veto threat from the White House because of the overall spending level. It has also provoked cries from Republicans and Democrats for remedies to the current statutorily required budget caps in place due to sequestration.

APPROPRIATIONS COMMITTEE ACTION

On Thursday, the full Committee met to consider the LHHS package as well as the Transportation, Housing and Urban Development (THUD) FY 2016 spending plan. Similar to the Subcommittee proceeding, Members were polite and complimentary, even though their disagreements were strong. When describing the bill to his colleagues, Senator Blunt noted the challenge of developing this bill, which spends money on issues that range from biomedical research to job training to elementary education, saying, "What this bill does is set priorities within the allocation our Committee was given." He noted that the "tight allocation" required a close examination of programs and associated taxpayer dollars. He touted the proposed $2 billion increase for NIH—the largest in a decade—as a particularly bright spot of the measure. He also cited proposed increases for IDEA, charters schools and Pell Grants as laudable elements.

Senator Murray responded to the Subcommittee Chairman's remarks by thanking him for his hard work, but said that the bill must have bipartisan support to get a Presidential signature. It currently has no support from her or her Democratic colleagues. She said the plan "doubles down" on detrimental, automatic spending cuts and includes "poison pill" policy riders. She said this spending bill should be a critical part of the federal government's efforts to grow the middle class and the current plan—which is $3.6 billion smaller than current spending levels across all of the affected agencies—"moves us in the wrong direction." If the country wants to invest in students, protect workers, care for families and take care of the most vulnerable, "we need to do better than this bill," she said. **Ultimately, the bill was reported out on a 16-14 partisan vote.**

Education-Related Amendments

There were several amendments offered to the various titles of the bill. Of particular note to education advocates were the following:

Senator Murray offered an amendment that would have increased the allocation for the spending bill to the level of the 2011 agreed-upon spending caps versus the sequester levels being imposed on appropriators now. Senator Blunt and others agreed that while the panel could do more with more money, the caps require tough choices. **Senator Barbara Mikulski (D-MD)**, Ranking Member of the full Committee, urged support for the amendment, saying, "We share bipartisan goals for the future of our country," but, "We have to find a way to get to a new budget agreement." **The amendment failed on a 14-16 party line vote.**

Senator Richard Durbin (D-IL), who has pursued Congressional investigations into what he considers to be the predatory practices of for-profit institutions of higher education, took issue with a rider on the bill that would prevent the enforcement of the ED's "gainful employment" regulatory package. He passionately argued that for-profit institutions educate 10% of high school graduates, but receive 20% of the overall federal dollars spent on student aid. He also noted that 44% of all student loan defaults are from students who attend or have attended for-profit schools. He said that, at these schools, "Tuition is too high, and results are too low." Senator Blunt responded that current leadership at ED has taken the two-word phrase, "gainful employment," which has been in statute since 1965, and created a 900+ page rule saying how the phrase should be applied and created associated penalties. **His amendment to remove the rider failed on a 14-16 party line vote,** with Senator Blunt and others arguing that Congressional reauthorization of the *Higher Education Act* is the appropriate venue for addressing this issue, not unilateral, arguably aggressive, regulatory action from ED.

CONCLUSION

House and Senate leadership will need to decide whether and when to bring these spending bills to their respective floors for debate. Republican leadership is still hoping to pass all 12 spending bills before the August recess, meaning they have four weeks in July to accomplish that challenging feat. Some in Republican leadership are joining their Democratic colleagues in calls for a fix to the sequester and the required spending caps sooner rather than later. The hope is that an agreement can be reached and a showdown over government shutdowns might be avoided in the fall. Full Committee passage means that this bill could be called to the Senate floor anytime.

For more information on the Subcommittee and full Committee markups, see the Committee's press release on approval of the bill here. For a summary of Republican-sponsored amendments to all portions of the bill (not just the Department of Education title), go here. For a similar summary of Democratic-sponsored amendments, go here.