

FACTSHEET - 2014 HOUSE BUDGET

OVERALL FUNDING LEVELS

The House Budget sets for FY 2014 spending levels, or 302(a) allocations, at a cap of \$966 billion. That is \$18 billion less than the post-sequestration cap for FY 2013 funding, and \$77 billion less than the pre-sequestration cap for FY 2013. Under the House budget, nondefense discretionary programs would see an even greater share of cuts, as defense funding is increased under the House budget. Nondefense discretionary (of which most education programs are funded) receives a cap of \$414 billion under the House plan. This is \$55 billion less than funding post-sequestration, and \$92 billion less than funding pre-sequestration.

CUTS TO HIGHER EDUCATION

The House Budget makes several changes to the Pell Grant program, including:

- Elimination of all mandatory funding for Pell. The total mandatory Pell funding between FY 14-FY 23 is approximately \$95 billion. Under the Budget Pell is slated to be an entirely discretionary program, however there is not necessarily an increase in funding to offset this shift. Appropriators would have to find funding for Pell Grants each year under discretionary funding category. This could prove challenging under the lowered caps set by the House budget plan.
- Elimination of Pell Grant eligibility for less-than-half-time students.
- Changes to Pell's income protection allowance (IPA) formula and lowering income thresholds for zero expected family contribution (EFC). The plan calls for the Pell Grant needs-analysis formula to revert back to pre-College Cost Reduction and Access Act of 2007 levels. These roll-backs would lower the income threshold for qualifying for zero EFC, as well as change the IPA formula to expect higher contributions from independent and working students. Reverting back to 2007 levels would also count benefits such as the child tax credit, TANF or EITC as income as related to calculating awards.
- A freeze on the maximum Pell Grant award through 2023 at the current academic year (AY) level of \$5,645.
- Elimination of administrative fees paid to participating institutions. The government pays participating schools \$5 per grant to administer and distribute Pell awards. The plan also eliminates administrative fees paid to schools in the campus-based student aid programs
- The addition of an undefined income cap for the Pell Grant program.

The House Budget makes additional cuts to higher education, including:

- Elimination of all mandatory funding for the Trade Adjustment Assistance Community College and Career Training Grant (TAA CCCTG) program. The program is currently funded only by mandatory dollars. The plan calls for the TAA CCCTG program to be funded under the discretionary side of the budget.
- Elimination of federal loan in-school interest subsidies for undergraduate students.
- A repeal of mandatory funding for College Access Challenge Grants.
- Elimination of mandatory funding for payments to non-profit servicers of loans under the Direct Lending. The plan calls for this to be funded under the discretionary side of the budget.

ADDITIONAL HIGHER EDUCATION PROPOSALS

The budget resolution also calls for a change in the way the Congressional Budget Office calculates the cost of the federal student loan program. Moving to a fair value calculation would drastically increase the cost of the program. In effect, the interest rate for the government to break even on a loan would be calculated at a much higher rate, which some estimate to be around 12 percent. Therefore any interest rate offered below that would cost the government money.

The plan also calls for removal of “regulatory barriers in higher education that restrict flexibility and innovative teaching, particularly as it relates to non-traditional models such as online coursework,” and a reexamination of the data made available to students.

The resolution also recommends reforms to current policies governing the return of Title IV funds. This could include increasing the amount of time a student must attend class in order to withdraw without debt owed for back assistance.