

Federal Update
February 3, 2006

President Expected to Release the Administration's FY2007 Budget Proposal on Monday

Few information leaks have emerged regarding what is in store for higher education in the President's FY2007 budget. One Senate Republican aide was heard to indicate that "it'll be anywhere from not good to really bad" for higher education. There was speculation from another aide that he anticipates that the subcommittee that provides funding for education, labor and health programs to be cut by \$1 billion for program distribution, requiring more programs to be cut "pretty significantly." Competition for funding could be even greater if members of Congress try to negotiate individual earmark project requests back into the budget after stripping nearly \$1 billion in earmarks last year.

Congressman John Boehner (R-Ohio) Becomes Next House Majority Leader

After pledging to involve more members in the legislative process, **John Boehner** (R-Ohio) won the position of House majority leader in the second ballot on Thursday, February 2. Representative **Roy Blunt** (R-Missouri) was serving as the acting majority leader since Representative **Tom DeLay** (R-Texas) stepped down from the post last fall. **Boehner** serves as chair of the Education and the Workforce Committee. As a deputy to former Speaker **Newt Gingrich** (R-Georgia), **Boehner** is expected to renew many of the ideals that characterized the then-called "Republican Revolution."

Done Deal: House Passes Budget Reconciliation Bill – On Way to the President

On Wednesday February 1, the House voted to approve the budget reconciliation bill to reduce mandatory spending by \$39.7 billion. The vote passed by a narrow margin of 216 to 214.

The bill cuts student aid funding by a total of \$12.7 billion. The legislation sets fixed interest rates for student loan repayment and consolidation, hikes rates for parent loan repayments, cuts subsidies for student loan lenders, and increases student loan origination fees in the near term before cutting rates over the long term. Stafford Loan limits will increase to \$3,500 for freshmen and \$4,500 for sophomores; PLUS loans eligibility is extended to graduate and professional students; and Stafford Loan limits are increased for graduate and professional students to \$12,000 per year, with the subsidized limit raised to \$7,000 per year.

Despite the cuts, two new higher education grant programs were included. The first new grant program, known as "Academic Competitiveness Grants," has as a goal to encourage students to study science and math. The "National Science and Mathematics Access to Retain Talent (SMART) Grants," would provide grants for low-income, high-achieving students in their first and second years of study if they are majoring in a specified science or foreign language discipline deemed critical for national security. The programs will provide additional resources to students who are eligible for Pell Grants. Students who gain eligibility by completing a "rigorous" high school program could receive an additional \$750 in their first year of college, and if they maintain a 3.0 GPA, an additional \$1300 in the second year of college.

The Department of Education will have the authority to recognize “rigorous secondary school programs of study.” Students pursuing the physical, life, or computer sciences, mathematics, technology, engineering, or critical foreign languages in the third or fourth year of college could receive an additional \$4000.

The budget reconciliation bill also includes legislation to reauthorize the Temporary Assistance for Needy Families (TANF) program through 2010. The TANF provisions within the budget reconciliation bill mandate that states meet a 50 percent work participation rate in order to avoid federal penalties. The bill retains current law on education-related issues, which makes it more difficult for states to allow TANF recipients who work fewer hours than required under current law (30 hours per week) to receive assistance. This could impact states’ abilities to offer state programs that allow TANF recipients to participate in postsecondary education.

State of the Union Address

Science, math, teacher education, and an aggressive plan for energy independence played a key role **in President Bush’s** 2006 State of the Union address, but were behind the more dominant themes of foreign affairs and national security. Research funding was the dominant theme when the President visited 3M in Minnesota on Thursday. The president’s plan calls for doubling federal spending on the “most critical basic research programs in the physical sciences” over a decade, to “support the work of America’s most creative minds as they explore promising areas such as nanotechnology, supercomputing, and alternative energy sources.”

While no dollar amounts were specified, administration officials said the White House would propose providing \$50 billion, or approximately seven percent each year, over 10 years in new funds for the National Science Foundation, the Department of Energy’s Office of Science, and the Department of Commerce’s National Institute of Standards and Technology. In addition, Bush proposed making permanent the research and development tax credit, “to encourage bolder private-sector investment in technology. With more research in both the public and private sectors, we will improve our quality of life and ensure that America will lead the world in opportunity and innovation for decades to come.”