

FROM WASHINGTON TO YOUR CAMPUS

Scott Buchanan
Vice President
Sallie Mae

10/28/2011



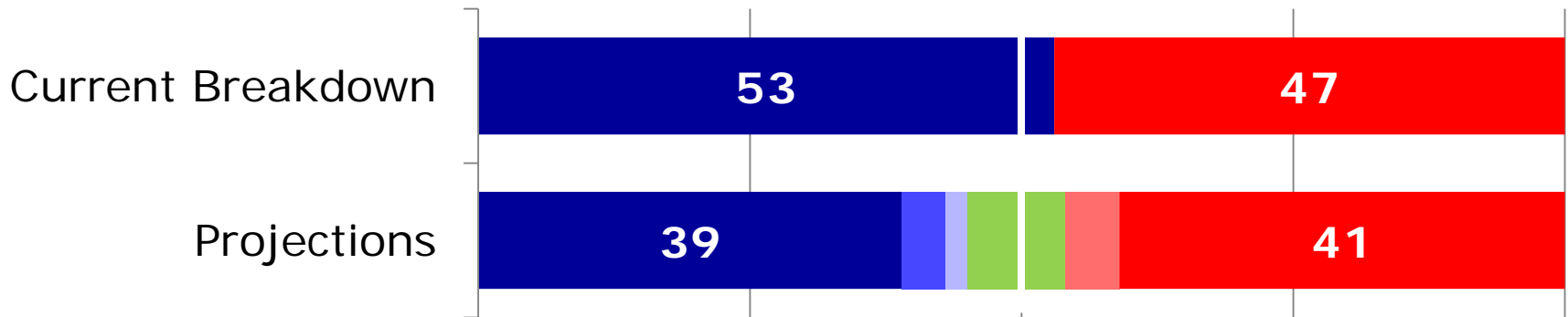
374

November 6, 2012

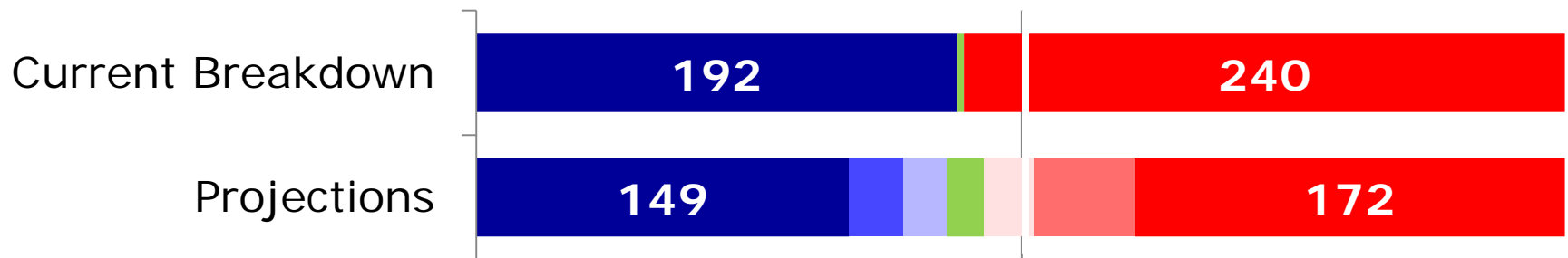
CONTROL OF CONGRESS IS AT STAKE

■ Solid D ■ Likely D ■ Lean D ■ Toss Up ■ Lean R ■ Likely R ■ Solid R

United States Senate



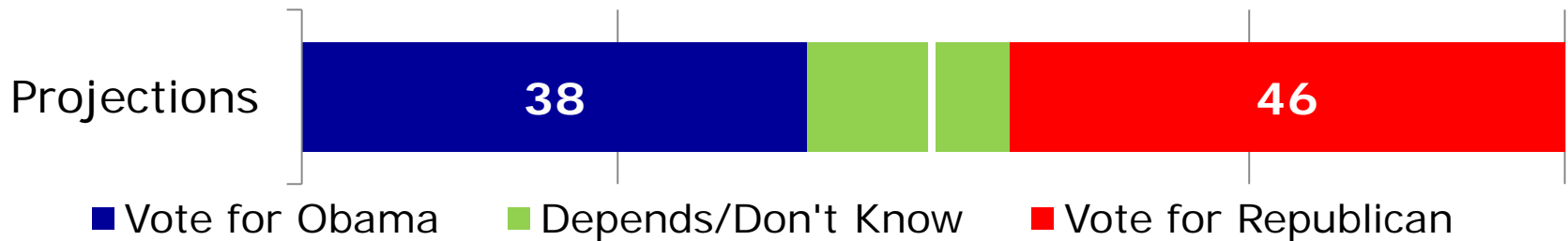
House of Representatives



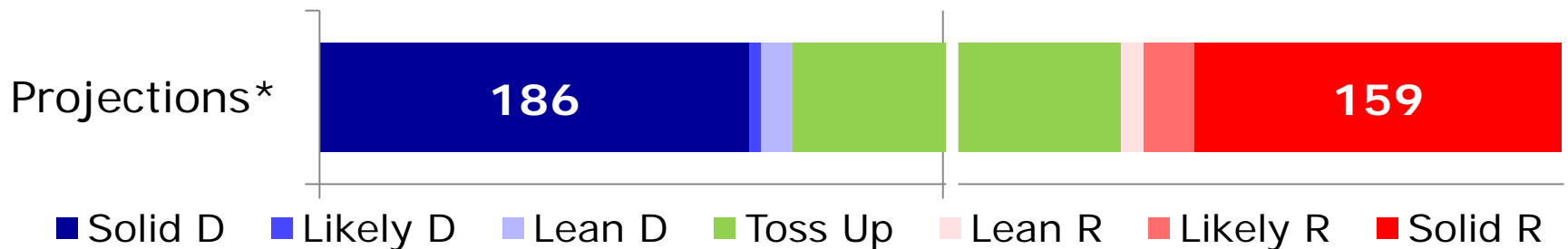
Source: Cook Political Report, August 12, 2011

RACE FOR PRESIDENT

Public Opinion

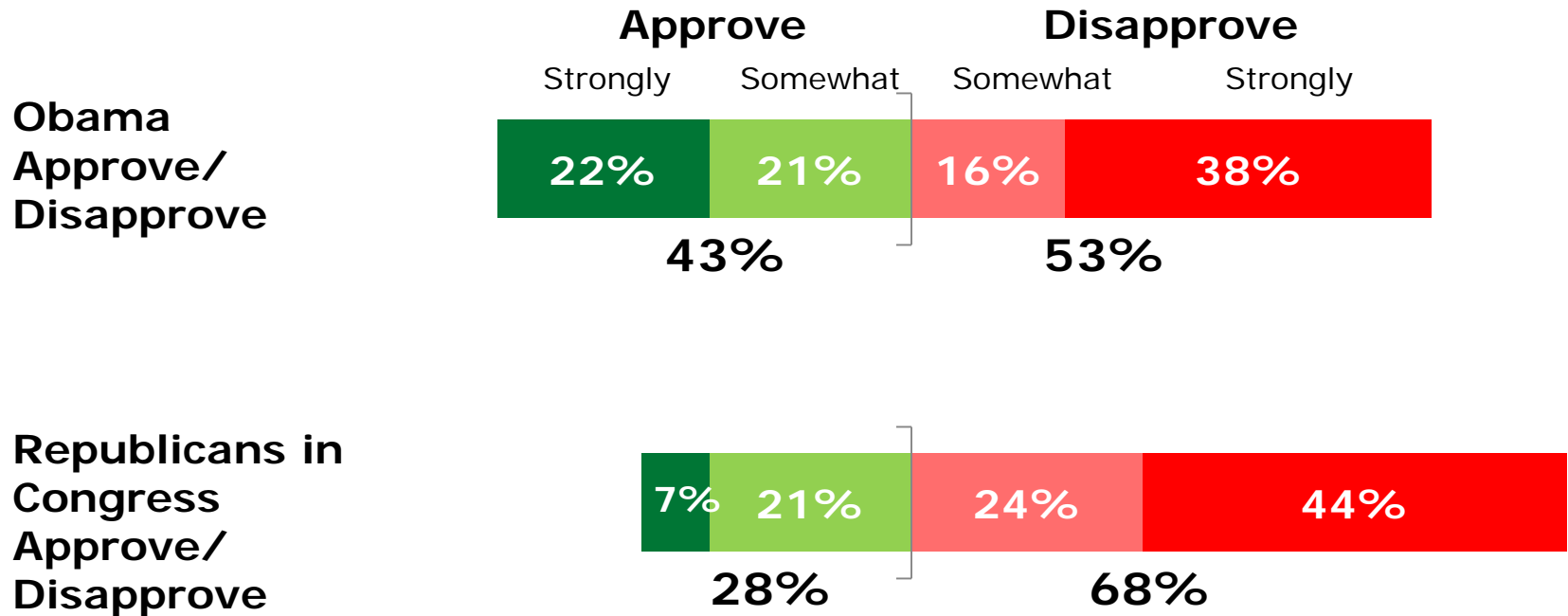


Electoral College



Source: Gallup Poll, October 6-9, 2011;
Electoral College, Cook Political Report, June 2011

THE POLLS - NONE OF THE ABOVE?



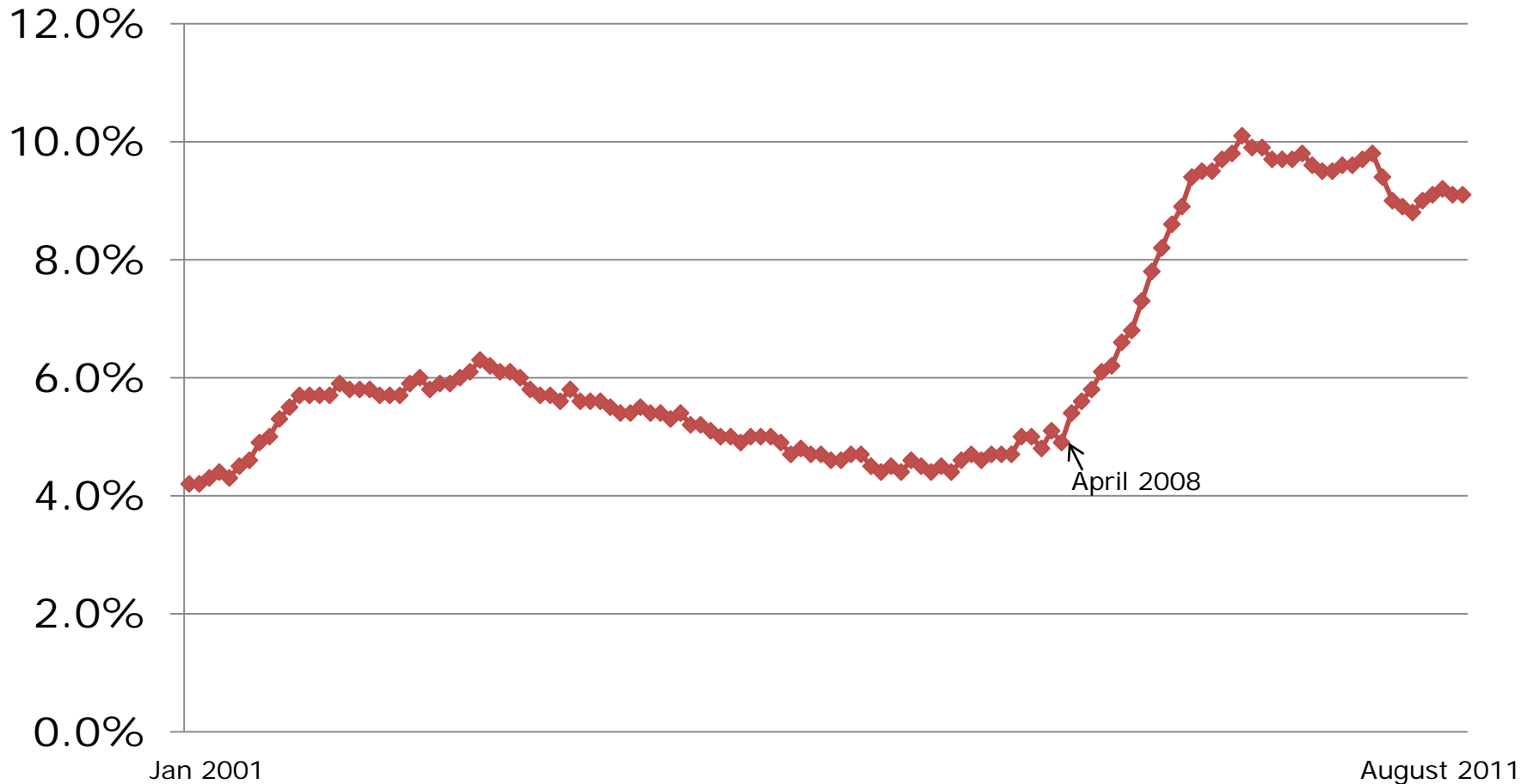
Source: Washington Post/ABC Public Opinion Poll, published 9/6/2011

MAJOR POLITICAL ISSUES

- ▶ Jobs and the economy
 - College costs and student loans
- ▶ Debt and the deficit
 - Investment in higher education

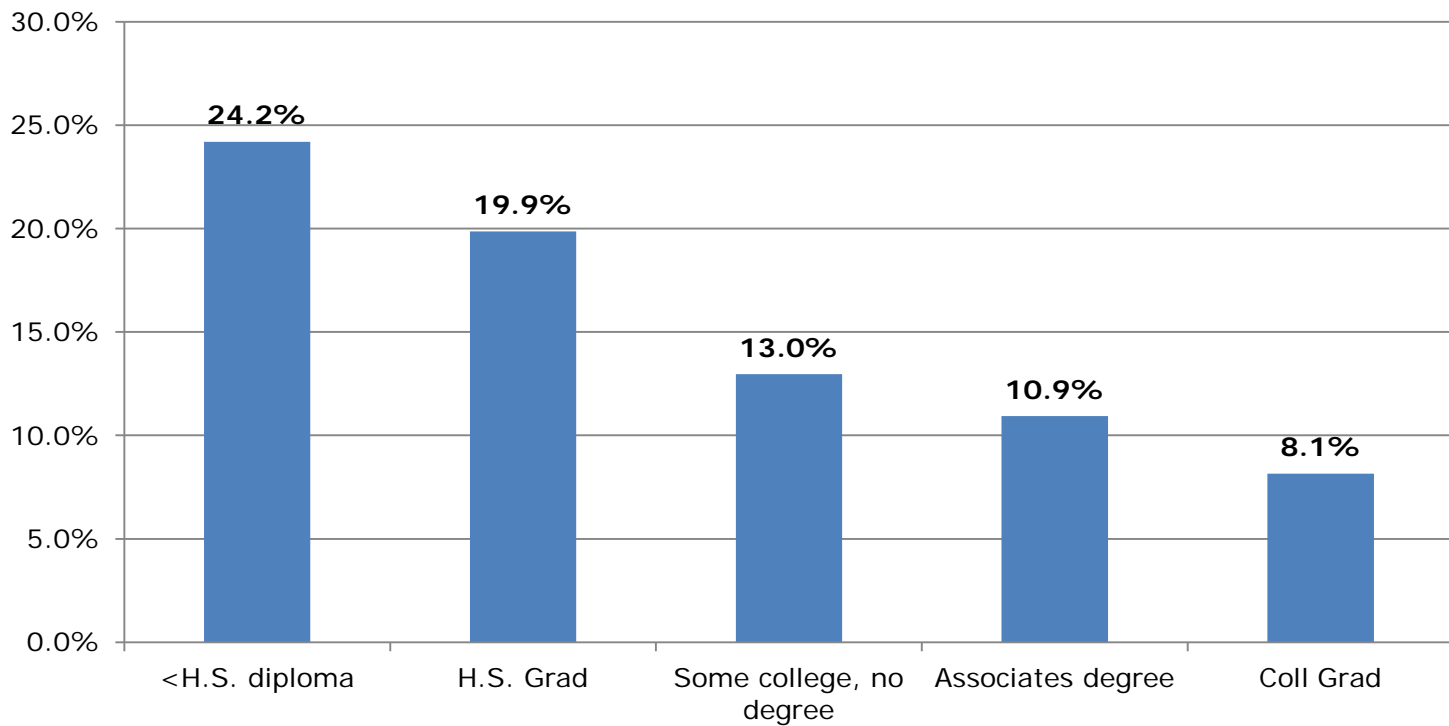
CONTINUING HIGH UNEMPLOYMENT RATE

Unemployment rate

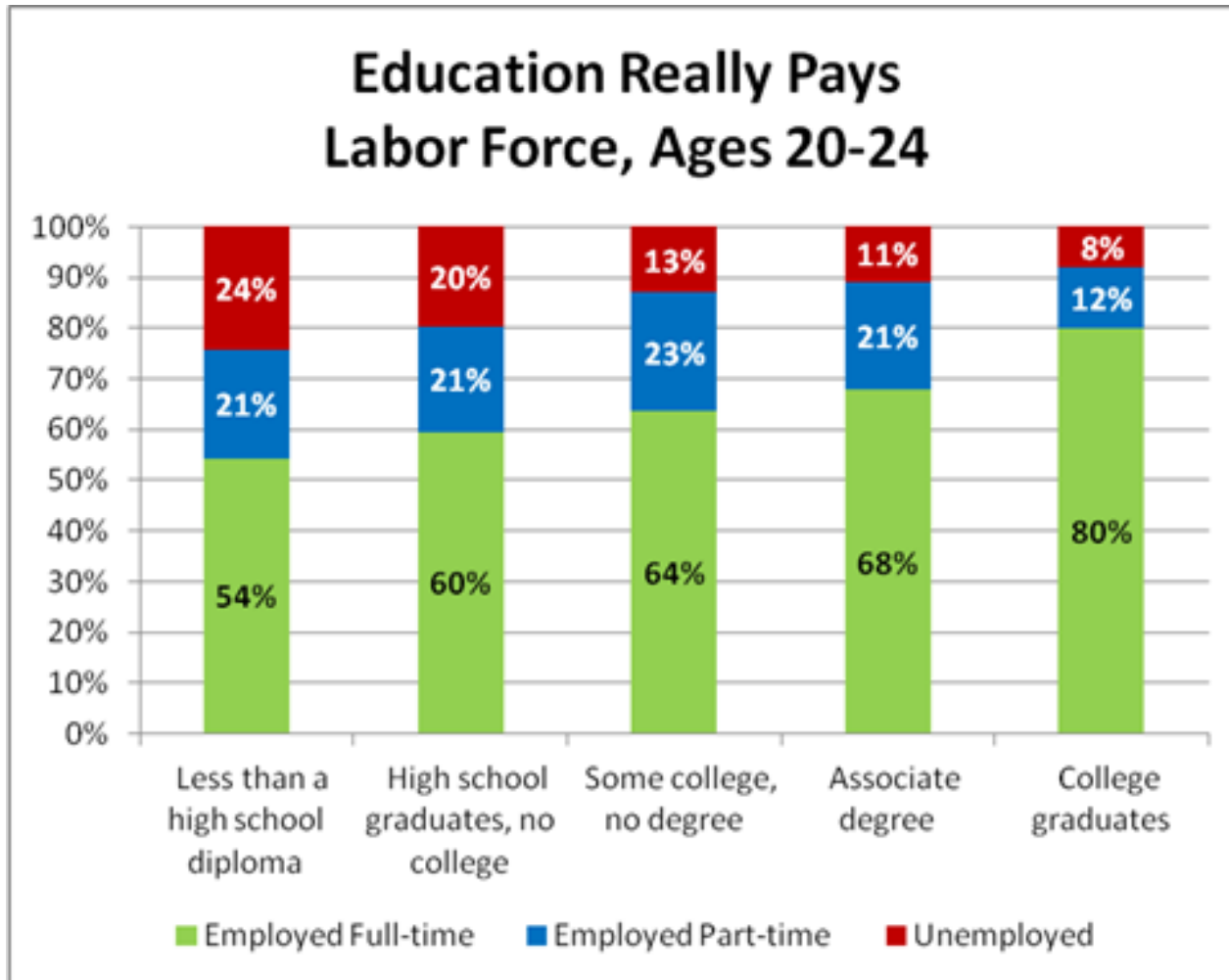


...BUT EDUCATION MATTERS

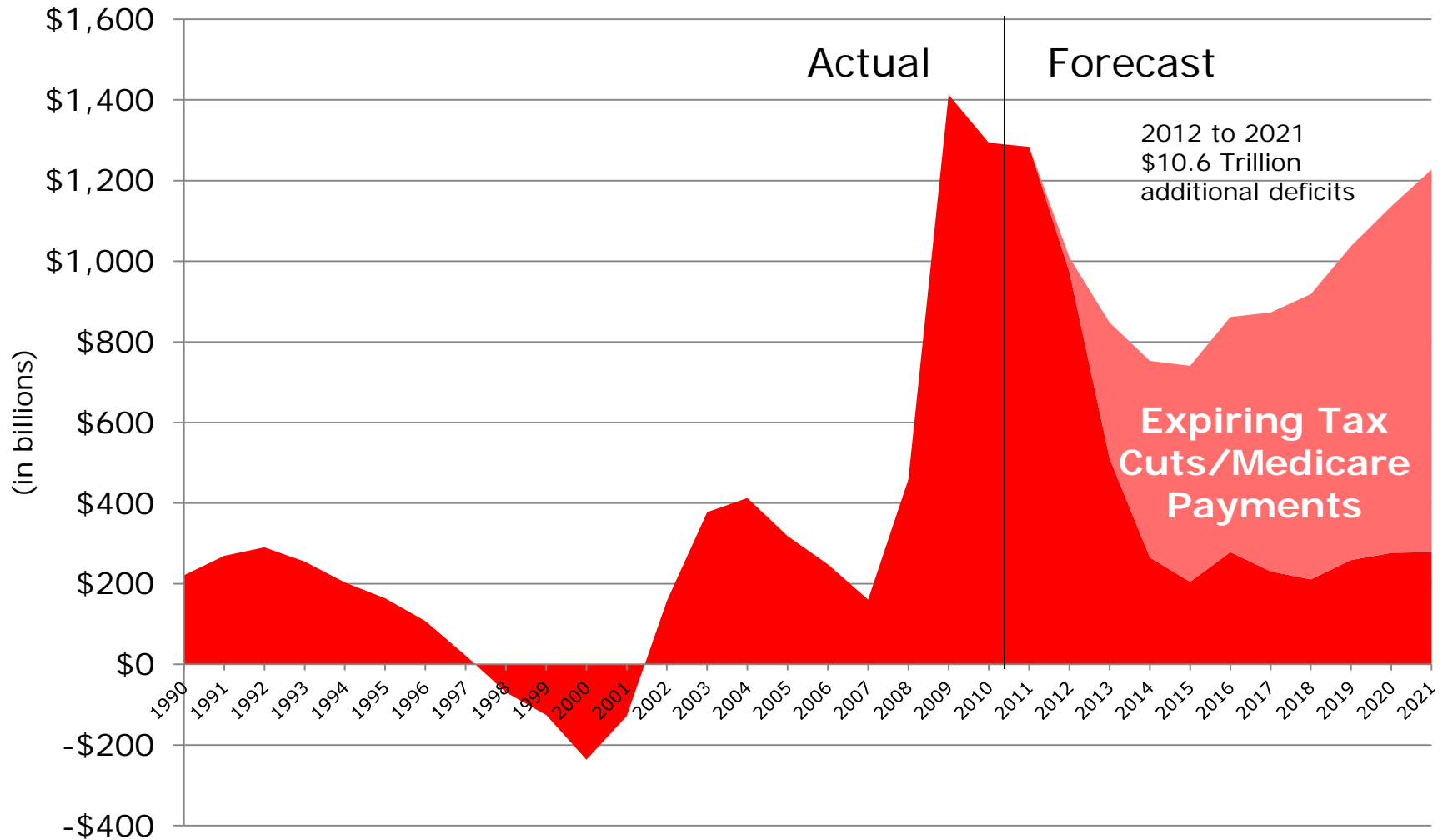
Unemployment Rates for Ages 20-24
September 2011



...BUT EDUCATION MATTERS



DEFICIT CHALLENGES



DEBT CEILING & DEFICIT POLITICS

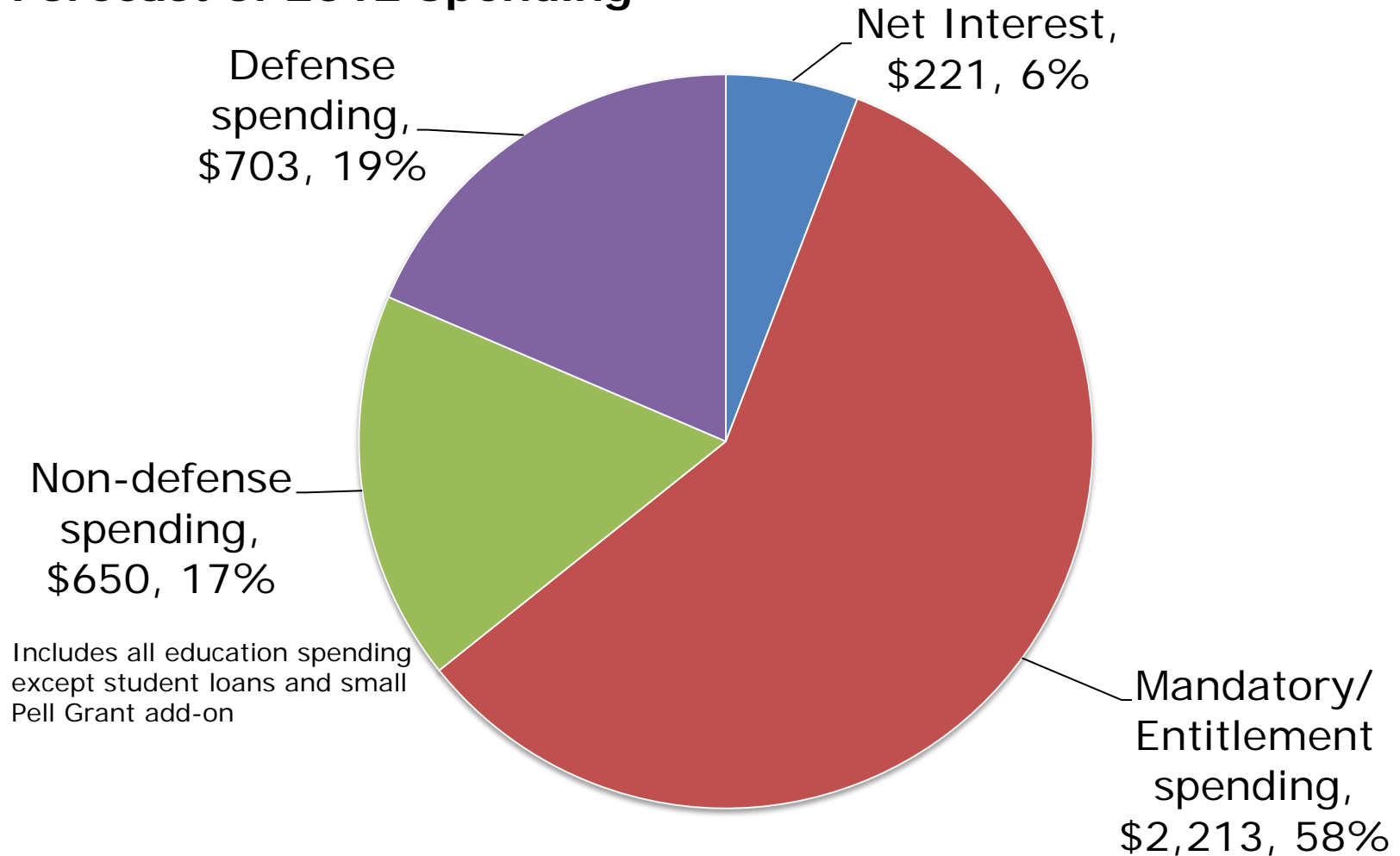
- ▶ Changing the debate
 - Increasing spending to reducing debt
 - Before this summer, recommendations from fiscal commissions generally ignored
 - President's budget did not include deficit reduction suggested by his own fiscal commission
- ▶ Not all spending the same
 - Discretionary spending—i.e. annual appropriations—easier to target
 - Pell Grants protected this year... but at the expense of other higher education programs

BUDGET CONTROL ACT OF 2011

	10-year savings
Discretionary Spending	
Establishment of caps	-756
Program integrity	15
Subtotal	-741
Mandatory Spending	
Program integrity	-16
Pell Grants	17
Student Loans, etc.	-22
Subtotal	-20
Debt Service	-156
Total Effect	-917
Joint Committee Target	-1,200
Total Deficit Reduction	-2,117

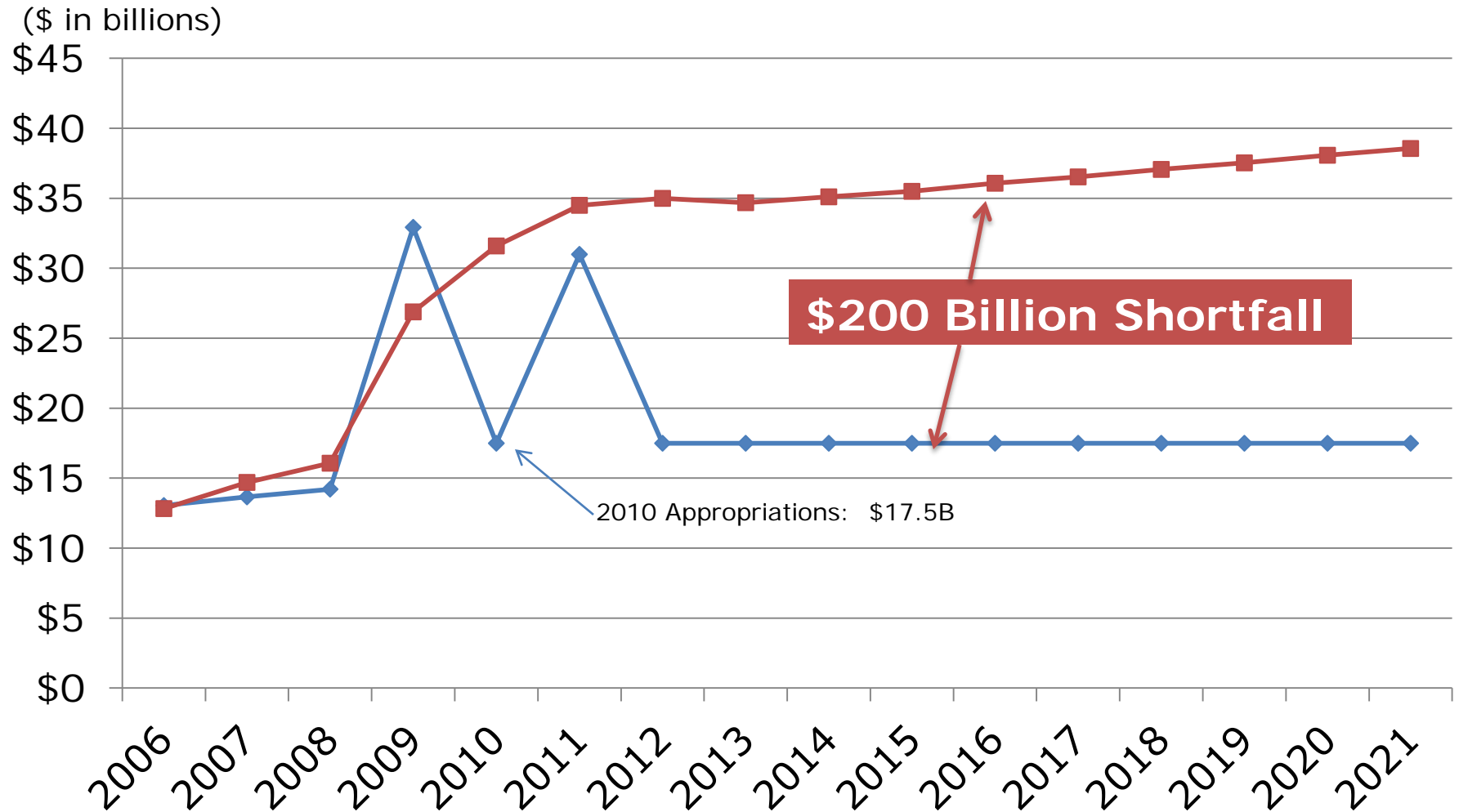
BUDGET CONTROL ACT REQUIRES \$43B CUT FROM DISCRETIONARY IN 2012

Forecast of 2012 Spending



Source: CBO Budget and Economic Update, August 2011

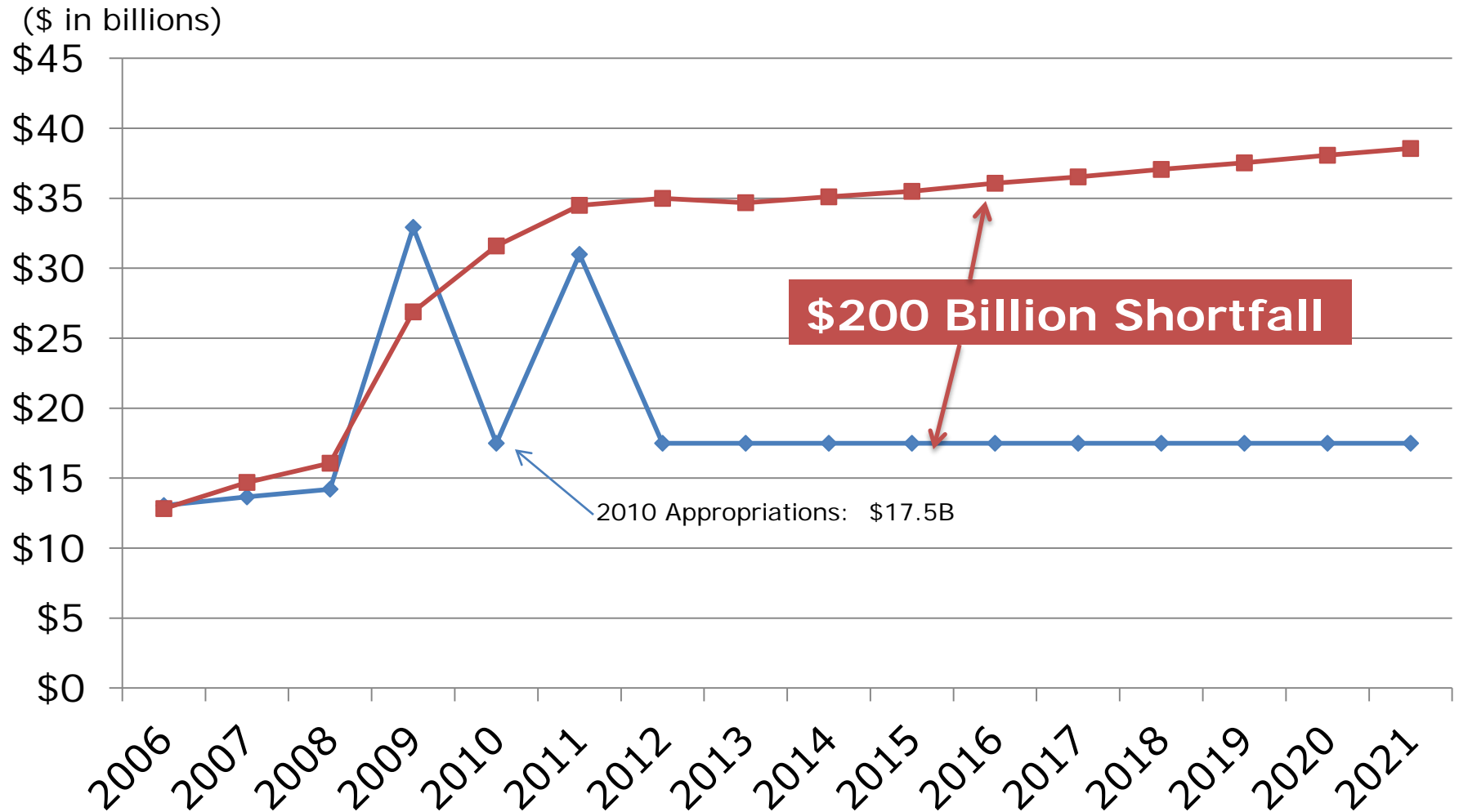
PELL GRANT SHORTFALL, MARCH 2011



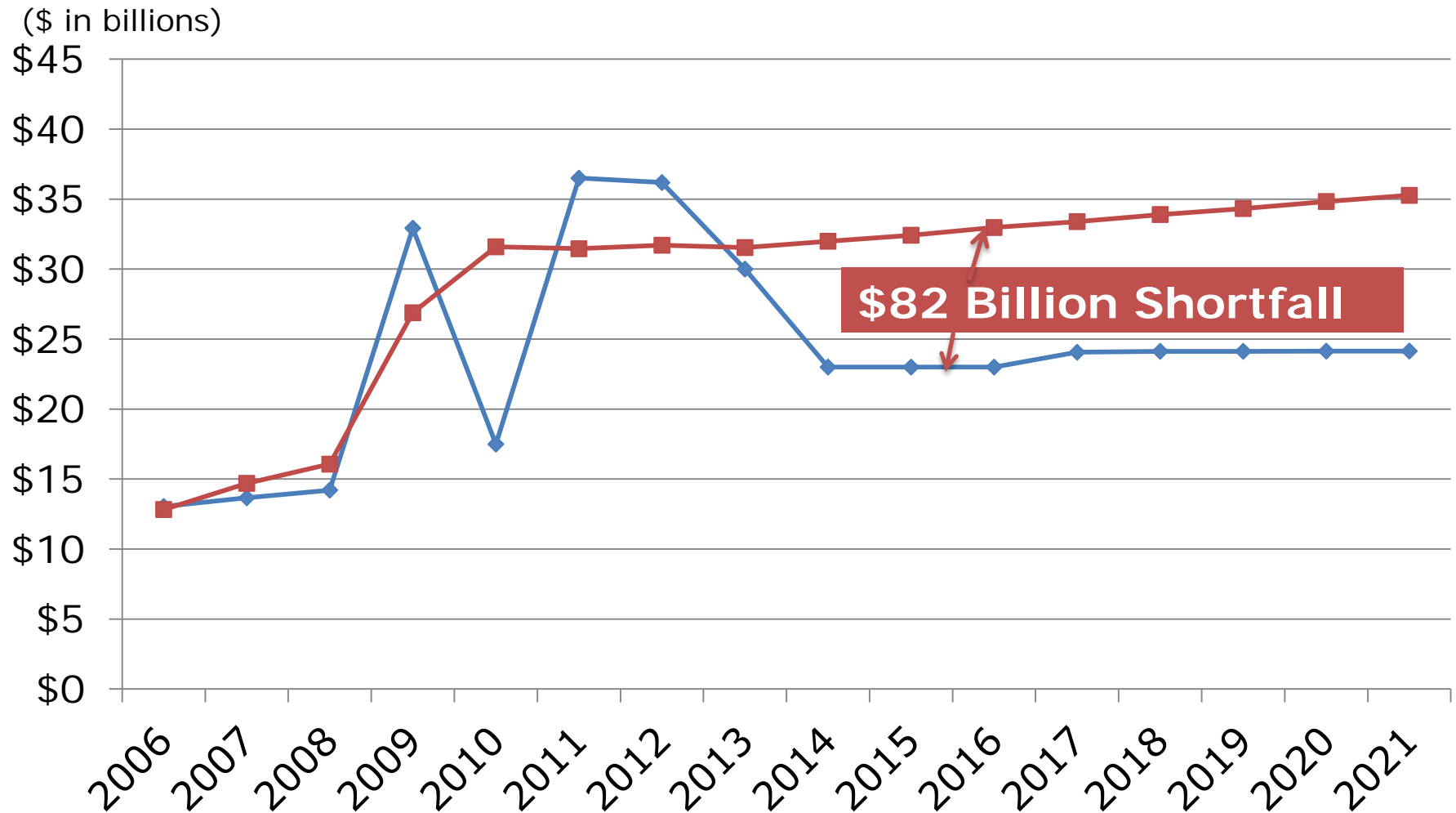
PAYING FOR PELL SHORTFALL

- ▶ 2011 Full Year Continuing Resolution
 - Additional \$5B in appropriations (equivalent to \$50B over 10 years)
 - End Summer Pell Grants
 - Reducing program costs by \$35B over 10 years
 - \$8.8B in mandatory Pell savings added to appropriations
- ▶ Budget Control Act
 - Added \$17B in 2012 and 2013 to Pell from savings due to elimination of grad students' in-school interest

PELL GRANT SHORTFALL, MARCH 2011



PELL GRANT SHORTFALL, AUGUST 2011



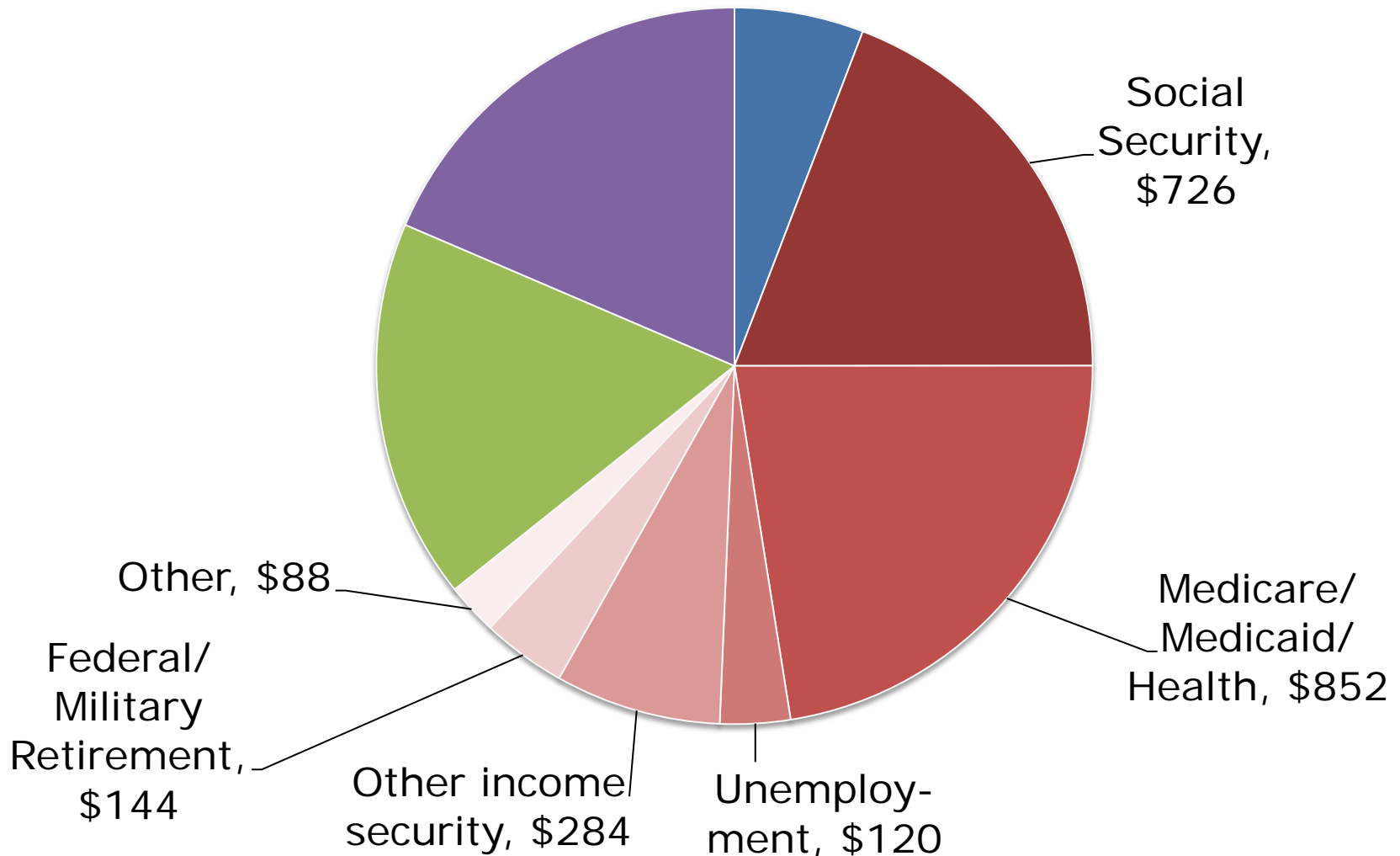
PELL IN THE FUTURE

- ▶ Costs of Pell continue to rise
- ▶ Costs of higher education rise beyond even unfunded Pell Maximum
- ▶ Tough and painful choices are evidenced by House and Senate appropriations:
 - House – Reduce cost of Pell by more effectively targeting the neediest with more constraints
 - Senate – Increase investment in Pell by reducing other education subsidies like interest subsidy while in grace
- ▶ The deficits could make these choices even tougher

JOINT SELECT COMMITTEE MUST IDENTIFY \$1.5 TRILLION IN SAVINGS

- ▶ 12 House and Senate members, evenly split by party/chamber
- ▶ Identify \$1.5 trillion in savings
- ▶ Committee report by November 23, 2011
- ▶ Vote required in both chambers by December 23rd, 2011
- ▶ Failure to report at least \$1.2 trillion will result in across-the-board spending beginning on January 1st, 2013

WILL THE SUPER COMMITTEE CUTS COME FROM ENTITLEMENTS?



“SEQUESTER” IF JOINT COMMITTEE FAILS

- ▶ Reductions in fiscal discretionary limits from fiscal 2013 to 2021, could be up to \$100 billion a year
 - 50% of the cuts from the Department of Defense
 - 48% of the cuts from all other non-defense programs (not listed below)
 - 2% of the cuts from Medicare

- ▶ The sequester cannot touch the following programs (from the Balanced Budget and Emergency Deficit Control Act of 1985 as amended):
 - Pell Grants
 - Social Security
 - The Postal Service
 - Class Act (Voluntary long-term health care benefits created in ObamaCare)
 - Most unemployment benefits, veterans benefits and low income payments
 - All "emergency designations", "unanticipated circumstances," disaster relief

- ▶ Not exempt:
 - Department of Education, administrative money and other higher ed
 - Special rule for student loans, origination fees increased by sequester percentage

LEGISLATIVE AGENDA

- ▶ Finish appropriations
- ▶ Joint Select Committee
- ▶ Fight over everything
 - No consensus on economic/jobs legislation
 - 2012 Election
 - Health care debate will resurface

KEY ISSUES IMPACTING SCHOOLS

- ▶ Pell Grants: What's the right approach?
- ▶ Loan subsidies: Coming or going? Or neither?
- ▶ Spending cuts: What programs may be on the chopping block? What needs to be protected?
- ▶ Defaults on the Rise: What will be Washington reaction and enrollment impacts?
- ▶ American family reaction to economy: How will changes in savings, borrowing, cost decisions impact your campus?