

# Congressional Update—A New Beginning

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A new administration and a new Congress (111th) have convened with huge, unprecedented economic challenges; a flurry of new policies enacted through executive orders and congressional action; and a legislative branch sending a message that it is, once again, a relevant branch of government—all of which will impact the issues Congress considers and the timing of the consideration. Student financial aid and federal student loans will be on the agenda.

Barack Obama is the 44th President of the United States and will have a Congress overwhelmingly dominated by members of his party for at least his first term. President Obama has gotten off to a fast start. He has already signed several executive orders and legislation, including those that:

- Provide \$787 billion to stimulate the economy—including \$212 billion in tax reductions, \$267 billion in direct spending on food stamps and unemployment benefits, and more than \$250 billion in other types of government spending on new jobs related to rebuilding the country's infrastructure
- Provide \$150 billion to begin to address the financial instability in the credit markets
- Require equal pay for equal work
- Expand the State Children's Health Insurance Program to 11 million children of low income, working parents
- Cancel 77 drilling leases on national park land
- Direct the EPA to reconsider California's reapplication to set more stringent auto emissions and fuel efficiency standards than those required by the federal Clean Air Act
- Implement a \$75 billion home mortgage foreclosure prevention plan
- Ban any White House staff from lobbying the Obama White House in the future

- Begin the process of closing the Guantanamo Bay detention facility
- Stop implementation of any regulations pursuant to “midnight” executive orders ordered by the previous administration
- Begin the process of pulling troops from Iraq over the next 19 months by reducing the current 142,000 troop level to 50,000 by the end of 2010
- Increase transparency by canceling more than 2,400 Bush administration rules that prevented search engines from indexing certain material on the White House Web site

Most significantly, the president’s \$4 trillion initial budget submission to the Congress for FY 2010 (A New Era of Responsibility—Renewing America’s Promise), proposes to halve the inherited annual budget deficit of \$1.3 trillion over a four-year period through a combination of expiring income tax reductions for higher income groups, proposed spending reductions, and winding down the war in Iraq. This budget focuses on a beginning toward establishing a universal health care program, developing a national energy program that focuses on alternative energy resources, and improving K–12 education.

Against this background of “quick victories,” the two major continuing overriding issues facing the new administration are the failing economic condition of the country and the wars in Afghanistan and Iraq. These will take up most of the administration’s time. However, in addressing these issues—in particular the economic issues—which, with the cost of the wars, will cause more than \$1 trillion in annual federal budget deficits for FY 2009 and FY 2010, both the administration and the Congress will be searching for cost savings in federal programs. The more than \$1 trillion annual deficits estimated for the next two years do not include the 2008 \$700 billion Troubled Asset Recovery Program (TARP) and the 2009 \$787 billion American Recovery and Reinvestment Act (ARRA) legislation passed by the Congress and signed by the president.

In addition to the economic stimulus provisions, the ARRA included the largest single appropriation for the Pell Grant and College Work-Study programs in history, representing a major victory (albeit a second, temporary victory) for

proponents of access to postsecondary education for students from low-income backgrounds. The additional \$17.3 billion in mandatory and discretionary funding appropriated to the Pell Grant program will increase and fund the maximum annual grant for AY 2009–10 by \$500, from \$4,850 to \$5,350. The ARRA also includes one of the administration's higher education proposals which called for an American Opportunity Tax Credit (AOTC). This proposal calls for a new refundable tax credit of \$4,000 in exchange for 100 hours of community service. The ARRA includes a partially (40%) refundable tax credit of \$2,500. The ARRA also includes \$50 million to help the Department of Education administer surging student aid programs while navigating the changing student loan environment.

For higher education, the 2008 Democratic platform and new administration's higher education campaign included a simple proposal:

- An American Opportunity Tax Credit which proposes to make college affordable for all Americans by creating a new refundable American Opportunity Tax Credit of \$4,000 in exchange for 100 hours of community service,
- A proposal to simplify the application process for financial aid by eliminating the current federal financial aid application and enabling families to apply simply by checking a box on their tax form, authorizing their tax information to be used, and eliminating the need for a separate application, and
- Eliminating subsidies paid to the “private student loan industry.”

All of these are included in the administration's FY 2010 budget proposal. The \$4–\$6 billion annual savings estimated to come from the student loan proposal would be used to increase the \$5,350 annual maximum Pell Grant to \$5,550 in 2011.

All of this being said, it will be up to the 535 Members of the 111th Congress to determine whether any, all, or part of the administration's budget submission will be adopted by the Congress when it begins crafting its version of the annual budget.

For the federal student loan programs, proposals to restructure the programs are being submitted to the Congress by several higher education and student financial aid associations, along with a set of recommendations by the previous Secretary of Education. It should be noted that none of these proposals call for significantly modifying the loans programs. Rather, they focus on establishing a single origination and delivery system for federal student financial aid.

It remains to be seen how all of this will play out. With the current economic climate—turbulent, uncertain, cautious, and, at the same time, urgent—a restless electorate, and an extremely volatile and partisan political environment, much could happen in a short time, or little could happen over an extended time.