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## FEDERAL UPDATES

### Federal Appropriations: The Long and Winding Road

What is the difference between a budget resolution and an appropriations bill? How does Congress decide how much money the government will spend in a fiscal year? What deadlines must the government meet in constructing a budget? If you don't know the answers to these questions, read on. The federal appropriations process, though long, complicated, and often confusing, has a large impact on the financial aid community.

The federal fiscal year runs from October 1 to September 30. Although the process of formulating a federal budget takes more than a year, Congress completes its budget work during the eight months before the start of the fiscal year.

#### President's Budget

The Congressional portion of the appropriations process essentially begins on the first Monday in February with the submission of the president's budget to the Congress. The president's budget is not a law but rather a request to Congress outlining the administration's policy and funding priorities for the upcoming year. It includes the desired total amount of federal spending in the upcoming fiscal year.

The president's budget is actually developed by the Office of Management and Budget (OMB) in conjunction with the heads of each federal agency (for example, the Secretary of Education). The OMB solicits input from agency heads regarding the upcoming budget more than a year before the start of the fiscal year and works with the president to develop the budget request. Because the agency heads are involved with the formulation of the president's budget, they are often called to help explain it in Congressional hearings.

### **Congressional Committees**

When Congress receives the president's budget resolution, the House and Senate budget committees each take the resolution and, using it as a starting point for debate, develop their own resolutions. The budget committee in the House and Senate each send a budget resolution to the floor of their respective houses where they are debated, usually amended, and voted on.

Once the House and Senate each pass separate budget resolutions, members of both houses meet in a conference committee where they negotiate a compromise between any differences in the two resolutions. The result of the negotiations is a concurrent budget resolution. The concurrent resolution then returns to both the House and Senate where it must be passed in order to become effective. While there is a "deadline" of April 15 for this to occur, Congress almost never meets this deadline.

### **Concurrent Budget Resolution**

A concurrent budget resolution is not a law, and it does not provide any money for agencies or programs. Rather, it serves as a guide or framework for the entire budgeting process. It establishes the maximum amount the government is authorized to spend and provides procedural mechanisms to enforce those limits during Congressional formulation of the federal budget.

In the absence of a concurrent budget resolution, the House and Senate may individually pass measures that establish overall spending limits and provide mechanisms to enforce those limits. The limitation in such a situation is that the House and Senate spending limits may not match up. This can cause problems for Congress in attempting to reach agreement on a final budget.

### **FY 2003 Concurrent Resolution**

It is almost certain at this point that there will be no concurrent resolution this year because the Senate will likely not be able to reach consensus on a budget resolution. As a result, there is uncertainty as to exactly how this year's appropriations process will play out or when it will begin. The law does allow the House to begin working on establishing the federal budget without the passage of a concurrent budget resolution on May 15.

### **Subcommittee Allocations**

Once spending limits have been set, the heads of the House and Senate budget committees divide the total amount that appropriators are authorized to spend between the 13 subcommittees of the appropriations committee. Each subcommittee oversees a defined, though typically very broad, area of federal spending. The Department of Education's budget, for example, is determined by the Labor, Health and Human Services, and Education subcommittee.

### **Appropriations Bills**

The entire federal budget is comprised of 13 separate spending measures (called appropriations bills), one for each appropriations subcommittee. Each subcommittee drafts a budget for the agencies and programs under its jurisdiction and sends that budget to the floor of its respective house in the form of an appropriations bill.

The House and Senate pass their own versions of each of the 13 appropriations bills. Each appropriations bill must in turn be reconciled with its counterpart from the other side of Congress in a conference committee. The product of a conference committee's deliberations, known as a conference report, then is sent to both the House and the Senate. Once the House and Senate each pass the appropriations bill it then goes to the president, who either signs or vetoes the bill.

### **Law Passes or Else**

Typically, the entire appropriations process is completed by the start of the fiscal year on October 1. If an appropriations measure has not been passed into law by then, Congress must pass a continuing resolution to provide temporary funding for the government functions covered by that appropriations measure (usually for 60 or 90 days). If Congress does not do that, all non-essential government services in that budgetary area shut down until an appropriations measure or a continuing resolution is passed.

### **Additional Facts**

Only about one-third of government spending is determined through the appropriations process. The other two thirds of the budget, which includes interest payments on debt and the major entitlement programs like Medicare and Social Security, is funded by permanent law and does not require annual appropriations. Of the one-third of the budget that is annually appropriated, slightly more than half is for defense spending. The rest (about 15 percent of all federal government spending) funds every other government program and function.

This 15 percent of the budget is the source of federal funds for Pell Grants, special allowance payments to lenders, Stafford Loan subsidies, and all of the other costs the federal government incurs from running the federal student aid programs. For that reason, the events that unfold during the federal appropriations process are of concern to the entire financial aid community.

### **More Information**

Additional information about the budget process is available online at <http://w3.access.gpo.gov/usbudget/fy2001/guidetoc.html> and [http://budget.senate.gov/republican/reference/cliff\\_notes/clifftoc.htm](http://budget.senate.gov/republican/reference/cliff_notes/clifftoc.htm).

## **TG UPDATES**

### **TG Processes Teacher Loan Forgiveness for Thirty Borrowers—and Counting**

Can you believe the Teacher Loan Forgiveness Program (TLFP) has been in effect for almost a year now? Since July 2001, TG Customer Assistance has been processing applications for individuals who meet all requirements of the program. As of April 30, 2002, Customer Assistance has approved applications for thirty borrowers with a cumulative discharge amount of \$142,806.61.

Those who are eligible for the TLFP are entitled to receive forgiveness of up to \$5,000 of their Federal Stafford, Direct, and in some cases, Consolidation loans. Teachers hear about the TLFP through several means, including TG's web site *Adventures In Education* ([www.adventuresineducation.org/CCS/ccs\\_Inforgive.htm](http://www.adventuresineducation.org/CCS/ccs_Inforgive.htm)), school newsletters, and networking with other educators. TG handles calls on a daily basis from individuals wanting to find out details about the program, and more importantly, whether they qualify to have all or a portion of their loans discharged.

The program's intent is to encourage individuals to enter and continue in the teaching profession. For this reason, rules require that an individual be a "new borrower" on or after October 1, 1998—that is, have no outstanding balance under the Federal Family Education Loan Program or the Federal Direct Loan Program on the date he or she obtains a loan on or after October 1, 1998. This past year has been only the beginning for this beneficial program as the number of discharges for teachers is expected to increase significantly.

### **More Information**

For information about all the required qualifications, refer to *Shoptalk* Edition 120. You may also call Customer Assistance at (800) 845-6267, or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

See the series of questions and answers regarding TLFP in this week's edition of *Shoptalk Online* at [www.tgslc.org/tgslc/shoptalk/2002/st155/st15504.htm#qa](http://www.tgslc.org/tgslc/shoptalk/2002/st155/st15504.htm#qa).

## **TRENDS AND ISSUES**

### **New Report Addresses Scholarship Fraud**

It's hard enough to find money to pay for college. No one should have to face the additional problems that result from scholarship scams.

To help ensure that families and students are protected from the harm that can result from such scams, Congress passed the College Scholarship Fraud Prevention Act in 2000. Now, the three agencies that oversee the implementation of the Act—the Department of Education (ED), the Federal Trade Commission (FTC), and the Department of Justice (DOJ)—have produced the first annual report to Congress, as required by the Act.

Although the report states that scholarship fraud continues to be a problem, it also makes note of progress in combating fraud. The FTC, for instance, has been successful through its Project ScholarScam effort ([www.ftc.gov/bcp/conline/edcams/scholarship/index.html](http://www.ftc.gov/bcp/conline/edcams/scholarship/index.html)). The site includes a list of "tell tale lines" that indicate possible fraud, a list of defendants resulting from the project's efforts, the ability to file a complaint online, and other valuable information for students and parents.

Additional progress includes changes to guidelines from the U.S. Sentencing Commission that enhance possible sentences for scholarship fraud and expanding informational resources from ED.

### **More Information**

The report, along with additional information, is available online at [www.ftc.gov/opa/2002/05/scholarshipfraud.htm](http://www.ftc.gov/opa/2002/05/scholarshipfraud.htm).

*Shoptalk* ran an article about scholarship fraud in January 2001 ([www.tgslc.org/tgslc/shoptalk/2001/st113/st11315.htm](http://www.tgslc.org/tgslc/shoptalk/2001/st113/st11315.htm)) following President Clinton's signing of the Act in November 2000.

## Teacher Loan Forgiveness Program Q&A

The following series of questions and answers clarify some of the details about the Teacher Loan Forgiveness Program:

Q: Why do only new borrowers who took out their first FFELP or Direct loan on or after October 1, 1998, qualify for forgiveness?

A: Experts predict that current teacher shortages in the United States will get even worse in the future; therefore, Congress created this program in the 1998 Reauthorization of the Higher Education Act to encourage new people to enter and continue working in the teaching profession.

Q: Can a borrower who took out his or her first Stafford loan before October 1, 1998, but who consolidates his or her loans on or after October 1, 1998, qualify for teacher loan forgiveness?

A: No. According to the teacher loan forgiveness regulations, a borrower must have taken out his or her first FFELP or Direct loan on or after October 1, 1998, to qualify for forgiveness under the Teacher Loan Forgiveness Program. Since the borrower took out his or her first FFELP loan before October 1, 1998, he or she does not meet the criteria for forgiveness.

Q: If a borrower makes payments on his or her qualifying loans and the outstanding balance is less than \$5,000 at the end of the five years of teaching service, can any money already paid be refunded to the borrower?

A: No. The forgiveness applies only to any outstanding balance at the end of the five-year period of qualifying service.

Q: Is there a web site that lists all of the Title I schools at which a borrower could teach to be eligible for teacher loan forgiveness?

A: Yes. The web site is located at [www.ed.gov/offices/OSFAP/Students/repayment/teachers/perkins.html](http://www.ed.gov/offices/OSFAP/Students/repayment/teachers/perkins.html). The list of qualifying schools changes each year, however, and a school may be considered "low-income" one year but not the next. (Note: Although the web site listed is titled "Perkins Loan Cancellation," the qualifying schools for teacher loan forgiveness are the same under both the Perkins and Stafford Loan Programs.)

Q: If a borrower teaches full time during his or her first year at a school designated as Title I and the school fails to meet those requirements in subsequent years, would the borrower still qualify for forgiveness if he or she taught there for the next four years?

A: Yes. If the school is eligible for one year of the borrower's teaching service, any subsequent years will count toward the borrower's qualifying service.

Q: If a borrower teaches full time for four years at a school that is not eligible for Title I funding and in his or her fifth year of teaching service the school is designated as Title I, would the first four years of teaching service be counted toward the five-year requirement?

A: No. The school must be designated as Title I first and then the five-year clock begins.

Q: Who should a borrower contact about postponing his or her payments (i.e., obtaining a forbearance) while completing the required five years of teaching service?

A: The borrower should contact his or her lender(s). The borrower should also keep in mind that the lender grants a forbearance only if the lender believes that the forgiveness amount will pay the borrower's loan in full.

Q: If a borrower has several loans, one of which the lender expects will be paid in full by forgiveness at the end of the 5<sup>th</sup> year of teaching service, may the borrower receive a forbearance on just that one loan?

A: Yes, the lender may grant a forbearance on just one loan. The borrower continues to make payments on his or her other outstanding loans.

Q: If a borrower qualifies for teacher loan forgiveness, will the borrower's outstanding loan balance be forgiven?

A: The borrower's outstanding loan balance (principal and interest) will be forgiven up to \$5,000—if the borrower's outstanding balance is \$5,000 or less at the time of forgiveness, the account will be considered paid in full.

Q: Can a borrower in default qualify for teacher loan forgiveness?

A: A borrower is not eligible for teacher loan forgiveness on a defaulted loan unless the borrower has made satisfactory repayment arrangements to re-establish Title IV eligibility—that is, the borrower must have made six consecutive, full, on-time, voluntary monthly payments to the holder of the defaulted loan.

## LEGISLATIVE UPDATES

The May 14 edition of TG's *Legislative Report* includes information about Texas education initiatives proposed by Comptroller Carole Keeton Rylander and Governor Rick Perry and details about the House Supplemental Appropriations markup. Read the entire report online at [www.tgslc.org/tgslc/publications/lege\\_report/2002/lr\\_020514.htm](http://www.tgslc.org/tgslc/publications/lege_report/2002/lr_020514.htm).

## THIS, THAT, AND THE OTHER

The Austin Chapter of the International Association of Business Communicators (IABC) presented three awards to TG in their annual "Best of Austin" Bronze Quill Competition.

TG won a Bronze Quill award, the highest recognition awarded in this competition, in the category of "Electronic Media: Computer-based Programs/Publications" for *AIEmail*, a weekly e-mail publication distributed to high school students and their families with information on college and career planning. In the category of "Graphic Design: Special Purpose Publications," TG also won a Bronze Quill for "Bad Credit Bites," a poster created in partnership with the Council for the Management of Educational Finance. The poster encourages students to contact TG about any problems they may have in repaying their student loans.

TG's public service web site, [www.AdventuresInEducation.org](http://www.AdventuresInEducation.org), also received an award of merit in the category of "Electronic Media: Websites."

A complete list of winners is available on the IABC-Austin web site at [www.iabcaustin.com/quill.html](http://www.iabcaustin.com/quill.html).

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