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CONGRESSIONAL SCHEDULE  NEW

The House met today in pro forma session and will meet periodically through the August recess. Procedurally this allows the House to prevent the Senate from adjourning for the recess and thus effectively prevents President Obama from making any recess appointments, according to The Examiner newspaper. The House will return for actual business on Wednesday, September 7.

The Senate met today and approved by unanimous consent a House-passed bill reauthorizing the Federal Aviation Administration, thus ending the partial shutdown of the agency. Like the House, the Senate will meet periodically in pro forma session during August. It will return for business on Tuesday September 6, when one of its first actions will be to consider taking up patent reform legislation (see below).

BUDGET & APPROPRIATIONS

CONGRESS APPROVES, PRESIDENT SIGNS DEBT CEILING MEASURE  UPDATED

President Obama on Monday, August 1, signed into law the Budget Control Act (BCA), the bipartisan compromise legislation approved by Congress following an arduous process. The new law permits the President to raise the ceiling on the national debt and provides for over $2 trillion in deficit reduction over the next decade.

The BCA creates two stages of debt ceiling increases and deficit reduction, with a new version of sequestration – across-the-board spending cuts – established to impose discipline. It also requires Congress to vote on a balanced-budget Constitutional amendment.

The measure permits President Obama to implement an immediate $400 billion increase in the debt ceiling and effectively allows him to effect an additional $500 billion increase later in the year as well. At the same time, the legislation imposes discretionary spending cuts in the vicinity
of $1 trillion over ten years (the exact amount seems to depend on who is counting), divided equally in FY12 and FY13 between security spending (including the Departments of Defense, State, Homeland Security, and Veterans Affairs) and non-security spending. The bill creates separate spending limits, or caps, in those first two years and overall caps in FY14-21.

The BCA establishes a joint Congressional committee that is charged with developing by Thanksgiving, 2011, a package of $1.5 trillion more in deficit reduction measures. These can include measures to produce additional revenues, but there is no requirement for additional revenues. Congress is to consider the legislation on up-or-down votes under expedited procedures specified in the agreement. If the legislation is approved by December 23, 2011, the debt limit may be raised by an equivalent amount.

If Congress and the President do not approve legislation that reduces deficits by at least $1.2 trillion, an across-the-board sequester extending from FY13 to FY21 is automatically implemented. The maximum sequester is $1.2 trillion. If deficit reduction legislation achieving an amount less than $1.2 trillion is enacted, a sequester sufficient to make up the difference will take place. Social Security, Medicaid, veterans’ compensation, military pay, and some mandatory programs targeted to low-income beneficiaries are exempted from the sequester. Medicare is not exempted, although any cuts are limited to 2 percent of the cost of the program and apply to providers only. All of the cuts are to be divided evenly between defense and non-defense spending. Non-defense spending cuts are allocated proportionally between non-exempt mandatory spending and discretionary spending. The cuts would take effect in January, 2013.

There are varying estimates of the impact of a possible $1.2 trillion sequester. An analysis by the Center for Budget and Policy Priorities suggests that it would cause a 9-percent cut in nondefense discretionary spending. Other estimates are as low as 6.7 percent.

A critical factor going forward is the makeup of the 12-member joint Congressional committee that will consider deficit reduction legislation. It will take a simple majority vote for the committee to report legislation to the House and Senate. House Speaker John Boehner (R-OH) and Democratic Leader Nancy Pelosi (D-CA), and Senate Majority Leader Harry Reid and Republican Leader Mitch McConnell (R-KY), will each appoint three members of the committee. They face a deadline of August 16 to do so.

DEBT AGREEMENT PROVIDES ADDITIONAL FUNDS FOR PELL GRANTS

The Budget Control Act provides $17 billion in additional funds to help fill the gap in funding for Pell Grants, $10 billion in FY2012 and $7 billion in FY2013. This leaves appropriators roughly $1 billion to make up this year to protect the maximum Pell grant at $5,550. The funding in the agreement is paid for in part by the elimination of the in-school interest subsidy for most graduate student participants in the federal student loan program. The similar subsidy for undergraduate borrowers was not affected.

AAU issued a statement applauding the inclusion of Pell funding in the legislation but lamenting the loss of support for middle- and lower-income graduate students.

The statement reads in part: “AAU applauds the President and Congress for providing critical funding to sustain the Pell Grant program...While very much welcome, the funds for Pell come in part from the elimination of the in-school interest subsidy for most graduate student participants in the federal student loan program. Making it more difficult for graduate and
professional students to pay for their training will have a negative impact in the short and long term, but particularly now, when we need more students to complete advanced degrees in order to maintain our nation’s competitiveness...As the nation wrestles with how to reduce budget deficits further, it is essential that funding for federal student aid remain a national priority.”

DEBT AGREEMENT CREATE S NEW FRAMEWORK FOR FY12 APPROPRIATIONS NEW

Enactment of the Budget Control Act provides a new framework for consideration of FY12 appropriations bills and may spur action when Congress returns in September.


The Senate Appropriations Committee has acted on only one bill, Military Construction/Veterans Affairs, which has also passed the full Senate. Prior to enactment of the Budget Control Act, the Senate did not have a budget framework in place, but the BCA provides that framework with its discretionary spending limits. The Committee is expected to approve allocations for its 12 subcommittees when business resumes in September.

The House has been operating under the budget resolution it adopted earlier in the year. That measure established a ceiling on discretionary spending that is some $24 billion lower than the limit established by the BCA. The BCA limits, which are a total of $7 billion below the FY11 funding levels, are ceilings, and not floors, so the House could decide to continue operating with its own spending levels. Assuming the Senate appropriates all or nearly all of the funds allowed under the BCA, this could set up a House-Senate confrontation that would need to be resolved later this year to produce final appropriations bills.

For additional information on the appropriations bills that AAU follows, see the AAU Weekly Wrap-ups of July 15, July 8, June 24, and June 17.

OTHER CONGRESSIONAL ISSUES

SENATE WILL TAKE UP PATENT REFORM IN SEPTEMBER NEW

Senate Majority Leader Harry Reid (D-NV) on August 2 filed a cloture motion on the Leahy-Smith America Invents Act (H.R. 1249), the bipartisan patent reform legislation that has already passed the House. Senator Reid stated that he intends to bring the bill up when the Senate returns from its recess in September and hopes for final passage not long thereafter.

The six higher education associations working together on patent reform sent a letter to the leaders of the Senate Judiciary Committee on June 27 urging the Senate to take up the legislation.

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