CFR WEEKLY WRAP-UP

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CONGRESSIONAL SCHEDULE  NEW

The House did not meet today; the Senate met and has adjourned.

The House will reconvene Monday, May 5. The focus of activity next week will be on legislation to alleviate the housing crisis: one bill to aid states in rehabilitating foreclosed properties (H.R. 5818) and another to expand the Federal Housing Administration insurance program (H.R. 2419). The House also may consider the final farm bill conference report (H.R. 2419), if it is completed. CQToday reports that the House also is expected to approve a one-month extension of the Higher Education Act to replace the extension that expired on April 30. (See item below.) The Senate approved the one-month extension (S. 2929) on April 29.

When the Senate reconvenes on Tuesday, May 6, the chamber may continue consideration of the Federal Aviation Administration reauthorization (H.R. 2882). It also may take up a bill to reauthorize the federal flood insurance program (S. 2284).

BUDGET & APPROPRIATIONS

HOUSE BUDGET CHAIRMAN SAYS FY09 BUDGET RESOLUTION COMPROMISE IS NEAR  NEW

An agreement on the FY09 budget resolution may be reached late next week or early the following week, according to CongressDaily. House Budget Committee Chairman John Spratt (D-SC) told the publication that House and Senate negotiators have worked out most issues. He
said the most significant outstanding issue is total spending for nondefense discretionary spending, where the two sides are about $3 billion apart.

**FY08 SUPPLEMENTAL FUNDING BILL HITS ROADBLOCKS**  

NEW

House and Senate Democratic leaders continue to work together in developing an FY08 supplemental appropriations package, but a number of issues are likely to prevent completion of the bill before the Memorial Day recess. At this time, the measure is expected to include the President’s FY08 request of $102 billion for the wars in Iraq and Afghanistan, as well as a $70-billion “bridge fund” for the wars in FY09.

But House and Senate Democrats cannot agree on how much domestic spending should be added to the package beyond economic stimulus measures—such as extending unemployment benefits—and there is controversy in both chambers about the possibility that Democratic leaders will take the bill directly to the floor, bypassing the appropriations committees. In the House, Republicans are protesting by objecting to all unanimous consent agreements (see HEA extension item below). In the Senate, House Majority Leader Harry Reid (D-NV) and Appropriations Committee Chairman Robert Byrd (D-WVa) are at odds over Senator Byrd’s announcement that he intends to mark up the bill in his committee.

Amid this uncertainty, it is not clear if the FY08 supplemental funding bill will include the extra funding for scientific research and education that groups of Senators and Representatives, associations, corporations, and universities have requested.

**MEMBERS URGE $2 BILLION FOR NASA IN FY08 SUPPLEMENTAL FUNDING BILL**

A group of 12 Representatives sent a letter to the House leadership on April 28 urging them to include $2 billion for NASA in the FY08 war supplemental funding bill. The additional money would reimburse the space agency for return-to-flight costs following the Columbia shuttle disaster and for repairs to NASA facilities following Hurricanes Rita and Katrina. The added funding also would help cut the five-year gap in U.S. space flight between retirement of the Space Shuttle in 2010 and introduction of new spaceflight vehicles in 2015, reducing U.S. reliance on Russian flight vehicles during the hiatus.

“We believe these funds will provide an immediate and long-term economic stimulus for our nation’s economy as well through additional investments in science and aeronautics R&D,” said the letter. It added, “The impending five-year space flight gap NASA now faces will adversely impact our economic well-being and global leadership in technology and innovation. We cannot cede our leadership in space and aeronautics, science, or technology if we want to remain a global leader in the 21st century.”

**OTHER CONGRESSIONAL DEVELOPMENTS**

**CONGRESS APPROVES STUDENT LOAN BILL**

The House on May 1, by a vote of 388 to 21, gave final approval to legislation that addresses problems in the student loan market (H.R. 5715). The measure, which includes an amendment
added April 30 by the Senate when it passed the bill by voice vote, now goes to the President, who has said he will sign it.

The amended bill expands eligibility for the Academic Competitiveness Grant (ACG) and SMART Grant programs and includes added regulatory requirements for the new lending authorities authorized by the bill. It also requires the Government Accountability Office to conduct a study on the impact of raising student loan limits on tuition, fees, and living costs at colleges and universities and on private student loan borrowing.

A comprehensive summary of the amended bill is available from the National Association of Student Financial Aid Administrators [here](http://www.nasfaa.org).

As first approved by the House, H.R. 5715 would increase annual and aggregate loan limits for unsubsidized Stafford loans for undergraduate students, delay repayment for parent borrowers of PLUS loans, update procedures for lender-of-last-resort loans, and allow guarantee agencies to act as lender of last resort on an institution-wide basis. The bill also would authorize the Secretary of Education to purchase loans from private lenders previously made under the federally guaranteed FFEL program, provided that those purchases did not result in any cost to the federal government.

The Senate amendment aims to prevent lenders from abusing their new authority by, among other provisions, requiring that loans issued under the lender-of-last-resort program have similar conditions and terms to those of other federally backed loans. It also sunsets at the end of the 2008-09 school year the lender-of-last-resort program and the Secretary of Education’s authority to designate institution-wide lenders of last resort and to buy existing loans. An estimated $430 million in new revenues over five years from increased borrowing under the parent PLUS program would be used to expand eligibility for the ACG and SMART grant programs.

Senator Edward Kennedy (D-MA), chairman of the Senate Health, Education, Labor, and Pensions Committee, said in a [statement](http://www.senate.gov) issued after the Senate vote that revenue generated by H.R. 5715 would enable 100,000 more students to qualify for up to $4,000 in need-based aid. Among the newly eligible would be part-time students and certain permanent residents.

Currently, the ACG [program](http://www.acg.gov) provides up to $750 for the first year of undergraduate study and up to $1,300 for the second year of undergraduate study to full-time students who are eligible for a federal Pell Grant and who have successfully completed a rigorous high school program, as determined by the state or local education agency and recognized by the Secretary of Education.

The SMART Grant [program](http://www.smartgrant.gov) currently provides up to $4,000 for each of the third and fourth years of undergraduate study to full-time students who are eligible for a federal Pell Grant. Such students must be majoring in science, engineering, or a foreign language determined critical to national security.

**SENATE DEFENSE AUTHORIZATION BILL WOULD INCREASE FY09 BASIC AND APPLIED RESEARCH**

The Senate Armed Services Committee included additional innovation and research funding in its April 30 mark up of the FY09 Defense authorization bill. The complete bill is not yet available, but the committee press release says the bill increases authorized funding for Defense Science & Technology by nearly $400 million, to more than $11.8 billion. The measure not only
“fully supports” the Secretary of Defense’s initiative to increase funding for Defense basic research, but authorizes nearly $50 million more than the FY09 request.

As noted in an AAU budget summary, the President’s FY09 request for Defense Science & Technology is $11.48 billion; the request for basic research is $1.7 billion.

While there is no guarantee that the increased funding will be included in the FY09 Defense appropriations bill, Defense appropriators frequently use the authorization bill as a guide. The House Armed Services Committee begins mark up of its version of the authorization bill next week. Defense appropriations will not move until June at the earliest.

**HOUSE FAILS TO APPROVE SHORT-TERM EXTENSION OF HEA**  
*NEW*

A short-term extension of the Higher Education Act (HEA) became entangled this week in the controversy surrounding the FY08 supplemental appropriations bill, preventing the House from approving a one-month extension of the law through May 31. The extension was approved in the Senate by unanimous consent on April 29. The extension—which would be the fifth this year—is needed because House and Senate negotiators have not reached an agreement on the five-year HEA reauthorization bill (S. 1642, H.R. 4137).

House Democratic leaders sought to move the one-month extension under unanimous consent on April 30, the day the previous extension expired. House Republican Leader John Boehner (R-OH) objected, so the extension was not approved and the law expired. House Republicans are objecting to all unanimous consent requests out of concern that Democratic leaders plan to take the FY08 war supplemental appropriations bill directly to the House floor, bypassing the Appropriations Committee.

House Majority Leader Steny Hoyer (D-MD) has said the extension will clear next week, which CQToday reports should forestall any negative consequences from expiration of the authorization bill.

**HOUSE PANEL HOLDS HEARING ON HIGHER EDUCATION TAX INCENTIVES**  
*NEW*

The House Ways & Means Subcommittee on Select Revenue Measures held a hearing May 1 to examine how taxpayers are using higher education tax incentives, specifically the HOPE Credit, the Lifetime Learning Credit, and the deduction for tuition and fees. The panel discussed legislation sponsored by Reps. Rahm Emanuel (D-IL) and Dave Camp (R-MI) that would consolidate the three tax incentives into a single, easier-to-use tax credit (H.R. 2458). The hearing also addressed other tax incentives of interest to colleges and universities, such as the now-expired IRA charitable rollover.

Only one question was asked during the hearing about university endowments. Ranking Member Phil English (R-PA) noted increasing college tuitions and asked the witness from the Government Accountability Office (GAO) if the agency had examined universities with large endowments, including rates of return and how much they were spending from the endowment to benefit low-income students. The witness, Michael Brostek, said GAO had not studied this. He added that it was his understanding that endowments are often restricted and that only a small number of institutions have large endowments. No follow-up questions were asked.
Information about the hearing, including witness testimony, is available on the Ways & Means Committee Web site.

As part of the GAO testimony, Mr. Brostek submitted the following report: "Multiple Higher Education Tax Incentives Create Opportunities for Taxpayers to Make Costly Mistakes."

A fuller report on education tax incentives was prepared for the hearing by the Joint Committee on Taxation.

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