Alert - House Budget Resolution Instructs Education Committee to Cut $20 Billion

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Siren!

The House Budget Committee released its Fiscal Year (FY) 2018 budget this week. Contained within the budget resolution are reconciliation instructions to the Committee on Education and the Workforce, requesting that it create policy proposals that will save $20 billion over the next decade. The budget committee made very clear it would like to see the education committee create savings by scaling back federal student financial aid programs.

What could this mean for law schools and students? The education committee will craft a bill that seeks to modify or eliminate programs within its jurisdiction that amount to saving $20 billion over the next decade. These proposals could include changing PSLF and Income-Driven Repayment (IDR) plans in some way, such as capping or eliminating PSLF or increasing repayment rates and years to forgiveness for graduate students enrolled in IDR plans. Regardless, any of these proposals will have a negative impact on law students’ efforts to repay their federal student loans. And these changes could become effective as early as the beginning of the next academic year (July 1, 2018).

But the math is a little fuzzy: $20 billion is a lot of money and many programs could be devastated. However, the committee has several priorities across its entire jurisdiction that it may want to modify. Some of the proposals that would hurt law students the most would result in savings far above the $20 billion saving instruction. For example, according to the Congressional Budget Office (CBO), elimination of PSLF would save $24 billion, and making the President’s proposed changes to IDR would result in $52 billion in savings. Nonetheless, the $20 billion saving instruction is a floor, not a ceiling, so the education committee would be well within its purview to suggest massive cuts in those programs.

The education committee could also propose capping PSLF forgiveness at $57,500 and extending IDR forgiveness for graduate students to 30 years. CBO estimates that making these changes would save approximately $19 billion dollars. One or both options could appear alongside other programmatic cuts to reach or exceed the committee’s $20 billion saving instruction. [Note: Technically, CBO scored increasing years to forgiveness from 20 years to 25 years. The savings would likely be similar, albeit probably smaller, with an increase from 25 years to 30 years].

So, what happens next? The education committee will come up with its policy proposals, but after that there are a variety of steps that must be taken for any changes to take effect. We will keep you updated as we learn more, but understand this process could occur very quickly. As we previously stated in our #MakeTheCase webinar, reconciliation is a legislative method that allows bills to pass out of both
chambers by a simple majority, placing the fate of these proposals almost entirely in the hands of Republicans.

What does all this mean, and what can I do? Get engaged! These changes could happen very quickly, so reaching out to your members of Congress now could make a difference in whether these policy changes are enacted. We strongly encourage you to watch our #MakeTheCase webinar and visit our advocacy campaign's website for much more information on how to get involved.
Currier, Barry

From: Rives, Jack
Sent: Tuesday, July 18, 2017 2:56 PM
To: zz ABA Staff
Subject: Harassment Training

Colleagues --

The American Bar Association strives to provide an environment free from harassment of any kind. To ensure all staff members understand the signs and behaviors associated with harassment and discrimination, we have updated our anti-harassment training program. These mandatory training courses may be found in the Pryor Learning Solutions website and are accessed through the link in the ABA Intranet: http://www.pryor.com/site/trainingrewards/learn-more/.

This training will be required for all staff and must be completed by December 20, 2017. The following steps are necessary to complete the training:

1. All employees are required to read the ABA Anti-Discrimination and ABA Anti-Retaliation policies and confirm that you will honor them by conducting yourself appropriately.

2. All staff members are required to take the following online courses:

   Respect & Fair Treatment: Preventing Harassment & Bullying Video Series
   • Respect & Ethics Basics: Video -- 8 min
   • Sexual Harassment: Video -- 11 min
   • Non-Sexual Harassment & Bullying --7 min
   • For California staff: Anti-Harassment for Everyone

3. All supervisors are required to take these additional courses:
   • Preventing Sexual Harassment for Managers and Supervisors: Video -- 17 min
   • For California supervisors: Anti-Harassment for Managers

4. Once these online courses are completed, please log into TalentQuest and complete the Anti-Harassment / Discrimination Attestation Survey:
   • Log into Talent Quest at https://go.talentquest.com/aba
   • On your Home Page, click on the orange circle to open the Main Menu. Scroll down to the Learning section then click on Courses Catalog
   • Scroll down to the section in the catalog: Human Resources Required Training
   • Click on the course Anti-Harassment Attestation Survey, then click in the green box under the picture to ENROLL
   • Click in the orange box SUBSCRIBE to activate the course, then click on the blue box PLAY to start the survey
   • Click on BEGIN THE SURVEY. Answer the questions: Select Yes or No
   • Click on the SAVE CHANGES checkmark in the lower right corner
   • Lastly, click on the black X in the upper right-hand corner to close the browser. If you do not follow these steps the system will not acknowledge the survey as completed

If you have any questions or difficulty with the courses, please contact Joyce Wietrecki (Joyce.Wietrecki@americanbar.org or 312-988-5179). For your convenience, HR has also set up a new Mandatory Training section on its Intranet page that lists all the requirements for the courses to be completed.

Thank you for your cooperation with these updated, critical policies. The ABA enforces zero tolerance of harassment and discrimination at all levels. Your safety is very important to us, and if you believe someone may have acted in violation of these rules, contact the HR Department, the General Counsel’s Office, or me with your questions or concerns. Jack
student loan relief program: The Public Service Loan Forgiveness program was intended to be small. Instead, its costs have doubled in the last two years.

By JASON DELISLE
07/21/2017 05:33 AM EDT

When Congress created a program in 2007 to forgive student loans of people who work in public service for 10 years, the expectation was that the program would be small. But after the Obama administration made the program more generous in 2012, I warned that the program’s ill-defined terms would forgive far more debt than originally anticipated. And last week the Congressional Budget Office confirmed those fears when it estimated that the program will cost $24 billion over the next 10 years, double what the CBO estimated just two years ago.

This is not the first time that the CBO revised its estimates so sharply upward, and it probably won’t be the last. Few people realize, however, that lawmakers could end the program tomorrow, saving taxpayers billions, and student loan borrowers working in public service jobs would still be assured affordable monthly payments on their debts. In fact, their monthly payments wouldn’t be any higher than they are under the current terms.

What is this loan forgiveness program, where did it come from, and why is the CBO rapidly revising its cost projections upward? Since the 1950s, the federal government has offered student loan forgiveness programs for certain public employees. But these programs were small and limited to narrow job categories, like teachers in schools serving low-income students, and the amount of debt that could be forgiven was capped at low amounts, such as $5,000.

Then, a decade ago, lawmakers enacted a loan forgiveness program called Public Service Loan Forgiveness, a sweeping expansion of these targeted programs. Under PSLF, public or nonprofit employees make monthly loan payments tied to their income level; after 10 years of payments, the government forgives the rest of their federal student loan balances. A huge number of Americans are potentially eligible for the program: “Public service” includes any job at any level of government, or any job at a 501(c)(3) nonprofit organization—a definition sweeping enough to cover 25 percent of the workforce. There also are no limits on the amount that can be forgiven after 10 years of payments. The
program even allows graduate students to accumulate unlimited federal loans to cover the entire cost of their education and living expenses, and then have the debt forgiven.

Despite the broad eligibility terms, Washington policymakers did not foresee the program growing to its current size. After all, 10 years is a long time to work in a qualifying job, so many experts thought people wouldn’t sign up. They also thought borrowers were averse to making loan payments linked to their incomes, as hardly anyone enrolled in an earlier version of the government’s income-based repayment plan. Nor did policymakers explicitly connect PSLF with the program that lets graduate students borrow unlimited federal funds; that was a separate policy enacted the year before PSLF.

Early warnings that PSLF could grow out of control were easily dismissed as speculation. Even after it was enacted, the government declined to collect or publish information on it. There were no enrollment figures, no statistics on the debt level of participants, and most importantly, no smoking-gun number in the federal budget showing how much debt the government would have to write off.

That has started to change. The latest CBO estimate, which came as part of the budget agency’s analysis of President Donald Trump’s proposal to end PSLF for new borrowers, is part of the growing evidence that the program will forgive far more debt for far more people than anyone originally thought. The Department of Education now publishes enrollment figures that show nearly 60,000 new borrowers enroll in PSLF every quarter. Other Department statistics show that most participants borrowed well in excess of $50,000 in federal loans and one-third borrowed more than $100,000. Such high debt levels indicate that the program is mostly benefitting borrowers with graduate degrees.

If those statistics aren’t convincing evidence of a problem, the “repayment estimator” available on the Department’s website should be. Enter in a borrower with $50,000 in debt earning an adjusted gross income of $40,000 and the site calculates the amount of debt the student would have forgiven. (Note that adjusted gross income excludes an individual’s pre-tax contributions to things like health insurance premiums, retirement savings, and even student loan interest payments.) Payments over 10 years total $30,168, nowhere near enough to pay the debt, which means she has $49,832 in principal and accrued interest forgiven. Enter in $100,000 in debt, and the borrower still makes payments of $30,168, but the amount forgiven is a whopping $129,832.
Let that sink in for a moment. *Payments are the same if the student borrows $50,000 or $100,000.* Taxpayers foot the bill for the difference. One has to wonder whether PSLF would have been enacted if the department launched its repayment estimator before the lawmakers voted to create it.

There is another reason to repeal PSLF for new borrowers: It is duplicative. A program known as Income-Based Repayment already ensures that someone working in a lower-paying public service job can make affordable monthly payments by linking their monthly loan payments to their income. After all, IBR is open to all borrowers regardless of where they work. In fact, IBR also forgives unpaid debt, but after 20 years of payments not 10. That is still a bit generous for borrowers with above-average debt, which is why Trump has proposed expanding the timeline for loan forgiveness to 30 years for graduate students. (On the other hand, forgiven debt under IBR should be tax-free like it is for PSLF. Under current policy it is taxable income.)

Trump is right to call for an end to PSLF. Unlimited loans, unlimited loan forgiveness, and a definition of public service that encompasses 25 percent of the workforce is a ticking time bomb for taxpayers. Now it is up to Congress to act.

*Jason Delisle is a resident fellow at the American Enterprise Institute.*
Equal Justice Works, Contributor

The True Value of Public Service Loan Forgiveness
07/21/2017 06:30 pm ET

Like most worthwhile policies, Public Service Loan Forgiveness (PSLF) costs money. But in Jason Delisle’s recent article, The spiraling costs of a student loan relief program, he exaggerates the costs and never discusses the benefits of the program. As a result, the picture he paints is misleading.

Delisle implies the cost of PSLF – a program that enables borrowers with student loans to earn forgiveness after making 120 on-time monthly payments while working full time in public service – is limitless by stating that the potential eligibility of the program is twenty-five percent of the workforce. This is pure hyperbole.

Only a small percentage of the workforce that is theoretically eligible for PSLF has student loans and will stay in public service jobs for the ten years necessary to earn forgiveness. According to the Consumer Financial Protection Bureau, over the ten years PSLF has been in existence, 550,000 borrowers have asked for and received approval that their jobs qualify. (You’ll note this is far below twenty-five percent of the workforce.) And less than half of those borrowers have made a payment that qualifies toward the 120 they need.

Delisle also consistently fails to put the cost of PSLF in perspective. A study by Equal Justice Works indicates that the average graduate and professional student will repay almost the entire amount they borrowed before earning forgiveness. A small tweak to Delisle’s handpicked example demonstrates why this is the case. According to the Department of Education’s repayment estimator, a borrower with $50,000 in loans (the same as Delisle’s example) and $45,000 in salary ($5,000 more than Delisle’s example) enrolled in Income-Based Repayment (an income-driven repayment plan in which they pay fifteen percent of their discretionary income) would repay $54,471 before earning forgiveness. In other words, this borrower would repay more than they borrowed and the forgiveness they earn for ten years of public service would be all accrued interest.

In addition, the Congressional Budget Office has estimated the federal government will earn $184 billion from student loans made between 2013 and 2023. The amount invested in PSLF
will be a small fraction of that. And that investment is a good one because – although you would not know this from reading Delisle’s article – PSLF is working exactly as intended to foster long-term public interest careers.

Delisle argues that PSLF and income-driven repayment plans are the same thing and therefore PSLF is unnecessary. But, as the bipartisan legislators knew when they separately created PSLF, this is far from the case. Income-driven repayment plans are a safety net for low-income borrowers who would otherwise be unable to repay their loans and would fall into (far more expensive and financially ruinous) default on their loans without their protection. They provide very long-term (twenty, twenty-five or even a proposed thirty year) taxable cancellation of those loans for those who are never financially able to repay their loans in full. They are a necessary safety net— but they are not an incentive for talented students with debt to enter into long-term public service.

PSLF allows talented young people who are willing to sacrifice their earning potential in the private sector to instead commit their careers to serving others in lower-paying public service jobs without having to spend a lifetime worrying about their student loans. It is an affordable and critical investment that directly benefits all our communities.

*Isaac Bowers is Director for Law School Engagement & Advocacy, overseeing the Student Debt, Student Engagement, and Law School Relations programs.*