

BUDGET WEEK

Su	M	Tu	W	Th	F	Sa

HOUSE COMMITTEE ON THE BUDGET
Majority Caucus

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Summarizing budgetary issues in legislation
scheduled for the House floor

23 January 2002

Week of 21 January 2002

SUSPENSION CALENDAR

1) **Asian Elephant Conservation Reauthorization Act of 2001** (H.R. 700). 

This bill will not

increase direct spending (spending not subject to annual appropriations) or decrease revenue.

2) **Tumacacori National Historical Park Boundary Revision Act of 2001** (H.R. 2234). 

This bill will not increase direct spending or decrease revenue.

3) **Resolution Expressing the Sense of the House of Representatives that a National Mentoring Month Ought to be Established.** 

This resolution has no budgetary implications.

LEGISLATION CONSIDERED UNDER A RULE

Bill: **To Amend the Higher Education Act of 1965 to Establish Fixed Interest Rates for Student and Parent Borrowers** (S. 1762). 

Committee: Education and the Workforce

Summary: Through federal student loan programs, the Federal government subsidizes direct loans to students and loans provided by private lenders. The cost to the government of these subsidies is significantly affected by the interest rate borrowers pay. Under current law, beginning on 1 July 2003, the index from which student loan interest rates are derived will be changed to an index of long term rates. This bill would instead retain the current short term index until 1 July 2006. The rate then would be changed to a fixed rate of 6.8 percent for students and 7.9 percent for parents. Under Congressional Budget Office estimates of future interest rates, the federal subsidy of student loans is greater under short term and fixed rates than under long term rates. This bill therefore increases direct spending.

Budget Act: This bill will cause a decrease in spending in 2002, but would increase spending by \$3.785 billion over 2002 through 2006, and \$9.585 billion over 2002 through 2011. The Concurrent Resolution on the Budget for fiscal year 2002 (H. Con. Res. 83) provides a reserve fund (a procedure permitting the Budget Committee Chairman to increase the appropriate levels in the budget resolution to cover the cost of a specific initiative) for this change in student loan interest rates, but the amount of the reserve was based on an earlier cost estimate. The estimated cost now exceeds the reserve fund by \$345 million

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PLEASE NOTE: This document addresses budgetary issues only. It should not be taken to express support or opposition on any other grounds. A green flag indicates no serious budgetary or budget compliance concerns. A yellow flag indicates moderate or potential problems. A red flag indicates serious problems.

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over 5 years and \$1.92 billion over 10 years, and therefore exceeds the 302(a) allocation to the Committee on Education and the Workforce. Normally, this would constitute a violation of section 302(f) of the Congressional Budget Act, which provides for a point of order against a bill that exceeds the allocation. That provision, however, applies to bills reported by committees of the House, and this bill has not been reported.