LEGISLATIVE ALERT

BY THE COMMITTEE ON THE BUDGET, REPUBLICAN CAUCUS

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WHEN DOING SOMETHING IS WORSE THAN DOING NOTHING

HIGHER EDUCATION RECONCILIATION CONFERENCE REPORT (H.R. 2669)

Under the guise of budget "reconciliation" – which is supposed to *reduce* deficits – the Higher Education Reconciliation Conference Report actually *worsens* the prospects for budget control, by creating *five new Federal entitlement programs*. The measure also *expands the reach of government* by favoring the costly, government-controlled direct lending program over non-profit and commercial lenders. Finally, it further demonstrates the Majority's disregard for any spending controls – including their own so-called pay-as-you-go [PAYGO] rule.

Key points on Higher Education Reconciliation Conference Report:

- ***Creates Five New Entitlements.*** The measure contains $21.5 billion in new spending over 5 years, including its five new entitlements. Though the Majority claims to "offset" this spending (see below), *the mere creation of these programs adds to the already unsustainable growth of entitlement spending – the principal threat to the budget and the economy*. Meanwhile, the conference report does nothing to address the root problem in higher education: rising college costs.

- ***Contains Only Token Savings.*** The conference report's $752 million in "savings" is merely a token to get the measure considered under fast-track budget reconciliation procedures. To put these alleged "savings" into perspective, they are *less than 2 percent of the $40 billion that the 2005 Deficit Reduction Act saved taxpayers*.

- ***Favors Government Over Markets, Increasing Likely Taxpayer Costs.*** The bill "pays for" its new spending largely through a Federal Government take-over of the student loan program. Specifically, it takes $22.3 billion, largely from private-sector lending, to force a shift to the government's direct lending program – increasing taxpayers' liability. In addition, the added loan volume would likely overwhelm the direct lending program, which handles only 20 percent of total student loans now.

- ***Relies on PAYGO Gimmicks.*** The conference report employs two gimmicks to give the appearance of complying with the Majority's vaunted PAYGO rule. First, it gradually cuts student loan interest rates through June of 2012 – and then *balloons them back to the original rate* to recover the costs within the PAYGO window, which runs through 2017. Second, the measure assumes some of its new entitlements will end after 5 years or sooner. But everyone knows government programs never die – so the phony "sunset" provisions only serve to hide *$20 billion to $30 billion of additional new spending* that will occur under this measure. Both deceptions clearly violate the spirit of PAYGO.

Authorized by . . . . Paul Ryan, Ranking Republican