FY14 Appropriations and Debt Ceiling

After a 21 hour speech by Senator Ted Cruz’s (R-TX) defunding the health care law. Little time is left for Democrats and Republicans to reach a compromise before the October 1 deadline and move on to the next crisis – raising the debt ceiling by October 17.

The Senate passed the continuing resolution (CR) on Friday by a vote of 54-44, stripping out a provision that defunds the Affordable Care Act (ACA). The Senate measure keeps funding at the FY13 post-sequester level of $986B and cuts back the terms of the CR through November 15. This would give Congress more time to produce an omnibus package that would include new spending plans and provisions to replace sequestration. The House is unlikely to pass the Senate amended version leaving very little time to consider its course of action before a shutdown. House leadership is considering an array of options to amend the CR:

- Repeal of the 2.3 percent medical device tax in the health care law.
- Eliminate government contributions towards health care insurance premiums for Members of Congress and staff.
- Attach a one-year delay of the individual mandate component.

If House Republicans decide to go this route, it would almost certainly provoke a government shutdown, since Democrats are adamant they will not pass a CR impacting the health care law in anyway. House Republicans will meet Saturday morning to decide the next step, with a vote over the weekend. It is hard to see a clear path between Senate Democrats and House Republicans to avoid a government shutdown right now. The only real option is passing a very short-term CR lasting one week as negotiations continue.

Meanwhile on the debt ceiling battle, House Republicans continue to plan an increase to the $16.7T debt ceiling to a broad agenda that includes delaying ACA for a full year, blueprint for tax reform, Keystone XL oil pipeline and cutting numerous federal regulations in exchange for raising the debt ceiling till November 2014. President Obama has stated he won't negotiate over the debt ceiling, while Republicans are clear, they will not raise the debt ceiling without getting something in return. The House is expected to vote on a package after consideration of the CR is finished.

The Office of Federal Relations will continue to provide updates as the process continues.

Government Shutdown Impact

The potential shutdown of the federal government would mean most normal day-to-day operations of the federal government would come to a halt. The Administration last week directed federal agencies
to update plans for operation during a government shutdown, but those documents have not yet been released.

Based on information from previous federal shutdowns and guidance issued from Office of Federal Student Aid, a short-term shutdown would appear to have minimal impact on student aid processing and funding. Most federal funding is already in place for the 2013-14 awards due to student aid programs being forward funded (funding for the current award year primarily comes from last year’s budget). In addition, there would be little impact on schools and lenders and their ability to administer the Title IV Programs. Department of Education offices would be closed during a shutdown, but a majority of Title IV processors, call centers and websites would remain operational.

Routine, ongoing operational and administrative activities relating to contract or grant administration (including payment processing) would close during a shutdown. Employees who are paid with annual appropriations and who perform an activity associated with contract or grant administration (including oversight, inspection, payment, or accounting) would be furloughed. Research agencies like NSF and NIH would furlough almost all staff. While researchers with existing grants would be allowed to continue work as long they did not require any intervention or supervision from agency staff.

**President Obama’s College Proposal**

The U.S. Department of Education launched a nationwide series of public discussions at the Department’s headquarters in Washington, D.C. The Department wants to hear feedback from the higher education community stakeholders on how best to promote college affordability and value while ensuring access and success for disadvantaged students is encouraged, not discouraged.

Individuals are invited to send their ideas about the President’s plan and suggestions for the ratings system to collegefeedback@ed.gov. More information about the college value and affordability outreach initiative will be available on the Department’s [College Affordability and Completion website](https://www2.ed.gov) in the near future.