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RSC Outlook: The Consequences of Reconciliation

How Obama's Plan to "Invest in Education" Will Lead to Nationwide Job Losses

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On April 29, 2009, both chambers of Congress passed the concurrent budget resolution for fiscal year 2010 (S.Con.Res. 13). The budget resolution provides reconciliation instructions to the House Committee on Education and Labor to achieve $1 billion in savings over five years. These savings are intended for "investing in education." The budget resolution provides comparable reconciliation instructions for the Senate, which fall on the Senate Health, Education, Labor, and Pensions Committee.

The main consequence of reconciliation instructions is to allow the Majority to shutoff debate and amendments with a simple majority, instead of with the three-fifths majority normally required. In short, it is intended to "fast track" liberal priorities.

Based on recent news accounts and the President's budget outline, the reconciliation process will be used to stop providing subsidies for new loans made through the Federal Family Education Loan (FFEL) program by July 1, 2010. The federal government would offer all loans directly to students (DL program) by borrowing money from the U.S. Treasury, which is estimated to add approximately one-half trillion dollars to the federal debt over five years. Private-sector participation in the loan programs would be limited to the back-end servicing of loans owned by the government.

Based on an employment survey of private lending loan participants conducted jointly by the Consumer Bankers Association (CBA), the Education Finance Council (EFC), and the National Council of Higher Education Loan Programs (NCHELP), the President and Congressional Democrats' plan **targets and may potentially eliminate up to 30,000 private-sector jobs** in the midst of an economic downturn. The jobs eliminated will either have to be remade in the Department of Education or the work done would become an unfunded mandate for the approximately 75 percent of the nation's schools forced into the DL program. Nearly every state can expect to see job losses when the Democrats "invest in education."

Federal Family Education Loan Program Employees by State

Alabama – 73	Hawaii – 0	Mass. – 1,426	New Mexico – 176	S. Dakota – 1,234
Alaska – 94	Idaho – 0	Michigan – 101	New York – 2,648	Tennessee – 731
Arizona – 209	Illinois – 1,383	Minnesota – 675	N. Carolina – 320	Texas – 1,593
Arkansas – 92	Indiana – 2,622	Mississippi – 48	N. Dakota – 57	Utah – 191
California – 1,130	Iowa – 526	Missouri – 641	Ohio – 1,240	Vermont – 360
Colorado – 880	Kansas – 2	Montana – 229	Oklahoma – 213	Virginia – 833
Connecticut – 233	Kentucky – 434	Nebraska – 891	Oregon – 221	Washington – 68
Delaware – 488	Louisiana – 159	Nevada – 321	Penn. – 2,945	West Virginia – 0
Florida – 1,210	Maine – 52	New Hamp. – 360	Rhode Island – 100	Wisconsin – 1,121
Georgia – 458	Maryland – 31	New Jersey – 755	S. Carolina – 210	Wyoming – 60

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