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SAGE Federal Legislative Priorities

Indebtedness and Taxation

**Indebtedness: A Growing Obstacle for Attaining a Graduate Education:** The growing debt burden students face has a tangible effect on the number of students who apply to graduate school and the time it takes them to complete their degrees. The outstanding student loan balance—$1 trillion according to the Consumer Financial Protection Bureau—now surpasses credit card debt, and the average undergraduate student debt alone increased 5% between 2009 and 2010, a similar increase to previous years.\(^1\) The current loan forgiveness program is too narrow for its intended population to use, and creates a heavy tax burden on the forgiven debt.

**SAGE Recommends:**

- Amend the new Income Based Repayment rules to apply to all outstanding federal student loans (addressed in part by H.R. 4170), make Income Based Repayment installments regionally sensitive to cost of living, and exclude forgiven student loan debt from taxable income.

**“Qualified Higher Education Expenses” Not Defined as Originally Intended:** The Higher Education Act of 1965 (HEA) defines the cost of attendance for higher education as the total cost of education, including tuition, fees, books, supplies, housing, etc. In 1986, changes in tax law uniquely disadvantaged graduate students, making portions of fellowship and student aid, such as room and board, taxable income.

**SAGE Recommends:**

- Amend the tax code to define “Qualified Higher Education Expenses” and “Qualified Tuition and Related Expenses” to match the definition of “Cost of Attendance” in section 472 of the HEA.

Research Funding

**Funding Federal Research is Crucial to Our Country’s Economy:** The U.S. economy is dependent on groundbreaking research at leading research universities. If the U.S. is to remain a global leader in innovation and technology development, Congress should maintain or increase federal funding of graduate research, which produces cures to diseases, new technology, and a more powerful workforce.

**SAGE Recommends:**

- Congress should maintain, if not increase, federal funding of research, and should create the American Opportunity Challenge Grant.

Immigration

**Visa Reform: Allow World’s Brightest to Create American Jobs:** While the U.S. economy has globalized, our use of talented, U.S.-educated international students lags. The export of some of the best and brightest to our international competitors hurts our economy and standing as global leaders.

**SAGE Recommends:**

- **H1-B visa reforms to exclude students with advanced U.S. degrees from H1-B cap, grant work permissions to H1-B-holder spouses, and pass H.R. 3012, and H.R. 2161/S. 1986, to eliminate per-country H1-B limits and grant priority H1-B to international students with advanced STEM degrees.**
- **F1-B visa reforms especially re-entry permissions for F-1 students, to enable visits to sick family, attend conferences and research, and expand off-campus work allowances.**

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\(^1\) The Project on Student Debt (2011). Student Debt and the Class of 2010. Washington, DC, The Institute for College Access and Success.
Indebtedness and Taxation Policies Stifle Innovation

Indebtedness: A Growing Obstacle for Attaining a Graduate Education

Students face an ever-increasing debt burden. The outstanding student loan balance—$1 trillion according to the Consumer Financial Protection Bureau—now surpasses credit card debt, and the average undergraduate student debt alone increased 5% between 2009 and 2010, a similar increase to previous years.1 This growing burden has a tangible effect on the number of students who apply to graduate school and the time it takes them to complete their degrees. Our nation’s productivity and economic competitiveness suffers as a result. The combination of the increases in cost of attendance and in cost of living, coupled with a reduction in many student aid programs, is making the financial burden of an advanced education overwhelming.

SAGE Recommends:

- Amend the new Income Based Repayment rules to apply to all outstanding federal student loans, and improve the outreach and servicing of IBR so it is accessible and helpful to borrowers.
- Make Income Based Repayment installments regionally sensitive to the cost of living.
- Pass H.R. 4170, the Student Loan Forgiveness Act of 2012.
- Pass S. 1102, the Fairness for Struggling Students Act, which extends bankruptcy discharge to private student loans.

‘Qualified Higher Education Expenses’ Not Defined as Originally Intended

The Higher Education Act of 1965 (HEA) defines the cost of attendance for higher education as the total cost of education, including tuition, fees, books, supplies, housing, and other education-related expenses. This definition determines the amount of student financial aid and higher education incentives, such as subsidized student loans and tax deductions, for which a student is eligible. In 1986, changes in tax law limited this definition in a way that uniquely disadvantages graduate students, making portions of fellowship and student aid ineligible for higher education tax incentives such as the lifetime learning credit and tax deductions on scholarship and fellowship monies.

SAGE Recommends:

- Amend the tax code to define “Qualified Higher Education Expenses” and “Qualified Tuition and Related Expenses” to match the definition of “Cost of Attendance” in section 472 of the HEA.

Background: Student Financial Burden is Overwhelming

Elimination of Federal Programs Add to Student Indebtedness

Subsidized Student Loans. Effective July 2012, graduate students will no longer be eligible for subsidized student loans. The elimination of the in-school and the after-graduation grace period subsidy will significantly add to the overwhelming debt graduate students face. This loss is also a disincentive for prospective students to pursue advanced degrees.

Graduate Student Aid is in Decline. Graduate students face cuts and elimination of funding in multiple need-based programs, and a narrowing of benefits for those that do still exist. For example, the merit based Javits Fellowship program (awarded to some of the highest achieving graduate students) has been

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suspended due to congressional cuts ($9.7 million), while awards for existing Javits Fellows will now be shared with the $31 million GAANN fund.

**Addressing Indebtedness: Loan Forgiveness Programs**

Income based repayment (IBR)\(^2\) is more important now than ever for graduate students to make student debt manageable. Since 1994, Congress has implemented a series of loan repayment options based on how much an individual can pay. These programs cap monthly payments on student loans and forgive remaining debt after the student has made a set number of payments (120 to 300 depending on the program). The monthly installment amount is a percentage of an individual’s “disposable income,” currently defined as the difference between AGI and 150% of the federal poverty line for the family size.

**Problem: The Programs Are Too Restrictive.** The new IBR programs are an excellent first step at addressing the increasing debt of students, but do not help many graduate students or current borrowers. For example, to be eligible for “Pay as You Earn” the newest IBR program, students must not hold student loans from before 2008 and must receive federal loans after 2011. Additionally, forgiven debt under IBR is treated as taxable income, resulting in a strenuous tax liability on individuals who have qualified for IBR precisely because they are unable to pay more.

In addition, the monthly payment amount under IBR does not account for the differences in cost of living faced at various regions of the country. Other federal programs use metrics, including the HUD Fair Market Housing Rate and the Department of Defense Basic Allowance for Housing, to account for regional cost of living adjustments in benefits. Students would greatly benefit if IBR allowed for regional sensitivity and defined disposable income to better represent the ability to repay student loans.

**Pass The Student Loan Forgiveness Act of 2012 (H.R.4170).** Under this bill, if a student makes payments equal to 10% of his or her disposable income for 10 years, then the remaining federal student loan debt would be forgiven. The bill would also (1) ensure low interest rates on federal student loans by capping them at 3.4%; (2) place a cap on forgiveness maximum to discourage unnecessary borrowing—$45,520 based on the average overall cost of a four-year degree at a public university; and (3) would be financed by projected savings from Iraq and Afghanistan Overseas Contingency Operations.

**Pass The Fairness for Struggling Students Act of 2011 (S. 1102).** While credit card debt and mortgages are discharged when a person files for bankruptcy, student loans—private and federal—are not. S. 1102 would give equal treatment to private loans as other debt and make them dischargeable with the same penalties and restrictions under bankruptcy law. We support expanding this to all student loans.

**Addressing Affordability: Qualified Higher Education Expenses**

Current tax law, in determining a graduate student’s tax liability, limits “qualified higher education expenses” to tuition and registration fees only. This limitation places an added financial burden on graduate students, and has a direct impact on the affordability of graduate education, by excluding income used for basic living expenses such as room and board from a qualified educational deduction. The SAGE recommendation makes the definition of “qualified higher education expenses” consistent across all forms of federal education assistance.

**Taxation of Fellowships and Scholarships.** Education expenses paid with fellowship and scholarship monies can be deducted from gross income, but the current definition excluding room and board reduces the benefit by about a one to one-and-a-half months’ worth of scholarship funds. Notably, education awards do not take this tax burden into account.

**Lifetime Learning Credit.** The Lifetime Learning Credit is equal to 20% of the taxpayer’s out-of-pocket education related expenses up to a maximum of $10,000 in expenses (that is, $2,000 in benefits). However, because of the narrow “qualified higher education expenses” definition, most graduate students do not qualify.

\(^2\) We use “Income Based Repayment” (IBR) as the general term for all income based programs including the 2009 and 2014 versions of IBR, Income Contingent Repayment (ICR), and Pay as You Earn.
Cuts to Research Funding Put America’s Future at Risk

Funding Federal Research Grants Is Crucial to Our Country’s Economy

The U.S. economy is highly dependent on groundbreaking research conducted at leading research universities. If the U.S. is to remain a global leader in innovation, in technological development, and of the knowledge-based economy, Congress should maintain, if not increase, federal funding of graduate research. Basic research leads to cures to diseases, new technology, and a more powerful workforce. Universities rely on federal research funding to attract and retain the best graduate students, and these graduate students use the funding to perform essential research.

Critical Programs That Build Our Economy and Keep America Competitive

National Institutes of Health (NIH)

NIH, the nation’s primary agency for supporting biomedical research, competitively awards grants to scientists at universities in all 50 states, as well as many other institutions across the country and world. NIH educates the next generation of scientists and funds leading-edge research with the goals of improving health and saving lives through medical discovery and scientific leadership.

SAGE Recommends: Fund NIH at $32 billion, a 4.23% increase to the president’s FY13 budget request which would adjust for inflation of the previous years’ level-funding.

National Science Foundation (NSF)

NSF develops new innovations, strengthens our national economic competitiveness, and advances the goals outlined in the bipartisan America COMPETES Act. NSF funds merit-based research and supports science, math, and engineering education across the country, in all 50 states. NSF investments help to ensure that we build a better America by remaining a global leader in science and technology.

SAGE Recommends: Fund NSF at the President’s FY13 $7.4 billion budget request level.

National Aeronautics and Space Administration (NASA) Science Mission Directorate

The NASA Science Mission Directorate is an essential part of meeting the growing challenges to fully understand global changes to the Earth and answer fundamental questions regarding the universe through space exploration.

SAGE Recommends: Fund Science Mission Directorate at the FY12 enacted $5.1 billion budget request, $0.2 billion over this year’s $4.9 billion budget request.

National Endowment for the Humanities (NEH)

NEH is the lead federal agency focused on the development and support of scholarship and other work in the humanities. NEH is a vital source of funds for scholars and researchers. Their work helps citizens and policymakers alike better understand and address the social, economic, and political challenges facing the world today. NEH grants are awarded on a competitive, merit-reviewed basis to organizations

SAGE FUNDING REQUESTS

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and institutions in every U.S. state and territory. Many NEH grants provide significant leveraging of nonfederal giving through matching requirements.

**SAGE Recommends: Fund NEH at the President’s FY13 $154.3 million budget request level.**

**Department of Education (ED)**

The ED office funds the Graduate Assistance in Areas of National Need (GAANN) and Javits Fellowship Program, two important competitive fellowships for graduate students. New Javits Fellowships have been suspended for year 2012-2013 due to congressional cuts of $9.7 million. Javits continuation awards will now be funded from the same $31 million GAANN fund which has expanded in scope but maintained level-funding for multiple years.

**SAGE Recommends: Provide additional funds to GAANN to fund Javits continuation awards above the President’s FY13 $31 million request level. Further, fund new Javits Fellows by restoring $9.7 million.**

**Department of Energy (DOE) Office of Science**

The DOE Office of Science funds leading-edge energy research and educates the next generation of scientists. Strong, sustainable, and predictable funding levels for the Office of Science are also necessary to ensure that we remain a global leader in science and technology, which are the foundation of our nation’s economic growth and aid in our national defense.

**SAGE Recommends: Fund DOE Office of Science at the President’s FY13 $4.99 billion request level.**

**National Oceanographic and Atmospheric Administration (NOAA)**

NOAA conducts crucial scientific research related to our oceans and atmosphere that provides decision-makers with critically important data and services that enhance the nation’s economy, security, and environment. Particularly, the Sea Grant program is a nationwide network of 30 university-based programs that work with coastal communities on research and outreach to promote better understanding, conservation, and use of our coastal resources.

**SAGE Recommends: Fund NOAA Office at the President’s FY13 $5.06 billion request level.**

**Defense 6.1 Basic Research**

Pentagon officials recognize and hail the importance of basic research to keep our military armed with cutting-edge technology and to provide our soldiers with the tools necessary to succeed on the battlefield. Over the years, the Department of Defense has played an important role in funding high-risk, high-reward research, which has led to many significant defense technologies, some of which have also evolved into remarkable civilian applications.

**SAGE Recommends: Fund Defense 6.1 Basic Research at President’s FY13 $2.117 billion request level.**

**A New Partnership to Fund Research at Public Universities**

The Knowledge Made in America: A private-public funding model for leading public research universities proposal creates **1,000 permanent American Opportunity Challenge Grants a year, each to fund faculty and graduate student research**. These will match philanthropic investments 1:1 by the federal government and 1:1 by the state governments (for a combined 2:1 government to donor match). **For a period of ten years, 100 of our nation’s best public research universities will work with private philanthropists and corporations to raise significant new permanent endowed capital at each university.** Only the proceeds from the invested endowment capital would be spent to support research and instruction. At the outset of this effort Congress will commit $1 billion annually for 10 years, distributed by state population. To qualify, state governments must match federal contributions, maintaining three important safeguards of public universities: (1) access and equity; (2) state fiscal responsibility; and (3) academic freedom. See [http://www.sagecoalition.org/knowledgemadeinamerica](http://www.sagecoalition.org/knowledgemadeinamerica).

**SAGE Recommends: Create the American Opportunity Challenge Grant.**
Student Immigration Reform Will Keep World’s Best in U.S.

Incentivize Top International Students to Learn and Stay in America

Attracting top international graduate students to our schools and workforce is essential for domestic job creation and innovation. Unfortunately, visa restrictions often force immigrant graduates out of the country, robbing the U.S. of talent, skills, and educational investments. Simple, low-cost adjustments to two key visa programs could result in significant improvements.

I. Highly-Skilled Visa Reform: Allow World’s Brightest to Create American Jobs

While the U.S. economy has globalized, our use of talented, U.S.-educated international students lags. The world’s top students flock to our higher education institutions, only to end up having to leave due to restrictive U.S. visa policies. The export of some of the best and brightest to our international competitors hurts our economy and standing as global leaders. Recent studies from the World Bank and National Foundation for American Policy have found that increasing the number of H-1B high-skill visas to graduate students would increase the number of patent applications and encourage job creation, critical components of competing in a global economy.

SAGE Recommends:

- **Exempt all students who obtain advanced degrees in the U.S. from the H1-B cap.**
- **Grant Work Authorization to the Spouses of H-1B Holders (those in the H-4 category), as is done for the spouses of L-1 Visa holders.**
- **Pass H.R. 2161 or S. 1986 – These bills would establish a priority worker immigrant visa for international students who have earned advanced degrees in a STEM field from a U.S. university and have an employment offer in the U.S.**
- **Pass H.R. 3012 – The Fairness for Highly-Skilled Immigrants Act would amend the Immigration and Nationality Act to: (1) eliminate the per country numerical limitation for employment-based immigrants, and (2) increase the per country numerical limitation for family based immigrants from 7% to 15% of the total number of family-sponsored visas.**

II. F-1 Visa Reform: Allow Int’l Travel for Academic Work or Family Emergencies.

The F-1 Visa is the primary visa foreign full-time students use to access education in the United States. Unfortunately, current regulations do not align with the realities of graduate education. Students from certain countries can only receive single-entry visas. Consequently, they face difficulties returning to the United States after traveling abroad for academic conferences, academic research or visiting sick family members. Further, current work requirements and “All But Dissertation” restrictions\(^1\) make it difficult for foreign students to support themselves while attending a full-time academic program.

SAGE Recommends:

- **Grant waivers to students with single-entry visas, and make security screenings more efficient, to permit reasonable travel and re-entry while enrolled in a U.S. institution.**
- **Remove off-campus work restrictions.**

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\(^1\) A student is considered ABD when course work has been completed and he or she is focused on research.
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