

LEGAL UPDATES

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Higher Education Will See Greater Impact as Government Shutdown Continues

According to the Department of Education, the federal government's shutdown is expected to have limited short-term effect on educational institutions. But, if the shutdown lasts longer than a week, colleges and universities may see delays in student aid programs and customer service.

Congress' failure to reach agreement on a stopgap spending bill led to a shutdown of federal agencies as of October 1, 2013. Absent funding, only "essential" federal government employees continue to work, while "nonessential" employees have been placed on indefinite furlough. The Department of Education placed more than 90 percent of its employees on furlough.

Despite this limitation, the education officials have stated that business should largely carry on as usual for the first week of a shutdown. Some of the best news relates to Federal Student Aid programs. The Department of Education plans to continue to operate two of its biggest Title IV Federal Student Aid programs – Pell Grants and Federal Direct Student Loans – as normal for the time being. The majority of Title IV processors and federal financial aid contact centers and websites, including the Free Application for Federal Student Aid (FAFSA) website and the Central Processing System (CPS), will remain operational. Individuals with Disabilities Education Act (IDEA) funding should continue as usual.

However, if the shutdown continues for more than a week, the Department of Education anticipates delays in processing new loan applications. A small number of additional employees will be allowed to return from furlough if the shutdown continues into next week, but a backlog in federal loan processing is likely to occur. Students who have received their disbursements for the 2013-

2014 fall academic semester are unlikely to be affected, but schools on nontraditional semester programs may see significant delays.

An immediate effect from the shutdown may be seen in campus-based student aid programs. Payments for federal work-study programs will be delayed until the end of the shutdown, and schools that receive funding from other federal programs – including vocational rehabilitation programs – may see delays as well.

Aside from funding concerns, educational institutions may also be impacted by the shutdown in other ways:

Customer service: With staffing for the Department of Education left to a skeleton crew, schools and students are unlikely to be able to reach department staff with questions. Although Title IV call centers remain open, other areas have no employees manning the phone. The department has specifically stated that it has no employees available to answer questions about the effect of the shutdown.

Research: Schools and students may find that federally operated websites and archives used for research are no longer in operation. Research grant applications will not be reviewed during the shutdown, and the Department of Education anticipates a backlog in the application review process once employees return.

Tax transcripts: Often students applying for financial aid use the IRS Data Retrieval Tool. It is not yet known how students' ability to request tax transcripts will be affected.

Additionally, to the extent schools have affiliation agreements for externships or clinicals with federally funded organizations, students may find that their employee contact has been furloughed.

What This Means to You

Colleges and universities should feel minimal impact from the shutdown for this first week. However, if the shutdown lasts longer than a week, administrative and funding challenges are likely.

Educational institutions should expect to see delays in aid processing and funding, as well as in federal government communications and operations in general.

Contact Information

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If you have questions about this issue or other education issues, contact your Husch Blackwell attorney or any attorney in our Educational Institutions group.