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## AP sources: Hill leaders have tentative deals on student loan, transportation bills

By Associated Press, Updated: Wednesday, June 27, 4:03 PM

WASHINGTON — Facing weekend deadlines for action, congressional leaders have tentatively agreed to deals overhauling the nation's transportation programs without a Republican provision forcing approval of the proposed Keystone XL oil pipeline, and avoiding a doubling of interest rates for new student loans, congressional officials said Wednesday.

The agreements underscored the pressures both parties face to avoid angering voters and embarrassing headlines in the run-up to this November's presidential and congressional elections. Letting road-building programs grind to a halt during an economic downturn would be a blow to the image of lawmakers, while Democrats and Republicans alike seemed eager to avoid enraging millions of students and their parents by boosting the costs of college loans.

Congressional leaders were hoping to combine the highway and student loan measures into a single bill to reduce potential procedural obstacles, and hope to vote final approval this week. Lawmakers would then leave Washington for a July 4 recess.

The two-year highway bill would prevent the government's authority to spend money on highways, bridges and transit systems from lapsing on Saturday, along with its ability to collect gasoline and diesel taxes. With both parties checkmating each other's top priorities this campaign season, Democrats and Republicans say the highway measure will be Congress' top job-creation initiative until the November elections.

Sen. Barbara Boxer, D-Calif., chief Senate sponsor of the transportation bill, said the measure would save or create 3 million jobs.

As the price for the highway agreement, Sen. James Inhofe, R-Okla., said Republicans dropped a House-approved provision requiring the government to approve the proposed Keystone pipeline, which is to move oil from western Canada to Texas' Gulf Coast.

Pipeline approval — which prompted a veto threat from President Barack Obama — has been a top goal this election year for the GOP, which has pitted its claims that it would create jobs against environmental worries that it could accelerate global warming and endanger Midwestern water supplies.

Republicans also agreed to abandon language blocking the Environmental Protection Agency from regulating the toxic ash generated by coal-fired power plants, Inhofe said. The ash is used as an ingredient in some types of cement.

In return, House Republicans won Senate concessions that would halve the time allowed for environmental reviews for highway projects, and squeeze money for bike paths and pedestrian safety projects by forcing them to compete with other transportation projects, Senate aides and environmentalists said.

The bill would give states more flexibility in spending federal money, impose new safety regulations and expand a federal loan guarantee program to encourage private investments in transportation projects.

Despite the measure's short-term impact, the bill delays for two years decisions about a long-term funding scheme for highway and transit programs. Gas and diesel taxes no longer cover the cost of transportation programs and are forecast to bring in less revenue as the fuel efficiency of cars and trucks increases.

President Barack Obama spent weeks this spring touring college campuses and lambasting Republicans for not pushing a freeze on student loan rates through Congress. GOP presidential challenger Mitt Romney, looking to avoid handing Obama an issue, quickly said he favored the interest rate extension and congressional GOP leaders did too, though some Republicans think the government should not spend money to keep loan rates low.

The student loan pact would keep today's 3.4 percent interest rates on subsidized Stafford loans from doubling for new loans approved beginning on Sunday, an automatic increase that Congress enacted five years ago to save money. If they did double, it would affect 7.4 million students expected to get the loans over the 12 months beginning July 1, adding \$1,000 to the interest costs of the typical borrower over each loan's life.

The tentative agreement was on the same package Senate Majority Leader Harry Reid, D-Nev., and Senate Minority Leader Mitch McConnell, R-Ky., had said Tuesday that they had shaken hands on, said a congressional Republican who spoke on condition of anonymity to describe the measure's status. McConnell said he expected the House to accept the agreement.

"We're moving, I think, towards an agreement on a transportation bill that would also include a one-year fix on the student loan rate increase," Boehner told reporters early Wednesday after meeting privately with House Republicans.

Some GOP lawmakers at that meeting said Boehner seemed to favor the emerging deal and said it

received a positive reception.

“The general sense is there’s a tremendous amount of support for getting it done,” said Rep. Tom Reed, R-N.Y. “That’s what’s going to drive it across the finish line.”

The two parties spent the last several weeks dueling over how to pay for the \$6 billion cost of the student loan bill.

Under the agreement, the government would raise \$5 billion by changing how companies calculate the money they have to set aside for pensions. That change would make their contributions more consistent from year to year and in effect reduce their payments initially, lowering the tax deductions they receive for their pension contributions.

Another \$500 million would come from increasing the fees companies pay for the government to insure their pension plans, linking those fees to inflation.

In addition, \$1.2 billion would be saved by limiting federal subsidies of Stafford loans to six years for undergraduates.

Lawmakers were discussing potentially wrapping in another Senate bill to reauthorize the national flood insurance program for five years.

The program, which provides federally backed insurance for 5.6 million households and businesses, many in flood-prone areas, has gone deeply into the red from claims after Hurricane Katrina in 2005. The Senate legislation would try to return the program to fiscal soundness through such steps as allowing premium increases and reducing subsidies for vacation homes.

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