



AMERICAN ASSOCIATION OF COMMUNITY COLLEGES
ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES



COMMUNITY COLLEGE FEDERAL LEGISLATIVE PRIORITIES

112TH CONGRESS, FIRST SESSION

BACKGROUND BRIEFING INFORMATION

Updated February 9, 2011

Federal Legislative Landscape

The final lame duck session of the 111th Congress produced a number of important legislative measures that positively impact community colleges and their students. In addition to approving a short-term appropriations bill that maintains the Pell Grant maximum (at least through March 4), the 111th Congress approved a comprehensive tax relief bill that extends several important higher education tax provisions for two years (including the American Opportunity Tax Credit), an expanded veterans benefit measure, and the reauthorization of the America COMPETES Act. These measures follow other legislation enacted during the past year that has provided significant education funding to the states in the form of “stabilization funds” and numerous job training opportunities, including the \$2 billion Community College and Career Training Grant program.

However, the news from Capitol Hill is not all good. Even before the November elections, there was a palpable shift in the discourse from an emphasis on ways that the federal government could help boost the flagging economy to ways that the federal budget deficit could be substantially reduced. Numerous proposals to slash federal spending have been introduced, including ones to roll back discretionary funding to Fiscal Year (FY) 2008 levels, or even to FY 2006 levels. Cuts of this magnitude will affect many domestic programs, including education and training programs.

Fiscal Year (FY) 2011 Appropriations

Unable to reach an accord on a budget resolution for FY 2011, the 111th Congress failed to pass any of the twelve FY 2011 appropriations bills. Prior to adjourning in late December, Congress approved a short-term continuing resolution (P.L. 111-322) funding the federal agencies through March 4, 2011. The current continuing resolution (CR) preserves funding at the FY 2010 levels for most federal programs and provides \$5.7 billion to address the Pell Grant program shortfall.

Congress now has to determine the funding levels for the remainder of the fiscal year (through September 30, 2011) and begin working on the FY 2012 budget and appropriations measures. The House Budget Committee Chair Paul Ryan (R-Wis.) released his revised overall spending limit for FY 2011 on February 3. Shortly after, the House Appropriations Chair Hal Rogers (R-Ky.) announced new spending levels for each of the twelve appropriations subcommittees. To achieve these new levels, more than \$40 billion will have to be cut from domestic and international programs this year, including more than \$12.33 billion (7.3%) from programs administered by the Departments of Labor, Health and Human Services, and Education. This reflects the GOP campaign goal of cutting spending to FY 2008 levels, although the Republican Study Committee – composed of over 170 conservative House Republicans – has proposed cutting government spending to FY 2006 levels.

House action on the revised continuing resolution for FY 2011 is expected during the week of February 14. The spending bill will be considered on the House floor under a rule that will allow individual members to offer amendments to decrease spending further on specific programs or to increase spending by cutting other programs. Therefore, it is unclear where spending levels will be in the final House legislation.

The Senate and the Obama Administration are widely expected to oppose the House cuts. A new funding resolution must replace the current continuing resolution that expires on March 4. If the House and Senate cannot reach a final agreement on FY 2011 spending before March 4, an additional short-term continuing resolution may be required – one that would likely maintain current spending levels.

FY 2012 Budget and Appropriations

In his second State of the Union address on January 25, President Obama reiterated his goal of having the highest proportion of college graduates in the world by 2020. While he proposed a five-year freeze in nondefense discretionary spending, he also emphasized the need to continue making targeted investments in education and research to “win the future” and compete in the global economy. Further, the President noted that he would veto any bill that contained Congressional earmarks. House and Senate leaders have subsequently announced that no earmark requests would be accepted this year.

The Obama Administration’s FY 2012 budget is will be unveiled on February 14, and more information will be available after the release.

Strengthen the Federal Pell Grant Program

For community college students, the Federal Pell Grant program remains by far the most important student aid program. Pell Grants are now being made to nearly nine million students each year, and approximately one-third of these students attend community colleges. Pell Grants represent the federal government’s commitment to ensuring that qualified students from all financial backgrounds can attend college. For dependent students, 62% of program funds are awarded to students with family incomes of \$30,000 or less, while an estimated 83% of all independent student recipients have family incomes of \$30,000 or less. Despite the great increase in college participation over the last three decades, higher education attainment remains highly correlated with income.

Pell Grants play a much more prominent role in community college student financing than in other sectors for two primary reasons. Community college students, on average, have the lowest incomes, and they also pay the lowest average tuitions—in the fall of 2010, \$2,713 for a full-time, full year student. This means that Pell Grants cover more expenses for community college students than those attending other types of institutions. This helps to minimize student borrowing; just 10% of all community college students take out federal loans.

For these and other reasons, community colleges place special focus on the Pell Grant program. Program financing is currently under acute stress because of the surge of students attending college, especially community colleges and proprietary institutions, and because students enrolling now have greater financial need. In addition, recent Congressional actions have expanded program eligibility and increased the maximum grant. A massive “shortfall” has resulted, since the demand has far exceeded the projected program costs.

The Pell Grant program currently is funded by both annual discretionary appropriations and mandatory funding through the Student Aid and Fiscal Responsibility Act, or SAFRA (included in the Healthcare and Education Reconciliation Act of 2010). In order to maintain the maximum Pell Grant at \$5,550, sufficient funds must be appropriated. For FY 2011 and FY 2012, community colleges are supporting efforts to preserve the Pell Grant maximum at \$5,550. Pell Grant funding remains the top priority for community colleges and their students.

Help Community Colleges Respond to Demand for Education and Training

With community college enrollments continuing to rise, targeted federal investments in education and workforce training programs are more important than ever. Between fall 2008 and fall 2010, student enrollments grew at an average of 15% at community colleges. This reflects a growing demand for postsecondary education and career training programs across the nation. Funding for federal programs that enable community colleges to serve more students is essential. Priority programs include:

Federal Student Aid

Community colleges and their students recognize the importance of the federal student financial aid programs to expand access to postsecondary education and increase college completion. In addition to the Pell Grant program, community college students utilize the Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study, and Leveraging Educational Assistance Partnership (LEAP) grants. Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) and the TRIO programs also help low-income, first generation college students prepare for, enroll in, and graduate from college.

Institutional Aid

In addition to student financial assistance, there is a tremendous need for increased investments in direct institutional aid to those colleges that serve a disproportionate number of minority, low-income and first-generation college students. Title III and Title V of the Higher Education Act provide grant funds under the Strengthening Institutions Program (Title III-A), the Strengthening Historically Black Colleges and Universities (HBCUs) Program, the Strengthening Predominantly Black Institutions (PBIs), the Developing Hispanic-Serving Institutions Program (Title V), and other programs directed at those institutions serving other specialized populations.

The Administration's FY 2011 budget recognized the funding needs of minority-serving institutions and proposed increased funding for Title III-A (an increase of \$4.2 million, to \$88.2 million); HBCUs (an increase of \$13.3 million, to \$279.9); and PBIs (a modest increase of \$500,000, to \$11.3 million). The President's FY 2011 budget also proposed a funding increase for the Developing Hispanic-Serving Institutions by \$5.9 million, to \$123.3 million. As previously noted, the President will release his FY 2012 budget on February 14. AACC and ACCT continue to advocate for funding for these critical programs.

Adult Education and Career and Technical Education

Community colleges enroll millions of adults each year in Basic Adult Education programs and support investments in this important program to enable those Americans who lack a high school diploma to prepare for and complete the coursework necessary to be ready for college.

The Carl D. Perkins Career and Technical Education Act of 2006 provides federal support for career and technical education (CTE) programs by authorizing funds for postsecondary institutions, states, and local school districts. Perkins CTE programs are one of the largest federal sources of institutional support for community colleges, helping them to improve all aspects of cutting-edge career and technical education programs.

The Perkins Act gives postsecondary institutions the flexibility to identify local priorities and use the Basic State Grants to fund innovation in occupational education programs. Community colleges use

funds for a variety of purposes, including training first responders and public safety officers; helping students meet challenging academic, vocational, and technical standards; improving curricula; purchasing equipment; integrating vocational and academic instruction; and fostering better links between colleges and the business community. AACC and ACCT support maintaining the current funding level at \$1.26 billion for the Perkins CTE programs.

Workforce Training Programs

The Career Pathways Innovation Fund (formerly the Community-Based Job Training Grants or CBJTG program) serves a vital national need by expanding the capacity of community colleges to train workers for jobs in high-demand, high-growth industries. This program has provided \$125 million annually to community college collaborative training programs since FY 2005. Over the years, it has brought together community colleges, local businesses, and the federal workforce investment system to prepare workers for such industries as health care, construction, advanced manufacturing, and technology. AACC and ACCT strongly recommend that the Career Pathways Innovation Fund be included in the reauthorization of WIA and continue to be funded at \$125 million in FY 2012.

National Science Foundation

Another priority program for community colleges is the National Science Foundation's Advanced Technological Education (ATE) program. The ATE program serves as the primary source of federal support for technician education, an often overlooked but crucial aspect of the STEM workforce. The ATE program provides students with the core knowledge and skills required by the industries of our present and future economy, such as biotechnology, alternative energy, and nanotechnology. The program is equally prized by the large number of business partners that work with ATE grantees and employ their graduates. The ATE program has also played a vital role in the preparation of future K-12 science and math teachers. AACC and ACCT support the president's goal of increasing funding for this essential program to \$100 million by FY 2013.

Reauthorize the Workforce Investment Act

As with most other issues, the effects of the 2010 election on the prospects for the reauthorization of the Workforce Investment Act (WIA) remain unclear. While the gap between the parties in the Senate has narrowed, this should not have a strong effect on WIA reauthorization in that chamber, since legislation is being developed by the Senate Committee on Health, Education, Labor, and Pensions (HELP) staff on a bipartisan basis. However, despite the many hours of work that the staff devoted to developing this legislation in 2010, it was never introduced in the 111th Congress. Indeed, not even rank and file members of the committee have seen the bill under development, though this year brings new optimism that the product of all this work will soon see the light of day.

By all accounts, the House Education and Labor Committee (now renamed the Committee on Education and the Workforce), made far less (if any) progress than the Senate toward developing WIA legislation in 2010. It is difficult to tell, therefore, how much of a difference the Republican takeover will make in eventual legislation. For their part, the new majority has signaled that WIA remains a priority, but the committee is also slated to be heavily engaged in the health care reform "repeal and replace" process and reauthorization of the Elementary and Secondary Education Act (ESEA).

House Republicans have been the only ones to introduce WIA reauthorization language in the last few years. This legislation is reportedly a marker that is largely based on bills in previous

Congresses, and it is not necessarily indicative of the contents of any new bill. In a nutshell, the Republican-introduced bill would re-emphasize the role of businesses in the system, streamline the state and local Workforce Investment Boards, reduce the reporting requirements for eligible training providers, authorize the Workforce Innovation in Regional Economic Development (WIRED) Initiative, and repeal the Green Jobs Act.

Community colleges bring two interrelated basic messages to the WIA reauthorization discussion:

First, the federal workforce development system should move away from its “work-first” orientation and focus much more on providing workers with the postsecondary education and training they need in today’s economy, especially those with only basic skills. This will require innovations, such as sector-based strategies and regional approaches to service delivery, and much better alignment between numerous programs, including occupational training, adult basic education, postsecondary education, and others.

Second, community colleges should be viewed as true partners in the workforce development system. Reforms to governance and planning, delivery of training services, and other modifications of the system should prioritize the essential role of community colleges in reaching the overarching goals for the system outlined above. Many community colleges are treated like vendors, rather than partners, in the current system.

The following specific recommendations for WIA reauthorization reflect the above principles:

- **Authorize and Expand the Career Pathways Innovation Fund:** Improving community college training capacity and training more workers for high-demand, high-growth industries are the basic purposes of the Career Pathways Innovation Fund, which succeeds the Community-Based Job Training Grants. This program also should serve as a model for sectoral strategies that are incorporated elsewhere in WIA and other workforce development programs.
- **Ease the Reporting Burden for Eligible Training Providers:** Public institutions of higher education, whose programs are monitored for quality through accreditation, state licensure, and other state and federal programs, should be deemed automatically eligible to provide services to WIA participants.
- **Increase the Alignment between Adult Basic Education, Workforce Training, and Postsecondary Education:** The nation requires an unprecedented number of people to enter and succeed in postsecondary education. Achieving these goals will require a multi-faceted effort on the parts of institutions, states, and the federal government. This effort will only succeed if we are effective in reaching out to populations that are currently underrepresented in postsecondary education. Congress has a significant opportunity to assist this effort by providing support to increase the connection between adult basic education (ABE) and postsecondary education. The ABE to postsecondary “pipeline” is vital to achieving the postsecondary participation rates that will be necessary to maintain the nation's economic standing. In addition, ABE must be seen as a vital element of occupational training and vice-versa.

Extend the Trade Adjustment Assistance (TAA) Program's Authorization

The Trade Adjustment Assistance (TAA) program was created in 1974 to assist workers, firms, and others who lose their jobs or are otherwise impacted because of increased competition from foreign trade. Since that time, the TAA has become an important source of federal support for workforce training, and many of its beneficiaries attend community colleges. The American Recovery and Reinvestment Act of 2009 (ARRA) included a long-overdue reauthorization and expansion of the TAA program that extended the program through 2010. Just before adjourning last year, Congress extended this authorization until February 12, 2011, in the hopes of enacting a longer extension early this year. AACC and ACCT call on Congress to complete this extension as soon as possible.

The scope of the TAA program was greatly expanded by ARRA. For community colleges, the most notable aspect of this legislation was the authorization of the Community College and Career Training Grant (CCCTG) program as part of a new "TAA for Communities." The CCCTG program was subsequently funded in last year's health care and education reconciliation bill for \$2 billion -- \$500 million over each four years through 2014. Other aspects of the legislation that are beneficial to community colleges and their students, and that may be lost if the authorization is not extended, include:

- Eligibility for the program, previously limited to workers and firms in manufacturing, now includes the service and public sectors.
- Funds available for training programs, previously capped at \$220 million annually, have been increased to \$575 million.
- New provisions clarify that workers may use their benefits to pursue degree programs at institutions of higher education.
- In addition to the CCCTG program, the new "TAA for Communities" section includes a \$40 million sector partnership program for which community colleges would also be eligible (not yet funded) and grants disbursed to trade-impacted communities via the Economic Development Administration at the Department of Commerce.

Rep. Dave Camp (R-MI) plans to introduce legislation that would extend the TAA program through June 30, 2011. The program extension, however, would be paid for by reducing funding for the CCCTG program by \$238 million in FY 14. AACC and ACCT oppose using these program funds to offset TAA extension. A House vote on the measure scheduled for February 8 never occurred, largely due to some Republican opposition to extending TAA.

Help Community Colleges Better Serve Veterans

Community colleges have a long, proud, and continuing history of serving the needs of veterans. However, in the current fiscal environment, their ability to fully serve veterans is challenged.

Veterans' organizations continue to be powerful advocates for their constituents, achieving legislative success last fall in spite of the general Congressional reluctance to fund new programs. At the closing of the last Congress, veterans and higher education organizations successfully advocated for legislation to expand and improve the 2008 Post-9/11 GI Bill – already the most significant improvement in the original GI bill since its enactment. Notably, the legislation extends benefits to certain National Guard individuals, provides a housing allowance to veteran students in online programs, expands the type of programs and institutions at which veterans may use their benefits, and sets a national cap for tuition and fees payable to students attending private institutions. The

version of the bill that passed made veterans benefits payable only after other forms of student aid are taken into account, a provision opposed by the higher education community. This “last dollar” provision puts more financial burden on student aid programs.

The legislation increases the per-veteran payment that the Veterans Administration makes to institutions of higher education for processing the necessary paperwork for the receipt of benefits and for advising students. It also allows funds to be used for other programs supporting veterans. These modest increases do not fully address the need that colleges have expressed for greater support in serving veteran students. The increased complexity of the veterans benefits programs and the unique physical, mental, and other challenges faced by veterans of the recent wars are often cited as the reasons for this increased need. The federal response has featured very modest efforts to meet this need, including the creation and funding of a new Centers of Excellence for Veterans success program in the Higher Education Act reauthorization of 2008 and an ongoing TRIO program in this area. Programs such as the American Council on Education’s “Serving Those Who Serve” initiative have likely made more of a difference.

Reflecting their aggressive posture on student recruitment, for-profit institutions have been major beneficiaries of the increased educational benefits provided under the post-9/11 GI Bill. In the first year of the new program, proprietary institutions collected nearly as much money from the program (\$640 million, or 36.5%) as did public institutions but educated only a little more than one third of the students. The proprietary sector can be expected to receive scrutiny for its role in this program as well as in student aid programs.

Pass the DREAM Act

Community colleges continue to press for enactment of the Development, Relief, and Education for Alien Minors (DREAM) Act. The DREAM Act is perhaps the single most politically popular of the many, and usually contentious, immigration issues. It provides a way for young people who were brought into this country by others, have lived in the United States for an extended period of time, and consider themselves American to become more fully integrated into society. Despite longtime residence in the U.S., many undocumented individuals face tremendous difficulties enrolling in or paying for college and finding employment. The DREAM Act would alleviate this situation by granting qualified undocumented students conditional legal resident status. These students would be able to achieve permanent legal status by completing two years of higher education or military service within six years. From there, they would be on a path to citizenship. Only those students who were brought into the country before they were 16 years old and who had resided in the country for at least five years at the time the DREAM Act was enacted would be eligible.

The DREAM Act also repeals a provision of federal law that essentially bars states from granting in-state tuition to undocumented students. Current federal law states that any residency-based benefit extended to undocumented students must also be provided to any U.S. citizen. Ten states have circumvented this provision by extending in-state tuition to undocumented students based on factors other than residency (i.e., graduation from a high school within the state).

Last year, the House considered and passed the DREAM Act, H.R. 5281 by a 216-198 vote. This bill contained a number of revisions to the original legislation in order to attract a broader array of support. However, while a majority of the Senate supported the DREAM Act, it failed to achieve the 60 votes necessary to overcome a Republican filibuster and proceed to, or consider the legislation on

two separate occasions. When the House-passed measure was brought up in the Senate, it fell short by a 55-41 vote.

In the 112th Congress, it is unclear whether the DREAM Act will be considered in the House or Senate either as a standalone measure or as part of comprehensive immigration reform. The President did include elements of the DREAM Act in his 2011 State of the Union address. AACC and ACCT will continue to advocate for this legislation in the 112th Congress.

Elementary and Secondary Education Act (ESEA) Reauthorization

The Elementary and Secondary Education Act (ESEA), dubbed “No Child Left Behind” by the Bush Administration, has been due for reauthorization for a number of years. Since the statute is large, complex, and controversial, reauthorization has been a challenging task for Congress. President Obama and Secretary of Education Arne Duncan have repeatedly called for the reauthorization of ESEA for more than a year, and both Democratic and Republican members of the House and Senate leadership have been cautiously optimistic about considering a bipartisan bill in 2011. The Senate has announced plans to move aggressively towards reauthorization, but with a new Congress and a large degree of turnover in the House Education & Workforce Committee, it may be difficult for the House to move on these provisions quickly. Consensus has been difficult to obtain around sensitive issues such as teacher accountability and evaluation, performance pay, tenure, and how best to turn around low-performing schools. As the 2012 election year nears, reauthorization of ESEA will become increasingly difficult.

There is general bipartisan agreement that the next iteration of ESEA needs to provide more support for middle schools and high schools. With growing high school dropout rates and increasing percentages of college freshmen requiring remedial education, a robust national discussion on college and career readiness standards has begun. Research has shown that individuals who take remedial classes have lower rates of college completion and take longer to complete their higher education. Lawmakers and policymakers are expected to examine ways to make high schools more effective, creative, and adaptive to the needs of students. President Obama’s goal to increase the number of college graduates dramatically by 2020 is an additional motivating factor in addressing education pipeline issues.

With the reauthorization of ESEA, it is time for community colleges to become active partners with K-12 education systems in preparing students for postsecondary education and beyond. Congress should require alignment of curriculum between the K-12 system and higher education to ensure that students are better prepared to make the transition from high school to college and are less likely to need remedial education. Community colleges also look to partner with the federal government to offer more dual enrollment programs and early college high schools and to play an enhanced role in teacher preparation and professional development.

Tax Legislation

The tax code remains an extremely important, if not always fully appreciated, aspect of community college student financing. Ensuring that higher education tax provisions are reasonably generous, well-targeted, and set within a logical program structure remains a top community college priority. The last Congress devoted substantial effort to higher education tax issues, and the 112th Congress is also expected to wrestle with them.

The massive package of tax cuts and extended unemployment benefits enacted as the second session of the 111th Congress ended included key benefits for community college students. Most importantly, the legislation extends the American Opportunity Tax Credit (AOTC) for two years. AOTC was created in ARRA and marked a major improvement over the Hope Scholarship Tax Credit it replaced. In the 2009 calendar year, AOTC provided \$14.4 billion to 8.3 million college students.

AOTC provides up to \$2,500 for each of four years of college. The credit's basic eligibility formula works well for students attending low-tuition institutions; it covers course materials as opposed to just tuition and fees as under the Hope Scholarship (a longstanding priority); and it is 40% refundable, which helps deliver aid to the neediest students. CBO estimated the two-year extension of AOTC cost \$17.6 billion.

During the last Congress, tax writers in both the House and Senate considered various proposals to merge the AOTC Lifetime Learning Tax Credit (created in 1997 and designed for noncredit students as well as upper level students) and the \$4,000 tuition deduction. These efforts are consistent with broader tax simplification proposals. AACC and ACCT strongly supports these reforms, as the many college tax provisions have proven confusing and led to sub-optimal filings, as reported by the Government Accountability Office in May 2008. In these restructuring discussions, AACC and ACCT have also emphasized the urgency of delivering benefits to college students and families with the greatest financial need. For example, families with incomes of up to \$180,000 qualify for AOTC. In contrast, students who receive Pell Grants often do not qualify for AOTC, because these and other grant funds are subtracted from eligible "tuition and qualified expenses" that AOTC covers. Community college advocates are dedicated to changing this.

There are a variety of other tax provisions of value to community college students. The most important of these is Section 127 of the Internal Revenue Code, which allows individuals to receive up to \$5,250 of employer-provided educational assistance tax free. This provision was extended for two years in the tax legislation enacted in December 2010. Community college students also benefit from provisions that provide a tax deduction for student loan interest and offer incentives for families and individuals to save for college. However, because of the nature of community college financing, these provisions are of secondary importance.

AACC and ACCT will be working in this Congress to preserve and improve the AOTC and extend Section 127 of the Internal Revenue Code.