

## ***Summary of H.R. 3221, The Student Aid and Fiscal Responsibility Act of 2009***

H.R. 3221, The Student Aid and Fiscal Responsibility Act of 2009, represents the largest federal infusion of funds for community colleges. Led by President Barack Obama, Congress is moving legislation to authorize and fund the American Graduation Initiative (AGI). Following President Obama's announcement, the House Education and Labor Committee passed H.R. 3221 by a 30-17 vote, paving the way for House floor consideration. The House of Representatives is expected to consider the bill in early September, with Senate action also expected in September.

H.R. 3221 makes a major change within the current structure of the federal loan programs by consolidating the Federal Family Education Loan (FFEL) program. Starting on July 1, 2010, all federal student loans will originate through the Direct Loan program. This conversion is slated to generate \$87 billion in savings. The bill provides over \$40 billion of the funds to the Pell Grant program. Most importantly for community colleges, the change funds the AGI and community college modernization. Below is a summary of some of the key provisions within the bill:

### **Community College Programs**

#### **Federal Assistance for Community College Modernization and Construction (Section 351)**

The Community College Modernization and Construction program is funded at \$2.5 billion for FY2011. The Secretary of Education shall award grants to states based on a formula which is determined by the total number of community college students within the state (relative to all other states.)

In turn, states will apply and receive funds that will be distributed among community colleges to:

- 1.) Reduce financing costs of loans for new construction, modernization, renovation or repair projects (such as paying interest or points on such loans);
- 2.) Create a matching grant fund for a community college capital campaign to attract private donations; and
- 3.) Create a revolving loan fund to finance community college modernization.

Community colleges receiving funds under this section will be required to use no less than 50% of the funds to carry out "green" projects, including LEED buildings. Funds may not be used for maintenance costs, construction of sports/athletic facilities or sectarian/religious facilities. Additionally, community colleges may not receive modernization funds under this program if they received facilities dollars under the American Recovery and Reinvestment Act of 2009.

### **American Graduation Initiative (Title V)**

The American Graduation Initiative (AGI) is comprised of two major competitive grant programs to support community college programs. Each year for the next ten years, \$630 million will be available through a competitive grant program. In the application process under this title, priority will be given for applications focused on serving low-income, nontraditional students who do not have a bachelor's degree, and who have one or more of the following characteristics:

- 1.) Are the first generation in their family to attend college.
- 2.) Have delayed enrollment in college.
- 3.) Have dependents.
- 4.) Are independent students.
- 5.) Work at least 25 hours per week.
- 6.) Are out-of-school youth without a high school diploma.

### **Grants to Eligible Entities for Community College Reform Section 503**

Section 503 covers the first phase of competitive grants, four year grants to “eligible entities.” Eligible entities include community colleges (district), states, area career and technical education schools, a public four-year institutions of higher education that offers a two-year degree (will use funds provided under this section for activities at the certificate and associates degree levels, and is not close in proximity to a community college), and consortium of at least two of the above entities. States and consortia (including states) shall not be more than 50% of the total number of grants. Furthermore, eligible entities shall not receive a grant for activities that are being supported by other federal funds. The minimum grant level within section 503 is \$750,000.

The federal funds provided this section cannot be greater than 50% of the costs of the programs carried out in the grant. The non-federal share may be cash, in-kind contributions or other funding resources including state and local funds. The Secretary is able to reduce non-federal share if an entity applies for a hardship waiver.

In the grant application process for section 503, priority will be given to eligible entities that enter partnerships with philanthropic or research organizations, businesses that design and implement programs or pay a portion of the costs, or labor organizations that provide technical expertise. Additionally, the eligible entity must establish quantifiable targets for improving graduation and employment-related outcomes, serve high-need populations, and partner with the state public employment service and the state or local workforce investment boards.

Grantees shall use funds to carry out at least two of the following:

- 1.) Develop and implement policies and programs to earn bachelor's degrees by through transfer of academic credits and expanding articulation agreements;
- 2.) Expand, enhance, or create academic programs or training programs, with industry or sector partnerships or employers;
- 3.) Provide student support services;
- 4.) Create workforce programs that provide a sequence of education and occupational training that leads to industry-recognized credentials;

- 5.) Build or enhance linkages, including the development of dual enrollment programs and early college high schools;
- 6.) Implement other innovative programs, services, and policies designed to increase degree completion;
- 7.) Improve the timeliness of the process for creating degree, certificate, and industry-recognized credential programs

Eligible entities receiving funds under Section 503 shall develop quantifiable benchmarks (report annually) that are to be approved by the Secretary. The benchmarks include the following:

- 1.) Close gaps in enrollment and completion gaps for underrepresented groups in higher education;
- 2.) Address local and regional workforce needs;
- 3.) Establish articulation agreements between public two-year and four-year institutions;
- 4.) Improve comprehensive employment and educational outcomes, including student persistence, credits earned by a student, moving developmental education students to credit courses, completion of industry recognized credentials or degrees, transfers to four-year institutions; and job placement.

If the Secretary determines that the entity has not made demonstrable progress in achieving the benchmarks by the end of the third year, no funds shall be made available for the fourth year. Furthermore, community colleges receiving grant funds in this section will to the maximum extent possible include in each electronic and printed publication of the college's course schedule, whether each course is transferable for credit toward a four-year degree at a public higher education institutions within the state.

The Secretary and the Institute of Education Sciences may use up to 2% of funds under this section to evaluate programs to find policies with demonstrated effectiveness.

#### **Grants to Eligible States for Community College Programs Section 504**

Section 504 covers the next phase of the AGI, this competitive grant program will span six years. States will compete for funds in FY2014 to carry out systematic reform of community colleges by supporting programs, services and policies that demonstrate effectiveness within Section 503.

In the application process, the eligible states have the following:

- 1) A plan to increase persistence and completion in higher education;
- 2) A statewide longitudinal data system, which includes community colleges; and
- 3) Articulation agreements between public institutions of higher education.

The federal share will not be greater than 50% of the total cost. States may apply for a hardship waiver from the Secretary. States will use funds for a broad array of programs, services and polices, including those determined to have demonstrated effectiveness. Most importantly, states shall allocate not less than 90% of grant funds to community colleges within the state.

States will need to develop benchmarks as outlined in Section 503. States that do not meet their benchmarks by the third year will not receive further funds under this section.

## **Other Key Provisions**

### **Pell Grant Program (Section 101)**

In total, \$40 billion of savings will be used to provide yearly increases for the Pell Grant program. Earlier this year, the Administration had sought to make the Pell Grant program a full entitlement (mandatory funding), but the savings generated through the conversion of FFEL was not robust enough. Instead, the bill funds (beyond the base, which will go through the regular appropriations process) the yearly increases in the program based upon the Consumer Price Index plus one percent. The Pell Grant maximum increases each year until FY2019, at which time the Pell Grant maximum will be \$6,910.

### **Free Application for Federal Student Aid (FAFSA) (Section 121)**

The bill reduces the number of questions on the FAFSA by allowing students and families to apply for aid using the information on their tax returns.

### **Direct Loan Program**

The bill consolidates the Federal Family Education Loan (FFEL) program. Starting on July 1, 2010, all federal student loans will originate through the Direct Loan program.

### **College Access and Completion Fund (Section 102)**

The College Access and Completion Fund is another of the initiative that President Obama announced earlier this year. The program will support innovative practices and policies to increase student success, completion and post-completion employment. The program is funded at \$600 million from FY2010-2014. Each year, the funding structure is as follows:

- 25% for formula grants to states and philanthropic organizations under the College Access Challenge Grant program to increase college access and success. Under the CACG, states may have their funding within this program reduced if the state does not provide its full non-federal share;
- 50% for competitive grants to states to promote student persistence in, and completion of, postsecondary education;
- 23% for competitive grants to institutions of higher education, states, nonprofits, philanthropic organizations and consortia to conduct policies and practices that increase the number individuals with postsecondary degrees and certificates;
- 2% for the Institute of Education Sciences to evaluate programs under this section.

### **Open Online Education (Section 505)**

The Open Online Education program is a competitive grant program that will support grants to develop, evaluate and disseminate freely available high-quality online training, high school

courses and postsecondary education courses. This program is funded at \$50 million each year from FY2010-2019.