AMERICAN ASSOCIATION OF COMMUNITY COLLEGES
ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES

COMMUNITY COLLEGE

FEDERAL LEGISLATIVE PRIORITIES

113TH CONGRESS, SECOND SESSION

BACKGROUND BRIEFING INFORMATION

Updated January 30, 2014

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Support 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 assist more than nine million postsecondary 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 income levels are able to afford college.

Pell Grants play a 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 2013, $3,264 for a full-time, full-year student. This means that Pell Grants cover a greater percentage of college expenses for community college students than for students attending other types of institutions. Grants help to minimize student borrowing; only 17% of all community college students take out a federal loan.

The Pell Grant program is on solid ground for FY 2014, and received an inflationary increase that brings the maximum award to $5,730 for award year 2014-15. This increase of $85 over the 2013-14 award year is in part determined by the cost of living increase formula set by the Health Care and Education Reconciliation Act of 2010 that will bring the Pell Grant to $6,100 by 2017-18. Assuming that the appropriations for the Pell Grant program remain level, there will be a manageable shortfall of $793 million in FY 2015. However, for FY 2016 through FY 2023 the program is expected to experience a shortfall of $6 to 7 billion per year, due in part to a projected increase in the number of recipients.

In 2012, Congress made changes to the Pell Grant program in order to generate savings for the program and to close a funding shortfall. These changes included the elimination of all new "ability-to-benefit" (ATB) student eligibility. These students lack a high school diploma or GED, yet have proven their ability to benefit from college-level coursework either through the successful completion of classes (six credits) or by passing a test. Almost half of all ATB students attend a community college. Given the fiscal climate for FY 2014, reinstatement of federal aid eligibility for ATB students was not feasible. However, the appropriations process for FY 2015, as well as the reauthorization of the Higher Education Act, will provide opportunities for Congress to reexamine this issue. It is essential that community college leaders advocate on behalf of these students.

In addition to the elimination of new ATB students, Congress also reduced the number of full-time semesters that a student may receive Pell from 18 to 12. AACC and ACCT recommend that Congress raise the limit to at least 14 semesters since many current and former community college students require additional time to complete their degrees. Additionally, reinstatement of a "year-round" Pell Grant would greatly benefit community college students seeking to complete their degrees in a timely manner.

While it is important to advocate for changes to the Pell Grant program that would benefit community college students, federal fiscal challenges remain. With a multi-billion dollar Pell shortfall in FY 2016 and beyond, Congress will have to increase discretionary funding or look for potential savings through changes to eligibility or award levels. Potential changes to eligibility would likely have a greater, and harmful, impact on "non-traditional" students. Some of the changes Congress may consider include: tightening academic requirements for initial or continuing eligibility; eliminating students who attend college less than half time from eligibility; increasing expected family contribution levels; and reductions of maximum or minimum grant amounts.

Sustain and Enhance Federal Funding for Community Colleges and Students

After an extremely divisive fall that included the first government shutdown since 1996, Congress appears to be moving forward – at least temporarily – to start 2014 on a better note. In January, the House and Senate passed a bipartisan omnibus appropriations package for FY 2014, marking the first time since 2010 that Congress did not rely on a continuing resolution to fund the U.S. Department of Education or other agencies. The final omnibus package was partly a result of the Bipartisan Budget Act (BBA) of 2013, negotiated by budget chairs Sen. Patty Murray (D-WA) and Rep. Paul Ryan (R-WI), which set topline funding levels for FY's 2014 and 2015, and partially replaced sequestration.

Under the budget agreement, funding levels for FY's 2014 and 2015 were set at $1.012 trillion and $1.014 trillion, respectively. While this is larger than the $967 billion cap for FY 2014 that was set to go into place in January, it is also $46 billion less than pre-sequestration levels for FY 2013. Additionally, compared to FY 2010, this represents a 6.5% reduction in overall discretionary funding. The BBA provided $45 billion to reduce sequester cuts in FY 2014 and $18 billion in FY 2015. Under the deal, mandatory sequester cuts for non-exempt programs remain in place and are actually extended for two years. This includes some mandatory funding for Historically Black Colleges and Universities and Minority Serving Institutions, as well as for the Trade Adjustment Assistance Community College and Career Training Grant program. It is important to note that sequestration is a multi-year event, and absent Congressional intervention will continue through FY 2021 for discretionary programs and through FY 2023 for mandatory programs.

The FY 2014 omnibus also required that the Department of Education submit a report to the House and Senate Appropriations Committees on enrollment and graduation information for Pell Grant recipients for the 2012-2013 Pell Grant Award Year. The Department is also directed to continue to provide enrollment and graduation information to the House and Senate Appropriations Committees in the future as more robust and useful information becomes available. The report should also include a plan to minimize the burden on institutions of higher education, a proposal to improve the tracking of enrollment and graduation rates for students that transfer and nontraditional students, and strategies to increase enrollment rates and improve graduation rates for Pell Grant recipients.

FY 2014 Appropriations Overview

Unlike previous continuing resolutions that largely preserved all funding levels for discretionary programs, the FY 2014 omnibus appropriations bill shifts funding to specific priorities and provides directives to the various federal agencies. The news is mixed for community colleges, with some programs frozen at their FY 2013 post-sequester levels, but others partially or almost completely restored.

Discretionary funding for the Pell Grant program is maintained at previous levels, with add-on mandatory funding for the program resulting insuring the scheduled increase of $85 in the Pell Grant maximum. This automatic inflationary increase takes the maximum award from the current $5,645 level to $5,730 in award year 2014-15. Funding for the Federal Work Study ($974.7 million) and Supplemental Educational Opportunity Grant ($733.1 million) programs was restored to their pre-sequester FY 2013 levels. TRIO and GEAR-UP also recovered all of their sequester cuts, while most of the funding that was cut under Title III and V programs was also restored.

The omnibus partially restores funding for the Perkins Act Basic State Grants, providing an increase of $53 million over the FY 2013 post-sequester level. Additionally, funding for Workforce Investment Act

(WIA) state grants are partially restored, but remain $10 million below FY 2013 pre-sequester levels. However, funding for Adult Basic and Literacy Education state grants remains frozen at the post-sequester level, as well as funding for the Child Care Access Means Parents in School program.

The Advanced Technological Education (ATE) program under the National Science Foundation (NSF) was funded at the President's requested level of $64 billion, essentially reversing the FY 2013 sequestration cut and restoring the program to the level where it has been the last few years.

The FY 2014 omnibus bill did include $75 million for President Obama's new "First in the World" grant program for institutions of higher education to implement innovative strategies and practices shown to be effective in improving educational outcomes and making college more affordable for students and families. This grant program will be located within the existing Fund for Improving Postsecondary Education (FIPSE).

FY 2015 Budget and Appropriations Priorities

Since the Bipartisan Budget Act already set a topline funding level for FY 2015, the forthcoming appropriations process is more likely to move forward smoothly and under "regular order" this year. However, potential roadblocks remain. Congress will once again have to address the debt limit in late-February of this year, which could have ripple effects for appropriators if House leadership presses for spending cuts. Additionally, House Budget Committee Chairman, Paul Ryan (R-WI) is considering a separate House Budget resolution for FY 2015. However, given the large number of unemployed and under-employed individuals seeking training and retraining, it is extremely important that community college leaders advocate for targeted federal investments in education and workforce training programs.

<u>Federal Student Aid</u>
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) and Federal Work-Study. 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. Congress must at least maintain current FY 2014 levels of funding for these important programs.

<u>Career and Technical Education and Adult Education</u>
The Carl D. Perkins Career and Technical Education Act 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 links between colleges and industry. AACC and ACCT support at least reinstating funding for the Perkins CTE program at pre-sequester (FY 2013) levels, which would mean an increase of $3.2 million from current levels under the omnibus.

Community colleges enroll millions of adults each year in Adult Basic Education 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 for college readiness. In 2013, the Organisation for Economic Co-operation and Development's (OECD) Survey of Adult Skills (PIAAC) found that a large portion of U.S. adults lack basic skills in numeracy and literacy. Given these findings, and the significant skills gap that exists nationally, Congress should prioritize funding for adult basic education and literacy. Hence, Congress should reinstate the nearly $31 million cut from Adult Basic and Literacy Education state grants in FY 2014 compared to FY 2012.

<u>Institutional Aid</u>

In addition to student financial aid, there is a tremendous need for continued 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) Program, the Developing Hispanic-Serving Institutions Program (Title V), and other programs directed at those institutions serving other specific populations. Congress reinstated most of the funding cut by the FY 2013 sequester for FY 2014, and should once again consider sufficient funding for these important programs.

<u>Workforce Development</u>

Narrowing the current skills gap is an essential part of our nation's ability to compete globally. The Workforce Investment Act's (WIA) job training and adult basic education programs provide workers, particularly those with minimal means or skills, with the education and training they need in the changing economy. Continued funding for WIA is a priority for community colleges in order to maintain access and programs for training workers. AACC and ACCT remain greatly concerned about the reduction in funding for WIA over the past several appropriations cycles. In fact, since FY 2010, WIA state grants have seen a near 13% reduction. We encourage Congress to provide the necessary funding for these important programs.

<u>National Science Foundation</u>

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.

Reauthorizing the Higher Education Act

No federal authorizing legislation is more important to community colleges and their students than the Higher Education Act (HEA). Without the national investments in postsecondary access, success, and institutional aid made through this historic law, community colleges would look very different today and would likely serve far fewer students. The original HEA of 1965, and the statute refined by its many subsequent reauthorizations, governs a diverse array of programs, including: the Pell Grant, Direct Loans, Federal Work Study, TRIO, GEAR UP, Title III, Title V, and international education programs. The aid utilized by community colleges and their students to afford higher education is a critical part of fulfilling an open-access mission. And, as state funding resources have dwindled, federal aid programs have come to play an even larger role in college affordability; in total, more than $150 billion each year flows to colleges and students through HEA programs.

Like all broad federal statutes, the HEA must be periodically reauthorized by Congress. The HEA was last reauthorized in 2008 through the Higher Education Opportunity Act, a bill that made significant reforms to federal aid programs and consumer information. The current authorization is scheduled to expire at the end of calendar year 2014, but the law provides for at least a one-year automatic extension until the end of 2015. Congress will almost certainly need the extra time, but the reauthorization process is already underway. House and Senate committees began the reauthorization process with hearings in early 2013.

Topics of HEA reauthorization hearings thus far have included the state and federal role in accreditation, simplifying federal aid programs, innovative models of instruction and financial aid, and strengthening the Pell Grant program. More hearings are expected well in to 2014. The retiring chairman of the Senate Committee on Health, Education, Labor and Pensions, Tom Harkin (D-IA), has stated his intention to produce a draft bill by the end of 2014. While it is possible that such a draft may emerge, passage on the Senate floor in the current divided political climate remains unlikely. The pending reauthorizations of the Elementary and Secondary Education Act (ESEA) and Workforce Investment Act (WIA) also factor into both the House and Senate committees' abilities to deal with HEA.

Given the wide reach of HEA programs, reauthorization is often seen as a vehicle for higher education "reform" or to further cement recent trends in policy, practice, and research. The process also gives Congress the opportunity to make much-needed improvements to financial assistance and institutional support programs. Such reforms could include a greater emphasis on student success and learning outcomes, consolidating grant and loan programs, refining consumer information tools, expanding aid eligibility for nontraditional students, and incentivizing innovative program structure (such as dual enrollment or competency-based education).

Community College Priorities for HEA Reauthorization

Community colleges have many interests in modifications to the Higher Education Act that would improve student success. ACCT and AACC submitted comprehensive suggestions for HEA reauthorization in August 2013 that, if enacted, would result in dramatically improved pathways to success for community college students to enroll in and complete their degrees, certificates, and credentials. These recommendations are broadly based around changes to the federal Direct Loan and grant programs to better serve “nontraditional” students, improving available consumer information, simplifying the FAFSA and loan repayment options, encouraging affordable program and transfer options, and reducing federal regulatory burden of reporting and compliance. It also is important for Congress to strengthen state maintenance of effort provisions to safeguard higher education funding and to repeal the outdated ban on a federal student unit record system which prevents the tracking of students who successfully transfer from community colleges and degrades the usability of federal data.

Regarding the **federal Pell Grant program**, Congress must reinstate Title IV eligibility for “ability-to-benefit” (ATB) students without a high school diploma or GED, which has cut off access to college for approximately 50,000 students each year. It also is extremely important that the year-round Pell Grant is reinstated, and the lifetime Pell eligibility should be raised from 12 semesters to 14 to accommodate students who go on to enroll in four-year institutions or who complete developmental education or ESL programs.

Regarding the **federal Direct Loan program**, community colleges support efforts to limit unnecessary student indebtedness, such as linking Direct Loan limits to a student's enrollment intensity, lowering aggregate caps for those in associate degree or certificate programs, and giving institutions greater flexibility to set loan maximums for groups of students based on such factors as course load, program of study, or level of academic preparation. Ending the burdensome 150% program period limitation on subsidized loans remains a top priority. And, in a related issue, HEA reauthorization can encourage continued community college participation in the federal loan programs by changing the unfair calculation of cohort default rates to account for low-cost institutions with low-rates of borrowing.

The political and policy priorities of the House and Senate committee leadership and members will determine the direction and possibility for any HEA agreement, as will input from the Obama Administration. In August 2013, President Obama announced that the U.S. Department of Education would begin developing a new "college ratings" system that would determine the "value" of institutions for students based on to-be-determined metrics around access, affordability, and success, with a draft to be released sometime in early 2014. The President also proposed to tie these ratings to federal aid, subject to Congressional approval. While it is unlikely that Congress would enact such a major change to federal policy any time soon – preferring to see the outcome of the ratings effort first – policymakers have taken a strong interest in performance standards for federal student aid programs. Any HEA reauthorization proposals along this line are almost certain to require additional reporting on student and institutional outcomes and may exact additional regulatory burden. In concert with the HEA process, Senate HELP Committee Ranking Member, Senator Lamar Alexander (R-TN) has formed a workgroup to help streamline and reduce federal higher education regulations.

Strengthen Workforce Development

Due for reauthorization since 2004, the Workforce Investment Act (WIA) remains on the Congressional agenda and is an important priority for community colleges. The potential to move forward with a reauthorization in 2014 is much greater than it has been in several years. Last year, there was progress in the House and Senate. While the full House passed a largely partisan WIA reauthorization bill in 2013, the Senate was able to pass a bipartisan package out of committee. The Senate may take up WIA reauthorization during the first half of 2014, leading to a potential conference with the House. Given likely legislative activity in this area, it is essential to advocate for community college priorities.

Consolidation, increasing state control, and encouraging private business participation are some of the themes seen in the House bill (H.R. 803), the *Supporting Knowledge and Investing in Lifelong Skills* (SKILLS) Act. The SKILLS Act emphasizes state discretion over how to distribute workforce training dollars. It does so, in part, by consolidating 35 existing workforce training programs into one funding stream called the Workforce Investment Fund. States would submit to the U.S. Department of Labor a state unified plan outlining how various populations and areas would be served.

The Senate bill (S. 1356) takes a different approach to WIA reauthorization than the SKILLS Act. While the SKILLS Act relies on large-scale consolidation and increased state control, the Senate bill focuses more on fixes within the current framework to create greater alignment and better outcomes data.

One item of particular concern with both bills is regarding the restructuring of the state and local Workforce Investment Boards (WIBs). The SKILLS Act removes the mandatory community college slot from the WIBs. While community college representatives may still be appointed to the boards, this becomes more challenging given the reduced number of non-business slots on the WIBs. The Senate bill retains the community college slot on the local WIBs, but makes the state WIBs slot optional.

On a positive note, both bills would allow the WIBs to contract directly with institutions of higher education to provide training to large groups of individuals in high-demand fields and occupations. The SKILLS Act allows governors the ability to make public institutions of higher education automatically eligible as training providers but falls short in giving community colleges automatic eligibility as training providers. AACC and ACCT believe that higher education programs that are already monitored for quality through accreditation, state licensure, and other state and federal programs should be deemed automatically eligible to provide services to WIA participants.

The Senate bill also reauthorizes the Community Based Job Training Grants (CBJTG) program. A precursor to the current Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant program, CBJTG was last funded in FY 2010. The CBJTG program gives competitive grants to support community college partnerships with industry that train individuals in high-demand sectors and occupations. Since TAACCCT funding expires after the fourth round of grants in 2014, the inclusion of this authorization in the Senate bill is significant. The House bill does not provide for any funding authorization in this area.

Reforms to WIA also should increase the alignment among adult basic education (ABE), workforce training, and postsecondary education. In order to remain globally competitive, the nation requires an unprecedented number of people to enter into, and succeed in, postsecondary education and a multi-faceted effort by institutions, states, and the federal government to reaching out to populations that are currently underrepresented in higher education. The ABE-to-postsecondary “pipeline” is an especially important part of this effort. ABE should be maintained as its own funding stream and should not be consolidated into a larger fund at the federal or state levels. Additionally, the Adult Education and Family Literacy Act under WIA Title II is a critical component of addressing adult literacy issues and community colleges serve as key providers and administrators of this funding. Support for this program should be enhanced.

Community College and Career Training Grant Program

The Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant program loses its funding after the next (fourth) round of grants awarded by the U.S. Department of Labor this fall. AACC and ACCT are focused on ways to preserve some elements of this critical funding source in a time of continuing budget stringency. Legislators must know about the positive impact that the program has had on workers, communities, and businesses. The grants have been distributed quite broadly in the first three competitions, and most campuses have benefited from the program in some manner.

The TAACCCT grant provides community colleges and other eligible institutions of higher education with funds to expand and improve their ability to deliver education and career training programs that can be completed in two years or less and prepare program participants for employment in high-wage, high-skill occupations. TAACCCT was formally created by the 2009 American Recovery and Reinvestment Act but funded through the 2010 Health Care and Education Reconciliation Act at $2 billion over four years. Administered collaboratively between the Departments of Labor and Education, the program has granered attention on campuses for a variety of reasons, and is by far the largest federal program targeted toward community colleges. All curriculum developed through the program must be made publicly available; and grants are structured in such a way as to promote extensive collaboration between institutions, both within and across state lines.

Each of the three competitions for grants has targeted different priorities. With evaluations forthcoming, the collective impact of the program is difficult to assess at this point. The almost $500 million award annually represents a little less than one percent of annual aggregate funding in the sector, but has had notable impact. The program has further enhanced the visibility of the community college role in providing workforce training, particularly to individuals affected by the recession. Second, the program has helped institutions develop the capacity to better evaluate outcomes from training programs and develop institutional support. Lastly, it has fostered collaboration between institutions of a nature and intensity that has often not been seen before through new consortia.

The most attractive vehicle for continuing the type of funding provided by TAACCCT is the Administration-proposed "Community College to Career Fund Act," an extremely ambitious proposal introduced by Senator Al Franken (D-MN), as S. 1269, and Rep. George Miller (D-CA), as H.R. 2560. The legislation would dedicate $7 billion to fund partnerships between businesses and community colleges to help address the skills gap. An additional $1 billion would be committed to other employment-related grant programs to support activities such as retaining existing businesses or bringing new businesses to a local area or region, entrepreneurship, and performance-based funding for training providers. However appealing an $8 billion authorization may be, the odds of getting it authorized and funded are not good.

Two other possibilities include a resurrection of the Community-Based Job Training Grant which was last funded in FY 2010 (but never authorized). This program would be authorized in the Senate WIA reauthorization legislation (see WIA backgrounder for more information). Another option is to maintain authorization for the TAACCCT program, albeit without the mandatory funding attached, in a reauthorized TAA bill which Congress is expected to work on this year. In both cases, funding would need to be pursued through the appropriations process.

Enhance the Carl D. Perkins Career and Technical Education Act

The House has begun the process of reauthorizing the Carl D. Perkins Career and Technical Education Act, with two committee hearings held last year and legislation expected to be drafted in the coming months. The House Education and the Workforce Committee staff have worked together on a bipartisan bill and hope this collaboration will continue throughout the process. The Senate has made comparatively less progress on Perkins, which seems farther back on its agenda than in the House.

Before the House hearings, the most significant development in the Perkins reauthorization discussions was the April 2012 release of the U.S. Department of Education’s (ED) *Investing in America’s Future: A Blueprint for Transforming Career and Technical Education*. The blueprint lays out a number of recommendations categorized under the themes of alignment, collaboration, accountability, and innovation. The report emphasizes extending the development of many concepts that were stressed in the last reauthorization, such as stronger collaboration between high schools and postsecondary institutions and a sharper focus on high-demand occupations. Two recommendations that have received the most notice include distributing funds within states on a competitive basis only to consortia of institutions, and for a state-matching fund to drive stronger business involvement with CTE programs.

Community colleges must continue to advocate for a robust Perkins CTE program that serves the needs of all types of CTE students and which maintains flexibility in how community colleges deploy their funds to meet unique needs.

Recommendations for Perkins Act Reauthorization:

Establish uniform accountability metrics within Perkins and across related programs, drawing from the Voluntary Framework of Accountability. Currently, states vary widely in how Perkins performance indicators are defined, leading to a patchwork of often incomparable data. To help draw a clearer nationwide picture of Perkins-funded CTE programs, the Obama Administration has proposed making these definitions and metrics uniform. Community colleges support this idea, and further urge Congress to use the relevant outcome measures from the VFA when recasting postsecondary performance indicators. These metrics should also be used in related programs, in particular the Workforce Investment Act.

Sharpen the focus on high-quality CTE programs at the national level, with flexibility on achieving this end at the state and local levels. The last reauthorization of the Perkins Act made tremendous strides towards recasting the image of CTE, not least by jettisoning the outmoded term "vocational education." Perkins reauthorization should build on this with new provisions to ensure that funded programs are closely linked to industry needs and lead to college and career readiness. Particular ways of doing this include:

> Make local funding application requirements more stringent, rather than requiring competitive funding. The administration has proposed requiring intra-state funds to be distributed on a competitive basis, as a method to ensure that Perkins funds are focused on the highest quality uses. Community colleges are concerned that competitive funding will disadvantage smaller institutions and undermine the reliability of Perkins funding. Instead, the current formula funding should be retained, with the requirement that all recipients do more to show that their funded programs are truly high quality.
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> Facilitate, but do not require, secondary/postsecondary consortia. Community colleges are concerned that required consortia may weaken Perkins-supported efforts to serve adult students. However, cross-sector collaboration is vitally important, and Perkins should include provisions that explicitly allow, but not require, such consortia.

Help Community Colleges Better Serve Veterans

Community colleges have a long, proud, and continuing history of serving the needs of veterans, a challenge that requires an adequate federal response. Ample funding for the Centers of Excellence for Veterans Student Success and Veterans Upward Bound under the federal TRIO programs are priorities for community colleges.

Legislation to address the issue of how to better provide services for veterans who are out-of-state students at public institutions remains on the Congressional agenda. Because of the nature of their duties while in the military, these students often find themselves attending institutions in states other than their primary residence. As a result of previous legislation that modified the Post 9/11 G.I. Bill, veterans attending public institutions on an out-of-state basis are not as well provided for as they were under the original program. Members of Congress have introduced legislation that takes two different approaches to this issue.

A bill introduced in the House by Rep. George K. Butterfield (D-NC), and in the Senate by Sen. Richard Durbin (D-IL), modifies the G.I. Bill to provide out-of-state veteran students with the full amount of tuition they pay, up to an indexed cap of $19,000 (unless in-state tuition exceeds that amount), which is the same benefit enjoyed by veterans using their benefits at private institutions. Alternatively, Reps. Jeff Miller (R-FL), chair of the House Veterans Affairs Committee, and Michael Michaud (D-ME) have introduced the G.I. Bill Tuition Fairness Act (H.R. 357) that would require institutions of higher education to charge veterans in-state tuition regardless of their actual residency in order to maintain G.I. Bill eligibility for their courses.

The Senate Committee on Veterans Affairs approved a modified version of the Miller-Michaud bill last July (S. 944), with the main difference being that institutions could require covered veterans to demonstrate intent other than through their physical presence to establish residency in the state. The higher education community has previously backed the approach taken in the Butterfield/Durbin legislation, but the middle ground taken in the S. 944 may prove to be a reasonable compromise.

Pass the DREAM Act

Community colleges continue to press for enactment of the Development, Relief, and Education for Alien Minors (DREAM) Act. Despite longtime residence in the United States, many undocumented individuals face tremendous difficulties enrolling in or paying for college and finding employment. The DREAM Act would alleviate this situation by giving qualified undocumented students who arrived in the United States as minors a chance to earn legal status.

Under the original version of the bill first introduced in 2001 by Senators Dick Durbin (D-IL) and Orrin Hatch (R-UT), these students would be able to achieve temporary and conditional residency by completing two years of higher education or military service within six years, and permanent resident status upon completing a bachelor’s degree or higher. They would then be eligible to apply for citizenship. Only those students who were brought into the country before they were 16 years old and who have resided in the country for at least five years at the time of enactment would be eligible. DREAM Act participants are not eligible for Pell Grants, even under conditional resident status. The DREAM Act would also repeal a provision of federal law that bars states from granting in-state tuition directly to undocumented students, although fifteen 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).

In 2012, President Obama established the Deferred Action for Childhood Arrivals (DACA) initiative, which allows individuals who meet eligibility criteria very similar to those of the DREAM Act to apply for a renewable two-year deferral of removal actions against them. During this time, eligible individuals may also obtain work authorization. However, the initiative does not create a pathway to permanent resident status or citizenship, nor does it remove the restriction on in-state tuition for undocumented students currently in federal law. Over half a million DACA applications have already been approved.

During the summer of 2013 the Senate passed a comprehensive immigration reform bill, known formally as the Border Security, Economic Opportunity, and Immigration Modernization Act (S. 744). The bill included DREAM Act provisions, and was amended to give DREAM students access to the federal student loan program and federal work study. The House has not acted on S. 744, but the House Republican leadership has indicated that they would pursue their own immigration reform package.

Protect Higher Education Tax Credits and Deductions

Over $20 billion in savings are provided to students and their parents through federal higher education tax credits and tuition deductions each year. These credits and deductions remain a significant part of college access and affordability. Legislative proposals to consolidate these various tax credits continue to be proposed as part of comprehensive tax reform efforts.

American Opportunity Tax Credit
Under provisions instituted with the American Recovery and Reinvestment Act (ARRA), many parents and students qualify for a tax credit known as the American Opportunity Tax Credit (AOTC), which significantly broadens the permanent Hope Scholarship Credit. Many of those eligible qualify for the maximum annual credit of $2,500 per student, of which up to $1,000 is fully refundable and can be claimed for the first four years of postsecondary, degree-seeking education. The AOTC was extended through 2017 by the American Taxpayer Relief Act of 2012.

Tuition and Fees Deduction – *Expired*
A higher education tuition and fees tax deduction is available to individuals through tax year 2013 who do not use the Lifetime Learning Credit or AOTC. The maximum deduction is $4,000 and varies according to income level. Both the tuition and fees deduction and student loan interest deductions are “above-the-line” deductions, meaning tax filers need not itemize deductions to claim the benefits. In fiscal year 2010, this policy reduced taxes for those who were eligible by $760 million. However, the deduction expired on December 31st, 2013, and must be renewed by Congress.

Other Tax Credits and Deductions
Community colleges benefit from several other higher education credits and deductions that have been permanently extended, and this important source of tax-based aid must be maintained. These benefits include the student loan interest deduction, employer-provided educational assistance (Section 127), and Coverdell Education Savings Accounts. Even though these benefits have been permanently extended, forthcoming tax reform could reexamine their status, so it remains important to protect these investments. Additionally, Congress should renew benefits associated with the IRA charitable rollover, which allows older individuals to donate up to $100,000 from their Roth IRA accounts to public charities, including community colleges; this provision expired at the end of 2013.

Consolidating Tuition Tax Credits and Deductions
The most common criticism of tax-based student aid is that it is complex, poorly targeted, and disproportionately benefits upper-income tax filers. The complexity of multiple benefits makes it difficult for taxpayers to understand whether they qualify for a benefit and which benefit best meets their needs – and this is especially true for community college students. Consequently, there have been many proposals to streamline, simplify, and coordinate tax-based aid while protecting the total investment made in higher education access.

Representatives Diane Black (R-TN) and Danny K. Davis (D-IL) have introduced H.R. 3393, the *Student and Family Tax Simplification Act,* which would consolidate the Hope Tax Credit, the tuition and fees deduction, and the Lifetime Learning Credit into the AOTC, creating a single credit for current educational expenses. The bill also extends the AOTC permanently rather than allowing it to expire in 2017, and preserves the value of the credit over time by adjusting for inflation starting in 2018. Low-income community college students would benefit from these provisions since it would increase the maximum refundable credit from $1,000 to $1,500. Currently, an estimated one million college students with unmet financial need do not receive any benefit from the AOTC due to poor coordination with the Pell Grant program, with the vast majority of these students attending low-cost institutions such as community colleges. H.R. 3393 remedies this by amending the AOTC so that the Pell Grant funds are no longer counted against a student's tuition and living expenses. ACCT and AACC support the *Student and Family Tax Simplification Act* and similar efforts to streamline and extend tax-based aid.

Reauthorize the Elementary and Secondary Education Act (ESEA)

The Elementary and Secondary Education Act (ESEA), also known by its 2001 iteration as the "No Child Left Behind Act (NCLB)," has been due for reauthorization for over six years. In 2013, the House and Senate came closer to moving their respective versions but both chambers were unable to gain any bipartisan consensus on the legislation. As a result, the U.S. Department of Education has been issuing ESEA "waivers" to allow states greater flexibility in complying with NCLB accountability requirements while still receiving Title I funds. The waivers give states room to replace unrealistic "adequate yearly progress" standards with a comprehensive accountability system, use funds to target failing schools, and overhaul professional development and teacher evaluations. In order to receive a waiver, states also must demonstrate implementation of "college and career-ready standards" in reading and math for all students

In mid-July of 2013, the House became the first chamber to pass a full ESEA bill since the law became due for reauthorization. The Student Success Act (H.R. 5), sponsored by House Education and Workforce Chairman John Kline (R-MN), passed on a partisan vote of 221-207. It would significantly reduce the federal role in education and school accountability by allowing for state autonomy in determining how school performance is evaluated, and providing greater control over the use of federal funds. The Senate is pursuing its own version of ESEA reauthorization with the Strengthening America Schools Act (S. 1094), sponsored by Chair Tom Harkin (D-IA). In June 2013, the Senate Health, Education, Labor and Pensions (HELP) Committee marked up S. 1094 and passed, by a partisan vote of 12-10. The bill may be considered on the Senate floor in 2014. Some of the more contentious issues for reauthorization include how to address student proficiency standards, school accountability and improvement, federal funding flexibility, and teacher evaluations.

Community colleges have a strong stake in partnering with K-12 systems to prepare students to succeed in postsecondary education and beyond and should pay close attention to reauthorization. ESEA reauthorization presents an opportunity to encourage more dual enrollment programs and early college high schools for targeted populations. The community college role in teacher preparation should be better supported through the ESEA, and Congress should focus on effective implementation of college and career readiness standards – currently required under ESEA flexibility waivers – that will help reduce the need for remedial education and improve student time-to-degree. AACC and ACCT will continue to advocate for comprehensive reform that links the K–12 and higher education communities to promote student success.