April 2014

President Obama and the House Release FY 2015 Budget Proposals

The fiscal year (FY) 2015 budget and appropriations cycle is well underway with differing proposals released by President Obama and House Budget Committee Chairman Paul Ryan (R-WI). Both plans outline a philosophical vision regarding priority spending and deficit reduction. Both budget proposals respect the overall spending cap which was set at the end of 2013 via the Bipartisan Budget Act (BBA). The President’s budget would maintain existing allocations between defense and nondefense, but also proposes an additional $56 billion in domestic spending above the BBA caps contingent on changes to the tax code and alternative spending cuts. Alternatively, Chairman Ryan’s proposal maintains overall caps but includes significant cuts for nondefense discretionary programs. Over 10 years, the House budget would cut nondefense discretionary spending by approximately $790 billion while increasing defense spending by $480 billion.

President Obama’s Budget Request
President Obama offered his FY 2015 budget request in March. The budget includes a number of reforms and new proposals for higher education and workforce training. Highlights for the community college sector include a newly proposed Community College Job-Driven Training Fund, as well as reinstatement of Pell Grant eligibility for Ability-to-Benefit students. For the Pell Grant program, discretionary funding would be maintained and automatic increases in the maximum award would continue for AY 2015 – 2016. The increase is projected to be $100, bringing the maximum award to $5,830. However, the proposal also calls for tightening of academic progress standards for students receiving Pell. Further details were not provided on this provision.

Existing programs that are priorities for community colleges would generally be level-funded in this budget as they were in the President’s FY 2014 request. Most ‘new’ money was focused on competitive grant proposals. Among these new proposals in the budget is a $6 billion Community College Job-Driven Training Fund. This would be a four-year competitive grant program funded at $1.5 billion per award cycle. Grants would be used to fund partnerships of community colleges, public and non-profit training entities, industry groups, and employers to launch new training programs and apprenticeships that will prepare participants for in-demand jobs and careers. This program would be a successor to the expiring Trade Adjustment Assistance Community College and Career Training Grant program.

Another new proposal is the College Opportunity Graduation Bonus, aimed at providing a financial award to institutions based on their on-time graduation rate for Pell Grant recipients. Additionally, the President proposes a $4 billion State Higher Education Performance Fund. Similar to the previously proposed Higher Ed Race to the Top, this fund would provide competitive grants to states that pass strategic higher education reform policies, and provide federal and state resources to public colleges and universities based on their performance.
On the authorizing end, the President proposes permanently extending the American Opportunity Tax Credit which is set to sunset at the end of 2017. The proposal also calls for extending Pay As You Earn to all borrowers. The ACCT fact sheet on the President’s FY 2015 budget request may be viewed here: [http://www.acct.org/files/Advocacy/Factsheets%20and%20Summaries/ACCT%20FACTSHEET%20president%5C%27s%20budget%202015.pdf](http://www.acct.org/files/Advocacy/Factsheets%20and%20Summaries/ACCT%20FACTSHEET%20president%5C%27s%20budget%202015.pdf).

**House Budget Proposal**

On April 1st, House Budget Committee Chairman Ryan introduced his budget proposal for FY 2015. The plan passed out of committee on April 2nd, and will likely be considered on the House floor later this month. It will not be conferenced with the Senate, since the BBA already sets funding levels for FY 2015. The House plan once again proposes significant changes for the Pell Grant program, including: eliminating eligibility for less-than-half-time students; instituting an income cap; lowering income thresholds to qualify for a zero expected family contribution; changing the current income protection allowance to require higher contributions from working students; and removing the income exclusion of the child tax credit, TANF, and EITC.

Additionally, the budget calls for a freeze of the maximum Pell Grant award at its current level of $5,730 for 10 years, and eliminates all $84 billion in mandatory funding for the Pell Grant program. It calls for all Pell funding to be discretionary spending subject to yearly Congressional appropriation, however the plan does not specifically propose an offset to the mandatory funding cuts. Even with the proposed eligibility changes, it may be difficult to maintain a $5,730 maximum award if no additional discretionary funding is provided.

Additionally, the House budget plan calls for elimination of federal loan in-school loan interest subsidies for undergraduate students, as well as elimination of fees paid to institutions for administration of the Pell Grant or campus-based aid. It also calls for consolidation for workforce training programs into targeted "career-scholarship programs."

The proposal also recommends reforms to current policies governing the return of Title IV funds. This could include increasing the amount of time a student must attend class in order to withdraw without debt owed for back assistance. For the federal Direct Loan program, the budget calls for Congressional Budget Office to utilize a so-called “fair value” calculation to determine cost of the program, and repeal any new funds generated by the Direct Loan program under the Student Aid and Fiscal Responsibility Act of 2010 (SAFRA). The change in calculation alone would greatly increase the “scored” cost of the Direct Loan program and would likely require a significant increase in interest rates. The full budget proposal can be viewed here: [http://budget.house.gov/uploadedfiles/fy15_blueprint.pdf](http://budget.house.gov/uploadedfiles/fy15_blueprint.pdf).