COMMUNITY COLLEGE

FEDERAL LEGISLATIVE PRIORITIES

115TH CONGRESS, FIRST SESSION

BACKGROUND BRIEFING INFORMATION

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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 7.7 million postsecondary students each year, and slightly more than one-third of them attend community colleges. Pell Grants represent the federal government's commitment to ensuring that eligible students from all income levels are able to afford college.

Pell Grants play a more prominent role in community college student financing than for students in other sectors. First, community college students, on average, have the lowest average incomes. They also pay the lowest average tuitions—$3,520 for a full-time, full-year student in the 2016 – 2017 academic year. This means that Pell Grants cover a greater percentage of 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. AACC and ACCT have several priorities for this critical program.

<u>Community college Pell Grant program priorities include:</u>

- Reinstate the Year-Round Pell Grant.

Providing Pell Grants beyond the normal two semesters or three quarters per academic year would increase persistence and graduation rates by forestalling summer learning loss, keeping students in school, and giving them the opportunity to complete their programs more rapidly. Attending year-round is particularly important for low-income students, who often are the most at-risk academically. We urge Congress to reinstate the year-round Pell Grant in order to support student persistence and on-time completion. In addition, it is essential that year-round Pell be made available to all students, and not limited to just those attending full-time.

- Protect the Pell Grant surplus. Utilize the surplus to benefit students and reinvest in the Pell Grant program.

The Pell Grant program is currently slated to have a significant surplus for the next several years, barring any cuts. In FYs 2011 and 2012, Congress made eligibility cuts to the Pell Grant program, including: eliminating year-round Pell and eligibility for 'ability-to-benefit' students; reducing the income threshold to qualify for zero Expected Family Contribution; eliminating eligibility for students receiving 10 percent of the maximum award; and reducing the number of overall semesters a student can receive a Pell Grant. Because of these changes, hundreds of thousands of students have received reduced grants or lost eligibility all together. The current surplus exists, in part, due to the eligibility changes made to the program, as well as declining college enrollments, a trend that could change at any time. These surplus funds should be used to reinvest in the Pell Grant program and not diverted for other purposes.

- Fully reinstate eligibility for "ability-to-benefit" students.

In 2012, Congress made changes to the Pell Grant program in order to close a funding shortfall. These changes included the elimination of all new "ability-to-benefit" (ATB) student eligibility. ATB students lack a high school diploma or GED, yet have proven their abilities to benefit from college-level coursework either through the successful completion of classes (six credits) or by passing a test. Over the past two fiscal years, Congress has begun to incrementally reinstate Pell Grant eligibility for ATB students. First, in FY 2015, Congress reinstated eligibility for ATB students who were enrolled in qualified career pathway programs. In FY 2016, Congress ensured that ATB students who qualified for a Pell Grant were able to access the full award. Moving forward, Congress should reinstate the program back to its original, pre-FY 2012 structure. This would allow more students to access this essential aid.

- Allow students to receive Pell Grants for up to a total of 14 full-time equivalent semesters.

In order to address a program shortfall, in FY 2012 Congress reduced the number of full-time semesters for which a student could receive a Pell Grant from 18 down to 12. AACC and ACCT recommend that Congress raise the limit to at least 14 semesters. Evidence shows that many community college students require additional time to complete their programs. This is particularly true for students who transfer to attain a four-year degree.

- Provide Pell Grant eligibility for students enrolled in qualifying short-term, workforce-oriented programs.

Community colleges offer scores of short-term, workforce-oriented programs that do not currently qualify for Pell Grants. (A program must be two-thirds of a year in length to qualify for Pell Grants.) Limited eligibility for these programs should be established, maximizing local discretion to ensure that only the highest-quality, top-priority programs receive support. Community colleges have proposed giving colleges an additional two percent of the previous year's Pell Grant funding for this purpose, which could be used by institutions in a fashion similar to that of the campus-based programs. Other funding mechanisms may be feasible, including efforts to expand Pell Grant eligibility to students enrolled in short-term training programs that lead to industry-recognized credentials.

Support Federal Funding for Community Colleges and Students

The federal government is currently operating under a continuing resolution for FY 2017. This continuing resolution will essentially fund at current levels all federal discretionary programs until April 28th. Before the expiration of this funding, Congress must pass either another short-term or long-term funding bill for the rest of the fiscal year. Because of this delayed timetable, Congress will begin consideration of FY 2018 funding in the spring concurrently with wrapping up the 2017 process.

FY 2017 and FY 2018 Appropriations Priorities

Fund key community college programs at least at FY 2016 levels plus inflation.

- Federal Student Aid: Congress must at least maintain current FY 2016 funding levels, plus inflation, for Federal Supplemental Educational Opportunity Grants (SEOG), Federal Work Study, TRIO, and GEAR UP. In addition, the maximum Pell Grant award must be maintained without imposing new eligibility limitations.

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. Community college students utilize the SEOG and Federal Work Study to a substantial extent, receiving 17.6%, and 12.6%, respectively, of program funds. GEAR UP and the TRIO programs also help low-income, first-generation college students prepare for, enroll in, and graduate from college.

- Perkins Career and Technical Education (CTE): Congress should reinstate funding for the Perkins CTE program at FY 2012 levels, which would mean an increase of $3.2 million from current levels in FY 2016.

The Carl D. Perkins Career and Technical Education Act supports improvements in career and technical education at 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 to improve curricula, purchase equipment, integrate vocational and academic instruction, and foster links between colleges and industry.

- Adult Basic Education: Congress should support funding for Adult Basic Education and Literacy. In FY 2013, Congress cut funding for this program. In FY 2015 and FY 2016, Congress reinstated some of these cuts, yet the program remains below FY 2012 funding levels. Hence, Congress should reinstate the $13 million cut earlier from Adult Basic and Literacy Education state grants.

Community colleges enroll millions of adults each year in Adult Basic Education, and support investments in this important program to enable Americans who lack a high school diploma to obtain a GED and enter college. A 2013 survey by the Organisation for Economic Co-operation and Development (OECD) found that a large portion of U.S. adults lack basic skills in numeracy and literacy.

- Institutional Aid: Congress must at least provide current levels of funding, plus inflation, for institutional aid programs in FY 2017 and FY 2018.

In addition to student aid, there is an important federal role in providing 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 authorize grant funds under the Strengthening Institutions (Title III-A), the Strengthening Historically Black Colleges and Universities (HBCUs), the Strengthening Predominantly Black Institutions (PBIs), and the Developing Hispanic-Serving Institutions (Title V) programs, as well as other programs directed at serving specific populations.

- Workforce Development: After years of declining investment in federal workforce programs, Congress increased funding for state grants under the Workforce Innovation and Opportunity Act (WIOA) in FY 2015 and FY 2016. We encourage Congress to continue the upward trend of restoring funding for workforce programs in FY 2017 and FY 2018.

Narrowing the skills gap to respond to employer demand is essential to our nation's ability to fill needed jobs. Despite a decline in the unemployment rate, millions of Americans remain jobless. Investment in workforce training is necessary to ensure workers have the requisite skills to attain employment with livable wages.

- National Science Foundation: Congress must at least provide current levels of funding, plus inflation, for the National Science Foundation's Advanced Technological Education (ATE) program in FY 2017 and FY 2018.

The ATE program serves as the primary source of federal support for technical education, an often-overlooked but crucial aspect of the STEM workforce. The ATE program provides students with the core knowledge and skills required in our emerging 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.

Infrastructure Investment Package and Workforce Training

- Any federal infrastructure investment plan should include funding to support additional training capacity at our nation's community colleges.

From 2005 to 2014, the federal government provided competitive grant funds to community colleges to help them expand and improve their capacity to train workers for quality jobs. Starting with the Community-Based Job Training Grants (CBJTG) and continuing with the Trade Adjustment Assistance Community College and Career Training Grants (TAACCCT), the last two administrations, from different political parties, have shown a commitment to direct support for community colleges in this vital mission.

Any new infrastructure funding proposal should support additional training capacity at the nation's community colleges to provide workers with the skills necessary for the new jobs being created. Employers report shortages of qualified workers for a wide range of jobs in construction, welding, HVAC, engineering, information technology, and other infrastructure-related fields that require the postsecondary credentials offered by community colleges. A dedicated source of federal support, similar to the former CBJTG and TAACCCT programs, should be a component of the plan to modernize the nation's infrastructure.

Higher Education Act (HEA) Reauthorization

Despite their plans, neither the House nor the Senate considered comprehensive HEA reauthorization in the 114th Congress. A great deal of preliminary work has taken place, including extensive hearings stretching over two Congresses, but prospects are uncertain for action in the coming year. Other priorities could dominate the work of the Congress as well as the education committees (including the repeal and replacement of the Affordable Care Act, elementary and secondary school issues, and budget reconciliation). Below are community college positions on the reauthorization of HEA.

Loans

- Limit borrowing based on enrollment intensity, and degree and program type.

Current undergraduate federal loan limits do not consider program length or enrollment intensity. Aggregate borrowing limits have been set with baccalaureate students in mind. Borrowing limits for students who pursue sub-baccalaureate degrees and certificates should have proportionately lower limits. In addition to protecting against over-borrowing, this would ensure that students who continue their postsecondary studies have sufficient remaining Direct Loan eligibility.

Similarly, loan limits should be tied to enrollment intensity. Not all students including most attending community college attend full time. Yet, all students regardless of enrollment intensity are eligible to borrow the maximum allowable amount. Maximum loan amounts should be modeled on the Pell Grant program, which has prorated limits based on enrollment status. Similarly, students attending one-half or three-quarters time should be eligible for proportionally less loan volume each year. Prorated limits based on enrollment status should also include some allowance for cost of living (e.g., pro-rata base eligibility plus 20 percent) for students who are enrolled less than full-time.

Community colleges also support providing institutions new authority to reduce student loan eligibility for groups of students based on factors such as course load, program of study, or level of academic preparation, while maintaining authority for financial aid administrators to exercise professional judgment to revise these limits upward to the legal limit in specific circumstances.

- Revise cohort default rates by incorporating the percentage of students who borrow.

Current cohort default rates (CDRs) are based on the share of a school's borrowers who default within the first three years of repayment. Colleges with CDRs above certain thresholds risk losing eligibility for Title IV aid. However, the current CDR calculation, which excludes non-borrowers, neither serves as a good measure of institutional quality nor as a useful source of consumer information. Therefore, Congress should adopt a CDR metric that takes into account the incidence of borrowing at institutions, establishing a Student Default Risk Index (SDRI). Under the SDRI, each school's three-year CDR would be multiplied by the percentage of students at that school who take out federal loans.

- Simplify and consolidate Direct Loan repayment options with low-debt borrowers in mind.

There are currently seven different federal loan repayment options, including four income-related repayment plans. Unfortunately, the complexity of various overlapping options often makes it difficult for borrowers to understand which program best suits them. Congress should consolidate the four income-driven repayment plans into one new and improved income-based plan, available to all federal student loan borrowers.

- Enhance student loan servicing.

The Department of Education's management of loan services has been subpar. First generation students are particularly vulnerable to inadequate servicing, as they are often less savvy about the financial complexities of student loans compared to other students and families. Loan servicer problems have resulted in institutions being saddled with higher default rates than otherwise would be the case. Student borrowers should be provided a high level of service that is consistent across student loan servicers. Information about borrowers' loans and repayment options should be accurate and actionable. Servicers need to be awarded contracts based on performance. Institutions also need to play a more coordinated role in ensuring a tight contact between borrowers and servicers. Annual loan counseling by the institution, in addition to the required entrance and exit counseling, will help increase financial literacy for student borrowers.

Risk Sharing

- Oppose new financial penalties or sanctions tied to loan repayment or default rates

The concept of student loan risk-sharing or "skin in the game" has gained traction. The essence of risk-sharing is to assess institutions with a financial penalty based on each institution's share of federal loans in default or non-repayment. Supporters of the concept maintain that it will incentivize colleges to ensure that students complete programs with manageable levels of student debt and enhance institutional management of the loan programs.

Community colleges strongly oppose these forms of risk sharing. As public institutions, community colleges already have significant "skin-in-the-game." State and local government funding of the colleges and their students accounts for 51% of annual revenues. Additionally, in an increasing number of states, at least some of this funding is based on student outcomes.

As largely open admissions institutions, community colleges serve a diverse student population. Community colleges do not determine who receives loans, nor are they primarily responsible for their collection. This limits their ability to control the nature of their former students' repayment, which is subject to risk-sharing penalties.

Implementation of risk sharing at community colleges would inevitably result in either increased tuitions or reduced educational services for students, and very likely both. There simply is no other option for these thinly resourced institutions.

Transparency and Measurements

- Create a national student unit record data system to effectively track student enrollment, completion, and earnings information.

The creation of a federal student unit record data system (URDS) is needed to provide essential information for students, families, and policymakers. The federal URDS should provide comprehensive data on students' progress throughout postsecondary education, and it would have the additional benefit of enabling the government to perform earnings record matches. A unit record data system would not only produce far more meaningful and comprehensive data than are now being generated, but, if fully implemented, it would reduce administrative burden for institutions.

- Ensure a complete and accurate community college graduation rate.

The Department of Education's official graduation rate of 150% of the "normal time" for program completion exclusive of transfers-out woefully understates actual community college success. According to the National Student Clearinghouse, which uses individual student data, 55% of all full-time community college students graduate from some institution of higher education within six years. This contrasts to the 21% official graduation rate, for full-time students, published by the Department of Education (ED).

The official community college graduation rate should be 300% of the "normal time" to graduation – six years in the case of associate degree-seeking community college students – including transfers-out, which have long been a central focus of the community college mission. Six years or 300% of the "normal time" for program completion is the metric that community colleges use for their own Voluntary Framework of Accountability.

Additional HEA Priorities

- Accreditation plays a valuable role in institutional improvement and quality assurance. Federal reforms to accreditation that incorporate 'bright-line' standards on outcomes should be rejected.

The accreditation process has been under scrutiny for several years and remains a key issue in the HEA reauthorization discussion. Criticisms have included a perceived failure of accreditors to ensure that colleges provide minimum academic quality, and thereby responsibly discharge their "gatekeeping" role for the student financial aid programs.

In 2016, Senators Warren (D-MA), Durbin (D-IL), and Schatz (D-HI) introduced the *Accreditation Reform and Enhanced Accountability Act of 2016* (S.3380). The bill would have dramatically restructured the relationship between accreditors and the federal government, essentially making accrediting agencies implementers of a new bright-line federal outcomes policy. Under this bill accreditors would be required to establish and enforce minimum baseline threshold standards for institutions for completion rates, 3-year cohort default rates, and 5-year loan repayments. Colleges that fail to meet the standards would lose their accreditation.

Reform to accreditation should reject a one-size-fits-all approach to evaluating student learning outcomes, and maintain a review process that considers factors specific to each institution and its mission.

- Ensure maintenance of adequate state funding.

State funding per community college student dropped dramatically during the last recession, and despite some upticks since then has not rebounded significantly. This decreased investment places enormous strains on the entire community college system and has resulted in community college tuition increases. Community colleges support a maintenance-of-effort (MOE) provision that would require states to continue to fund public higher education at historic levels.

- Reduce regulatory burden on campuses.

More than any other sector of higher education, community colleges are negatively impacted by the regulatory burden imposed through Title IV and other programs, because of their relatively limited administrative resources. Of particular concern to community colleges are: the elaborate Return of Title IV regulations, which need to be overhauled; verification of student aid information; gainful employment; campus crime reporting; and Title IX compliance, which presents unique challenges for largely commuter institutions. In addition, the number of policy directives and guidance letters to institutions should be reduced. The Trump Administration has signaled its interest in regulatory reform.

Support DACA Students

- Pass the Bridge Act to provide stability for DACA students while Congress works on a long-term policy.

During the presidential campaign, President Trump vowed to reverse President Obama's executive orders on immigration, a stance repeated in his 100-day plan. Therefore, the principal product of these orders, the Deferred Action for Childhood Arrivals (DACA) program, is in danger of being eliminated. DACA provides individuals without documentation who were brought to the country as children with an assurance that they will not be deported and provides a work authorization for renewable two-year periods. It was created as a response to Congressional failure to pass the DREAM Act, which AACC and ACCT have long supported. DACA provides many of the protections included in the DREAM Act, except for a path to citizenship. Because DACA was created by an executive order, it can be easily terminated or modified, potentially impacting its 750,000 enrollees, many of whom attend community college.

The bipartisan Bar Removal of Individuals who Dream and Grow our Economy (BRIDGE) Act (S. 128 and H.R. 496) seeks to provide solid footing for these individuals by essentially codifying the DACA program for three years. Eligible individuals would continue to be protected from deportation and receive a work authorization during that time. Giving DACA a statutory basis would shield it from being eliminated by executive order and assuage members of Congress who support the underlying policy but felt that President Obama's orders were unconstitutional. The three-year time period is intended to provide Congress the time to pass either comprehensive immigration reform or the DREAM Act. AACC and ACCT support this legislation.

Reauthorize the Carl D. Perkins Career and Technical Education Act

Congress is due to write the fifth iteration of the legislation (Perkins V) that authorizes direct support for community college career and technical education (CTE) programs. The last Perkins Act reauthorization (Perkins IV), passed in 2006, took tremendous strides to focus federal support on quality CTE programs at the high school and postsecondary levels.

Last year, the House passed H.R. 5587, the Strengthening Career and Technical Education for the 21st Century Act. H.R. 5587 proposed relatively minor changes to the Perkins programs. Those modifications included increased alignment between Perkins and Department of Labor workforce training programs, more requirements to ensure that supported programs meet the needs of business and industry, and a greater emphasis on dual enrollment. The House is expected to introduce a bill soon that will be very similar to H.R. 5587.

The Senate Committee on Health, Education, Labor, and Pensions (HELP) attempted to introduce a bipartisan Perkins CTE bill, but disagreement between Republicans and Democrats over the role of the Secretary of Education in the program prevented a bill from being formally introduced. HELP committee Republicans released a draft bill that was similar in many respects to H.R. 5587, but a scheduled committee markup of the bill never occurred. The two parties are still split on the secretary's role in regulating the program, so it remains to be seen how much progress the Senate can make on this bill in 2017.

<u>Community College Perkins Act Reauthorization Priorities:</u>

AACC and ACCT do not call for fundamental changes to the Perkins CTE programs; however, several recommendations for improvements to the existing programs are offered.

- Continue to focus postsecondary support on sub-baccalaureate programs.

The Perkins Act currently does not provide support to baccalaureate (or higher) programs. Making these programs eligible for Perkins funds would diminish the support for associate degree and certificate programs that are preparing students for high demand middle skill jobs.

- Support highly effective CTE programs by emphasizing the importance of strong connections between Perkins recipients and the local, regional, and statewide businesses and industries that they serve.

Perkins V should build on the progress made in Perkins IV to focus federal support on high-quality programs. One significant indicator of quality left largely unaddressed in current statute is how well the local recipient serves the local business community. This recommendation addresses that missing piece.

- Streamline and better align the postsecondary performance indicators with the Workforce Innovation and Opportunity Act.

The Perkins postsecondary performance indicators should be streamlined to focus on the most important factors: program completion, retention and the employment outcomes of program completers. The indicators should be aligned with WIOA by using that act's definition of "recognized postsecondary credential" and simplifying data collection for employment outcomes.

- Continue Perkins Act support for programs that are designed for and serve primarily (or exclusively) adult students, as well as those programs that also link to high school CTE programs.

Community colleges continue to implement innovative offerings to serve their diverse student populations. This includes credit for prior learning, competency-based education, and other models designed to provide older students with work experience, the quickest possible path to a credential. Some of these program designs may not lend themselves to also having a pathway from the high school level, but nonetheless are vital offerings that should be eligible for Perkins support. CTE reauthorization must also include support for these essential and innovative programs.

Tax Reform

Tax reform is a priority for Congress and the new Administration in 2017. Community colleges and their students currently benefit from a number of tax provisions. In the tax reform process, all of these preferences could be modified or eliminated. Chief areas of action that may impact community college interests include:

- The charitable contributions deduction, which could be dramatically reshaped and limited;
- The deduction for state and local taxes;
- Section 127 of the IRS Code, which allows employees to receive up to $5,250 each year of employer-provided educational assistance tax-free;
- Provisions related to the use of tax-exempt bonds for public financing;
- American Opportunity Tax Credit (AOTC) and Lifetime Learning tax credit; and
- Student loan interest deduction and the tax on forgiven loans.

<u>Community college tax priorities</u>:

- Community college students who receive Pell Grants should not be precluded from receiving an AOTC, as commonly occurs under current law.

The AOTC provides a tax credit of up to $2,500 per year for eligible students, up to $1,000 of which is refundable. The refundable portion is particularly important to low-income students who have little or no tax liability. Unfortunately, the AOTC contains a feature that limits its availability to low-income students attending lower-priced colleges. Any grant amounts that a student receives must be subtracted from “eligible expenses” for the credit (i.e., tuition, and course materials). Consequently, the lowest income students, particularly those who receive Pell Grants, and in some cases, state grants, are often ineligible for the AOTC.

- Congress should focus benefits on students and families who are middle- or low-income by enhancing AOTC refundability.

The AOTC phases out for joint filers earning between $160,000 and $180,000 (half that for single filers). While postsecondary education is costly and involves a financial commitment from Americans at all income levels, federal assistance should be targeted to those who are most in need. This is particularly important given that college completion is so strongly correlated with income. Therefore, as the AOTC is reviewed and reevaluated, consideration should be given to more effectively targeted federal expenditures, in part by increasing refundability in combination with the other change mentioned above.