



COMMUNITY COLLEGE

NATIONAL LEGISLATIVE SUMMIT

**COMMUNITY COLLEGE LEGISLATIVE PRIORITIES
BACKGROUND BRIEFING INFORMATION**

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PROVIDE A PATHWAY TO CITIZENSHIP FOR DREAMERS AND DACA STUDENTS

ENACT THE DREAM ACT

Despite an ever-changing political and legal landscape, community colleges remain committed to the enactment of legislation that would provide Dreamers - undocumented individuals brought to the United States as children - with a path to citizenship. Recent events have underscored the urgency for Congress to address this issue on a bipartisan basis.

Last July, a federal district court ruled that the Deferred Action for Childhood Arrivals (DACA) program was unlawful because it exceeded the Obama administration's statutory authority and did not follow procedural rules in the way it was implemented. Current DACA recipients can renew their status as the case continues to be litigated, possibly up to the Supreme Court, but no new DACA applications may be approved. The Biden administration also issued proposed rules that would essentially codify the DACA program to address the procedural aspects of the court's ruling.

The court's ruling threatens to end the DACA program should it be held up on appeal, putting the issue of protecting Dreamers squarely before Congress once again. And no matter how the DACA litigation ends up, only legislation can provide DACA recipients and other Dreamers with a path to citizenship. Congressional Democrats attempted to add a version of the Dream Act to the Build Back Better (BBB) Act, which they could pass in the Senate with only Democratic votes because BBB is a budget reconciliation bill. However, the Senate parliamentarian has ruled multiple times that immigration provisions do not comply with the rules governing reconciliation legislation. Consequently, it appears that Congress will have to pass a bill with the support of at least 10 Republican Senators to survive a filibuster.

Dreamers are Americans in every way but official status - they were brought to this country at a young age, and many have little or no connection to their countries of origin. Community colleges educate thousands of Dreamers who are striving to attain a higher education. We urge Congress and the Biden administration to work together to provide a legislative solution for Dreamers.

AUTHORIZE A COMMUNITY COLLEGE-LED JOB TRAINING PROGRAM

Community colleges urge Congress to authorize a new, community college-led job training program that follows in the footsteps of previous programs to help colleges expand and include their workforce development capacity. The last major effort along these lines was the Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant program. There are several directions that Congress may take to authorize a TAACCCT successor. A similar program, the Strengthening Community Colleges Training Grant program, is much smaller in scale than TAACCCT but is the only currently funded initiative. It was funded at \$45 million in FY 21. Because this program was created in the Labor, HHS and Education appropriations bill, it is not an authorized program. On tact for Congress to take, therefore, is authorizing SCCTG, likely in a WIOA reauthorization bill.

The latest incarnation of the Build Back Better Act adds two major community college-led workforce education programs. Taken together, these programs would award grants totaling \$6.1 billion over the next four years.

The larger of these is a new \$5 billion program administered by the Department of Education (ED) dubbed the Community College and Industry Partnership Grants. This program would award \$4.9 billion of competitive grants to create and expand workforce training programs at community colleges and other postsecondary vocational institutions working with industry sector partnerships. The program would be administered by the Department of Education (ED) from FY 22 – FY 26.

The second program is a reauthorization of the TAACCCT program itself. The Dept. of Labor-administered program would receive \$1.2 billion over four years, with \$300 million in grants made each year. Grants up to \$2.5 million for individual institutions and up to \$15 million for institutional consortia are available. The program would be very similar to the previous round of TAACCCT funding, but at least 15% of grant funds must be spent on student support services, including direct financial assistance to help students access supported programs. DOL and grantees must ensure that the grants effectively serve underserved communities.

At this moment in time, the programs included in the BBB Act are far larger in scale, though would only be temporarily funded. Community college leaders should urge Congress to include these programs in a BBB Act if it proceeds. Should BBB not come to pass or not include a community college training program, Congress should authorize such a program through another vehicle, most likely reauthorization of the Workforce Innovation and Opportunity Act.

SUPPORT STUDENT ACCESS AND SUCCESS

Programs that provide additional financial aid to students and direct funding for colleges are essential to ensure student access and success. The FY22 Appropriations proposals passed by the House and introduced by Senate Democrats include strong investments in the various programs that enhance student access and success. The recently stalled Build Back Better Act also includes historical investments and the creation of a new completion grants program that aims to tackle the issues that prevent students from successfully completing programs they enroll in. Congress should bolster funding in FY2022 for key programs that help support community college students by enacting funding levels as close as possible to those in the current proposals. Such programs include Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Work-Study, TRIO, GEAR UP, and the Child Care Access Means Parents in School (CCAMPIS) program.

- **Federal Supplemental Educational Opportunity Grant (FSEOG):** The FSEOG program provides an additional source of grant aid for low-income students beyond Pell Grants. Funds are combined with other types of grants, loans, and work-study assistance to meet total educational expenses. Pell Grant recipients receive priority for FSEOG awards, which range from \$100 to \$4,000 annually. Nearly 5 370,000 community college students receive aid from the FSEOG program annually.
- **Federal Work-Study (FWS):** The Federal Work-Study program leverages resources from schools and the private sector to provide opportunities for students to earn money to pay for college. The program also is designed to encourage students receiving federal

financial aid to participate in community service. In addition to providing self-help assistance to students, Federal Work Study funds help support partnerships between the federal government, postsecondary schools, students, and communities.

- **Federal TRIO programs (TRIO):** TRIO programs are outreach and student services programs designed to identify and provide services for individuals from disadvantaged backgrounds. TRIO includes eight programs targeted to serve and assist low-income individuals, first-generation college students, and individuals with disabilities to progress through the academic pipeline from middle school to post-baccalaureate programs. Many community colleges receive grants for Student Support Services and Upward Bound.
- **Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP):** GEAR UP works to increase income-eligible students' academic skills, help them graduate from high school and then enroll in college. The program also helps students persist from their first year to second year of college.
- **Child Care Access Means Parents in School (CCAMPIS):** The CCAMPIS program supports the participation of low-income parents in postsecondary education through the provision of campus-based childcare services. Childcare is essential to the academic success of thousands of community college students and has become even more essential in light of the current pandemic.

In addition to existing programs, the federal government should enact the proposed completion grants program that has been included in the Build Back Better Act. The federal government makes invaluable investments in higher education institutional assistance programs, many involving community colleges. However, none is focused exclusively on the most basic institutional mission: student success. Increasingly, data-driven, effective student success intervention strategies have been identified, such as providing intensive academic and career counseling, guided pathways, and improved access to basic needs services. Yet, many community colleges lack the adequate resources to implement such intervention strategies. Initiative funding should be targeted to students who likely have fewer individual resources that are necessary to succeed in college—including students who are first in their family to attend college, low-income, and from traditionally under-represented and under-served groups—in order to support their persistence and degree completion.

Talking Points:

- Community college students benefit greatly from federal programs that help them offset costs associated with meeting their educational goals. As the nation moves out of the pandemic, community colleges are likely to play an important role in the economic recovery.
- Programs that provide community college students with financial aid, supportive services and academic guidance are more critical to student success than ever in light of the COVID-19 pandemic.
- Congress should make every effort to fund the FSEOG, FWS, TRIO, GEAR UP and CCAMPIS programs as close as possible to the current proposed FY22 funding levels.
- Congress should enact the College Completion Grants program that was included in the Build Back Better Act to continue supporting students that have the most acute challenges to successfully completing their higher education programs.

STRENGTHEN UNDER-RESOURCED INSTITUTIONS

Increase funding for institutional aid programs, including Title III-A Strengthening Institutions; Title V Developing Hispanic-Serving Institutions, Strengthening Historically Black Colleges and Universities, Predominantly Black Institutions; and other programs serving traditionally underrepresented populations.

Community colleges comprise a substantial percentage of the institutions that receive aid through Titles III and V of the Higher Education Act (HEA). Although the programs have different characteristics, their overarching goal is to enhance the education and related services provided by colleges deemed to particularly merit focused support. This support is generally justified on the grounds that the colleges receive relatively few resources and serve traditionally underrepresented or especially needy students. Colleges use these funds for a wide variety of purposes to enhance their educational programs and solidify their other aspects of institutional operations. In recent years, many funded initiatives have emphasized student success.

Congress has shown its generally strong support for these programs through annual appropriations, and more, recently, by providing additional funds through the three major pandemic relief bills--CARES Act, Coronavirus Response and Relief Supplemental Appropriations Act, and American Rescue Plan.

In addition, the Build Back Better (BBB) legislation passed by the House, and the version that was released by HELP Committee Democrats, contained hundreds of millions of dollars for HBCUs and the MSI programs. If the BBB legislation is resuscitated, it could include some of these funds.

More specifically, community colleges support:

- Grants Supporting MSIs, HBCUs, and Tribal Colleges: Minority Serving Institutions (MSIs): MSIs are colleges and universities serving a large percentage of designated populations, including: Hispanic-Serving Institutions (with a 25% Hispanic Student threshold); Asian American and Native Pacific Islander-Serving Institutions; Native American-Serving Nontribal Institutions; Predominately Black Institutions; Native Hawaiian-Serving Institutions; and Alaska Native-Serving Institutions. Historically Black Colleges and Universities (HBCUs) and Tribal Colleges are also eligible for grant funding based on their historical mission, though technically they are not MSIs.
- Strengthening Institutions Program: The Strengthening Institutions Program, authorized in Title III, Part of the Higher Education Act, provides competitive grants for institutions with relatively limited resources that serve high percentages of low-income students. Funds may be used for improving academic programs and student services, faculty development, instructional facilities, technology, and establishing endowment funds. This program is currently funded at \$109 million, and for FY 2022 the Biden Administration proposed a \$100 million increase, an incredible boost if at least some of it can be captured. Advocacy for this program is especially important because community colleges are a substantial portion of the grantees and because this program, unlike the other institutional aid programs, does not have a natural, demographic constituency. In

the last few years its valued has again been recognized by Congress and the program has received welcome boosts.

Community college institutional advocates are aware of which programs benefit, or potentially benefit their institutions most directly. All the above-described programs can provide extremely useful resources to help community colleges promote student success. Support for them may occur through a revamped version of the Build Back Better legislation, or the FY 2022 appropriations process.

BOLSTER JOB TRAINING & CAREER AND TECHNICAL EDUCATION

Federal policymakers should invest in valuable workforce and adult education programs, including Perkins Career and Technical Education (CTE) programs, Adult Education State Grants, state grants under the Workforce Innovation and Opportunity Act (WIOA), and NSF's Advanced Technological Education (ATE) program. Legislation advanced by Congressional Democrats in 2021 contained strong increases for many of these programs. Increases for these programs are likely to be somewhat lower in final funding legislation after Congressional appropriators reach a bipartisan deal on overall funding levels. Community college leaders should advocate for funding outcomes that are as close as possible to those found in last year's bills.

In addition to advocating for increases to these programs in FY 22 appropriations legislation, community college leaders should advocate for the retention of the funding increases for several of these programs in the Build Back Better Act noted below.

- **Carl D. Perkins Career and Technical Education Act:** The Perkins 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. Funds are used to improve curricula, purchase equipment, integrate vocational and academic instruction, and foster links between colleges and industry. The state grant program is funded at \$1.335 billion. Postsecondary institutions receive approximately 40% of that amount, most of which goes to community colleges. The House and Senate bills increased Basic State Grant funding by \$50 million in FY 22. The BBB Act would add \$600 million to the state grants through FY 26.
- **Workforce Innovation and Opportunity Act (WIOA):** WIOA authorizes funding for programs to support workforce training and assistance to individuals with barriers to employment. This includes state grants to support adult, dislocated, and youth populations. Under WIOA, states and localities must develop workforce plans to identify areas of economic demand and support training programs in high demand fields. Workforce training is necessary to ensure workers have the requisite skills to attain employment with livable wages. State grants supporting adult, dislocated, and youth populations are currently funded at \$2.85 billion. The House bill would add \$250 million to that total and the Senate bill would add \$93 million to these programs in FY 22. The BBB Act would provide an additional \$4.5 billion for these programs over the next five years.

- **Adult Basic Education and Literacy Act (AEFLA):** Under AEFLA, grants are provided to states to support programs that help adults become literate, obtain the knowledge and skills necessary for employment and self-sufficiency, obtain a secondary school diploma, and transition to postsecondary education and training. The program also helps individuals who are English language learners improve their English proficiency. Funded at \$689 million, state grants under AEFLA support more than 1.5 million students annually. Demand for these educational opportunities far surpasses availability. Wait lists for services remain common, while 36 million adults in the U.S. lack basic skills in numeracy and literacy according to the OECD. Both the House and Senate bills provide \$25 million more for adult education state grants in FY 22. The House bill provides more funding for national programs. The BBB Act would provide an additional \$700 million for this program over 5 years.
- **Advanced Technological Education (ATE) Program:** The National Science Foundation's 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 the changing 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. This program is currently funded at \$75 million, which the House and Senate bills would maintain in FY 22.

Talking points:

- Community colleges help prepare students and workers for jobs in in-demand industries through career and technical education programs, workforce-oriented programs, and adult basic education programs.
- Federal grants authorized by the Perkins Career and Technical Education (CTE) Act, the Workforce Innovation and Opportunity Act (WIOA), the Adult Education and Family Literacy (AEFLA) and the Advanced Technological Education (ATE) program help community colleges foster relationships with local industries, support adults and dislocated workers and provide students with the tools to compete in a changing economy.
- Congress should make every effort to provide robust funding for these programs in the FY2022 appropriations process.

ESTABLISH A FEDERAL COLLEGE PROMISE PROGRAM

Establish a federal-state partnership to enhance college affordability and enrollment by creating tuition-free community college. Federal policy should reflect the fact that postsecondary education is now essential to provide family-sustaining wages. States should be incentivized to sustain and enhance their support of higher education as the federal government helps make community college universally available.

An aligned national program to enhance community college student access and success will help ensure increased economic mobility and help sustain economic growth and positively transform higher education.

Community college advocates were crushed when the America's College Promise (ACP) program was eliminated from the House's version of the Build Back Better (BBB) before it headed to the floor for approval by that chamber. It was accompanied by the massive reductions in the education spending authorized by the Education and Labor Committee, in part of a response to the Senate moderates who objected to the bill's \$3.5 trillion price tag. Organized opposition by other sectors of higher education certainly did not help. Before the scuttling of ACP, community college leaders from across the country had worked assiduously in support of the bill, while also suggesting changes to make it mesh more effectively with existing state and local funding and oversight structures.

AACC and ACCT maintain that enactment of ACP would represent a dramatic step forward in federal higher education policy, both by boldly enhancing access to community college and in highlighting the benefits of attending one of the colleges. While it does not seem likely that the bill will be included in any potential compromise version of the BB, advocacy on behalf Promise will continue in the next session of Congress.

Some of the primary arguments to be used in support of ACP include:

- **America's College Promise Will Bring More Students into Higher Education**
Increased educational attainment is a national imperative. Community colleges are the most efficient and effective route to achieving that. These colleges deliver a broad array of high-quality educational programs that cost far less than other institutions – average tuition and fees for a full-year, full-time student are just \$3,800. America's College Promise will send a clear national message that community college education should be as universal as secondary school, and that a college degree can be obtained without crippling debt. The legislation as originally introduced also contained a \$9 billion for State Student Success funds that were designed to employ tested strategies to ensure strong student outcomes.
- **America's College Promise Will Help the Financially Neediest Students and Enhance Diversity in Higher Education**
The ACP program is a "first dollar" program that allows students to use financial aid to meet college expenses beyond tuition, including books, computer, transportation, food, child-care, and housing. It therefore greatly benefits the financially neediest students. It also enhances diversity in higher education because community colleges enroll the highest percentages of Black, Latino, and first-generation college students. The legislation further enhances this diversity by supporting four-year Minority-Serving Institutions into which community college students often transfer.
- **America's College Promise Will Strengthen America's Workforce**
Virtually all new family-sustaining jobs require some postsecondary education. Even before the pandemic, a substantial skills gap existed across key American industries such as health care, information technology, and teaching, as well as emerging high demand

fields like robotics, artificial intelligence, clean energy, logistics, and data analytics. The pandemic has altered and exacerbated these needs. ACP will foster increased participation in these programs and thereby bolster the economy.

- **America’s College Promise Will Enable More Students to Progress Further in Their Postsecondary Educations**

Community college credits continue to be needlessly rejected at four-year colleges, undermining completion rates and unnecessarily adding to student and government costs. The America’s College Promise will change that by guaranteeing seamless community college transfer to public four-year institutions. This change is critical because evidence shows that community colleges students perform as well as students who initially enroll at four-year colleges, but that the denial of community college credits sharply reduces those students’ subsequent academic success.

- **America’s College Promise Will Ensure that States Contribute Their Fair Share to Higher Education**

The ACP legislation conditions federal support on a significant state match. States must also meet a stringent maintenance-of-effort requirement on existing expenditures. As part of this federal-state partnership, states will then eliminate tuition and fees for eligible community college students, irrespective of the current tuition. The establishment of ACP as a “mandatory” federal expenditure will provide desirable program stability.

STRENGTHEN THE FEDERAL PELL GRANT PROGRAM

Short-Term Pell

The Federal Pell Grant program is the bedrock of equity and access in postsecondary education. The program was established in 1972 to tackle inequity in the postsecondary system and enable all students to access college, regardless of income. The grant was created with the traditional undergraduate student in mind– younger, dependent, and full-time.

Since the creation of the Pell Grant program, Congress has periodically modified it to better meet student needs and the evolving economy. Community college leaders believe that the Pell Grant program should be modernized through the expansion of eligibility to shorter-term, workforce-oriented programs.

Currently, to qualify for Pell Grants, a program must be two-thirds of a year in length (or 600 clock hours). Eligibility for shorter-term programs should be established, with safeguards to ensure that only high-quality programs receive support.

Talking Points:

- Short-term training programs offer opportunities for students to quickly increase their skill level and earning potential.
- Lowering the threshold for Pell Grant eligibility to 150 clock hours will enable more individuals to access training programs for in-demand jobs and help lower-earning individuals boost their incomes.

- The bipartisan Jumpstart Our Businesses by Supporting Students (JOBS) Act establishes Pell Grant eligibility for short-term programs. The cost of this eligibility change is extremely modest in relation to the program's overall cost.
- In the 117th Congress, the JOBS Act is sponsored by Senators Kaine (D-VA) and Portman (R-OH), and a companion bill in the House is led by Representatives Levin (D-MI) and Gonzalez (R-OH).
- Provide an example of programs at your college that would benefit from this change.

Increase the Pell Maximum Award

The Federal Pell Grant program is an almost \$30 billion program that serves approximately 7 million students annually. Nearly one-third of Pell Grant recipients attend community college. The Pell Grant program is essential to ensuring access and success for millions of low-income students. Previously, Congress has increased support for the Pell Grant program through the 2008 reauthorization of the Higher Education Act, the American Reinvestment and Recovery Act of 2009, the Health Care and Education Reconciliation Act of 2010, and the annual Appropriations Process.

Despite these investments, the Federal Pell Grant program continues to fall short of covering students' full cost of attendance. While the maximum award for the current academic year is \$6,495, according to the College Board, the average cost of attendance for a full-time community college student is \$18,550 (\$3,770 in tuition and fees and the remainder includes room and board, course materials, transportation, and other 3 expenses). Increasing the purchasing power of the Pell Grant program supports college access, improves affordability, reduces the need for borrowing, and promotes on-time degree completion.

Congress should once again increase the maximum award in FY 2022 while ensuring that the program is on solid fiscal footing. Both House and Senate Democrats have proposed a \$400 increase through appropriations, a sum which would be welcomed to help maintain and restore the program's purchasing power. Additionally, the Build Back Better Act includes a \$550 increase to the program. Coupled with the Appropriations proposals, it would be the single largest increase to the program in any given year.

Talking Points:

- Pell Grants assist low-income students with tuition and fees and other college expenses—they are an essential component of broad access to higher education.
- Increasing the maximum award helps diminish the costs of attendance for low-income student and reduces the need for borrowing.
- Pell Grants help expand postsecondary access, therefore, lowering the equity gap between low-income students and those with greater financial means.
- Increasing the maximum award increases awards for all Pell recipients, including part-time students. It also increases the pool of students eligible to receive Pell Grants.

INVESTS IN BASIC NEEDS SUPPORTS FOR STUDENTS

The true cost of attending community college extends beyond the price of tuition and direct educational expenses. Most community college students experience unmet financial need to pay for necessities such as food, housing, transportation, child care, and medical expenses. Congress should enact policies that allow financially disadvantaged community college students to access supportive services to meet their basic needs and remove educational barriers to enrollment and persistence. Students' basic needs insecurities have become more severe during the COVID-19 pandemic and resulting recession.

Critical federal programs for low-income students facing basic needs insecurities include the Supplemental Nutrition Assistance Program (SNAP) and Child Care Access Means Parents in School (CCAMPIS). Community colleges can also align their basic needs services with workforce education and training through federal programs, such as SNAP Employment and Training (E&T).

ACCT and AACC endorsed the Basic Assistance for Students in College (BASIC) Act, introduced in the 117th Congress in the Senate by Senator Alex Padilla (D-CA) and in the House by Representative Norma J. Torres (D-CA). The BASIC Act instructs the U.S. Department of Education (ED) to provide grants to colleges in order to meet students' basic needs including food, housing, transportation, and health care. The bill also includes provisions to improve students' access to federal programs, such as Medicaid and SNAP, for which eligibility requirements and insufficient information current create barriers to participation.

Food and Housing Insecurity

According to a 2018 survey by the Hope Center for College, Community, and Justice, nearly half of community college students experience food and housing insecurity. Many community colleges have sought to address students' food needs by setting up on-campus food pantries. Community college students often struggle to access the federal SNAP program, due to strict eligibility requirements for students and lack of information— as documented by a 2019 U.S. Government Accountability Office (GAO) report. The recent temporary expansion of eligibility for SNAP to students participating in a federal or state federal work study program has been a move in the right direction to combat food insecurity.

To support students' access affordable housing, some community colleges have built on-campus housing or provide rental assistance. More institutional support is needed for the community college sector to provide food and housing supports at-scale, remove strict eligibility requirements, and provide better information.

Child Care

Over 25% of community college students are parents or primary caregivers. The responsibility of childcare can be especially time consuming for parents with young children and single parents. The federal Child Care Means Parents in School (CCAMPIS) is a cornerstone program to support low-income students with children balance school and family responsibilities. Using

CCAMPIS funds, colleges can provide student parents financial assistance to access either on-campus or community-based childcare options. Despite recent funding increases, demand among colleges and students surpasses available funding. In addition, a 2019 GAO report found that colleges often do not provide students with enough information to access federal programs. As a result, childcare access remains a top barrier for community college students to complete their education.

Mental Health Services

Students' mental health struggles are a rising concern for community colleges. A 2016 Healthy Minds Network supported by ACCT found that less than half community college students who were experiencing mental needs were receiving supportive services. Historically, due to financial constraints, community colleges have faced challenges offering on-campus mental health supports and making referrals to community-based providers. Furthermore, little research has been conducted to fully understand the scope of community college students' mental health needs. During the COVID-19 pandemic, mental health needs are growing as many students experience personal and family physical health concerns, deaths, job losses, and racial injustices.

Connection Basic Needs Services with Workforce Education and Training

During the COVID-19 pandemic and resulting recession, community colleges have a key opportunity to align their strategies for workforce development and support students' basic needs. Many low-income students who seek to gain education and skills for new jobs or to advance their careers also face challenges to pay for necessities. The SNAP E&T program provides benefits for eligible community college students to access workforce education and training and receive supportive services, including academic and career counseling, childcare, and referrals to community-based organizations.

Talking points:

- Federal financial aid programs for low-income students, such as the Pell Grant, fall short of covering students' full cost of attending college, due to the high price of basic necessities such as food, housing, transportation, childcare, and medical expenses. Therefore, the federal government must expand basic needs services to ensure students are not deterred from pursuing their education.
- ACCT and AACC endorsed the BASIC ACT, introduced by the House and Senate, which instructs the U.S. Dept. of Education to provide grants for students' basic needs.
- Congress must invest in and permanently expand eligibility for college students to participate in existing federal programs including CCAMPIS, SNAP food assistance, and SNAP Employment and Training.
- Addressing mental health is a growing concern for community colleges and their students. The federal government should direct funding to allow community colleges better provide on-campus supportive services or refer students to community-based providers.

IMPROVE TAX BENEFITS FOR LOW-INCOME STUDENTS

Focus Student Tax Policy on Those Who Can Benefit Most

For community colleges, one of the setbacks of the “Build Back Better” Act’s derailment concerned the “Tax Free Pell Grant Act,” which had been included in both the House-passed and Senate Finance Committee versions of the bill. This legislation would make two key tax policy changes benefitting community college students. (The changes were limited to four years in the BBB legislation due to fiscal and political considerations.) First, it would have made any portions of a Pell Grant award that are used for non-tuition and required fees non-taxable. Second, the legislation would have altered the American Opportunity Tax Credit (AOTC) so that Pell Grant amounts would not be subtracted from a student’s eligible expenses. This would have dramatically increased community college student the AOTC, which provides up to \$2,500 for four years of undergraduate study.

At this time, it is not clear which, if any, of the tax provisions in the Build Back Better Act will be advanced by Democrats in 2022. In any case, however, community colleges will continue to press Congress to enact the “Tax-Free Pell Grant Act,” (H.R. 4197, S. 2455) as part of community colleges’ agenda of making the tax code of greater benefit to students of more limited financial means.

AACC and ACCT’s tax positions, which include strong support of the ‘Tax Free Pell Grant Act,’ are outlined below.

End the Taxation of Pell Grants to Help Needy Community College Students

Making Pell Grants non-taxable is a top community college priority because taxing financial support targeted on financially needy college students undermines the program’s basic purpose. It is past time to rectify this draconian and illogical policy.

The taxation of Pell Grants comes from their being classified as “scholarships” under Section 117 of the IRS code. In this framework, “scholarships” any amounts used to pay for expenses other than tuition, fees, and certain limited expenses such as books are subject to taxation. Taxing cash grants provided for low-income students was probably not intended by the creators of the Pell Grant program, but rather came about because of the tax code’s pre-existing definitions. Nevertheless, this policy has a sharply negative impact on the lowest income community college students, who usually are the only students in higher education whose Pell Grants exceed their tuitions, and thus must pay taxes on a portion of them. However, the grant amounts that are taxed are as much as part of student costs as tuition.

For these reasons, community colleges strongly support making the entire Pell Grant non-taxable. Although precise figures on the impact of this policy are not available, it appears likely than more than 600,000 community college students have at least some portion of their Pell Grant subject to taxation.

Change the AOTC Formula to Allow Community College Pell Grant Recipients to Qualify for the Credit

The AOTC provides a maximum tax credit of \$2,500 a year to college students and their parents. It pays for “qualified tuition and related expenses” (or QTRE, which includes tuition, required fees, and course materials) for four years. The AOTC covers 100 percent of the first \$2,000 of QTRE and 25 percent of the next \$2,000. Current Title IV award rules require that Pell Grant funds be first credited towards tuition balances, with the program serving as the “building block” of all financial aid. Under this configuration, however, these community college Pell Grant recipients almost uniformly become ineligible for the AOTC because their grants generally exceed their eligible expenses under the AOTC. This contorted policy, which denies support to students who by definition are the neediest, results from a lack of coordination between Title IV and the tax code.

Community colleges strongly support the provision in the “Tax-Free Pell Grant Act” that allows community college students to and other low-income students attending low-tuition institutions to receive both a Pell Grant and an AOTC tax credit. The AOTC is currently awarded to individuals and families with incomes reaching \$180,000. It is beyond inequitable that community college Pell Grant recipients, who have large amounts of unmet need, do not receive this same support. More importantly, it undermines student success.

Restructure the Lifetime Learning Tax Credit

Finally, the Lifetime Learning Tax Credit (LLC) needs to be altered to better incentivize skills upgrades. The LLC is available to students do not qualify for the AOTC, which is available to undergraduate students enrolled half-time for more. The Lifetime credit primarily benefits part-time, non-credit, and post-baccalaureate students, all of whom qualify.

Unfortunately for community college students, the \$2,000 tax credit covers just 20% of a student’s tuition and fees, meaning that they must spend \$10,000 or more to receive the full credit. This means that LLC provides the bulk of its benefit to those attending the costliest programs in higher education, particularly graduate and professional students. Those attending low-cost community colleges, especially those focusing on skills upgrades, get very little benefit, which is ironic given that the credit (as reflected in its name) was designed to assist these very individuals.

Therefore, community colleges propose that the LLC be modified to cover 100% of a student’s first \$2,000 of qualified tuition and fees. This will focus assistance where it is needed most – on individuals intending to increase intent on increasing their economic prospects. Consideration should be given to applying this increased assistance on students enrolled in workforce-oriented programs, rather than all those for which students currently qualify for the LLC.