

AACC PRE-CONVENTION FEDERAL LEGISLATIVE UPDATE

March 31, 2016

David Baime

Senior Vice President of Government Relations and Policy Analysis

Jim Hermes

Associate Vice President of Government Relations



Topics

- FY 2017 Funding
- The Pell Grant Program
- Higher Education Act (HEA) Reauthorization
- America's College Promise
- Perkins Act Reauthorization
- Educational Tax Credits
- Equal Treatment of Public Servants Act
- FLSA Overtime Rules
- Borrower Defense Negotiated Rulemaking



FY 20 17 Federal Funding

- Bipartisan Budget Act Provides \$30 Billion Increase Over Sequester Level Caps
 - (15/ 15 split).
- Relatively Flat Funding from FY 16 to 17
- “Must-Do ’s” Total About \$7 Billion
 - Reduces available funding for everything else.



FY 2017 Federal Funding

- House or Senate Budget Resolutions Unlikely
 - House Freedom Caucus and others want to spend less than agreed to in BBA.
 - Most proposals call to reduce mandatory spending in lieu of discretionary reductions.
 - Appropriations will move forward after “deeming” resolution or other process.



FY 20 17 Federal Funding

- Leaders Pledged to Finish Appropriations Bills in Regular Order
 - Not likely outcome because of various obstacles and shortened legislative year.
 - Leading appropriators have suggested this is not likely.
- Year-End Omnibus More Likely Result
 - Elections outcome will be significant factor.



Highlights of Obama FY 17 Budget

- Most Discretionary Programs Level Funded (More or Less)
 - Increases to authorized levels for WIOA Title I programs.
- Bigger Proposals on Mandatory Side of Budget
 - America's College Promise
 - Apprenticeship Training Fund
 - American Talent Compact



Highlights of Obama FY 17 Budget

- Pell Grant Proposals
 - Pell for Accelerated Completion (Year-Round Pell)
 - On-Track Pell Bonus
 - Additional \$300 for taking 15 or more credit hours per semester.
 - Continue indexing grant to inflation.
 - Second Chance Pell (Pell Grants for prisoners).



Highlights of Obama FY 17 Budget

- Community College Partnership Tax Credit
 - \$500 million per year for 5 years.
 - Companies must contribute in some way to community college program (equipment, instructors, curriculum design, etc.).
 - Companies then eligible for \$5,000 tax credit per employee for every program graduate they hire.
 - AACC supportive.



FY 17 Federal Funding – AACC Positions

- Fund Priority Programs at FY 16 Levels Plus Inflation
- Priority Programs Include:
 - Perkins CTE Act
 - Adult Basic Education (restore remainder of sequester cut)
 - WIOA
 - HEA Title III-A and Title V, Other MSI Programs
 - NSF ATE Program
 - TRIO, GEAR-UP



Pell Grants

- Maximum Grant for AY 2016-17 is \$5,815
 - Lower than originally projected because of low inflation.
- Program is in Temporary “Surplus”
 - Declining program costs have extended surplus.
 - Currently estimated to return to shortfall in FY 26 (if appropriations remain steady).
 - Declining program costs have pushed this point further back.
- Recent Progress in Eligibility for ATB Students
 - FY 16 bill makes new ATB students eligible for full Pell Grant, broadens definition of “career pathway.”



Pell Grants – AACC Positions

- Level or Increased Funding for Pell Grant Program
 - If resources sufficient, utilize surplus funds to reinstate Year-Round Pell.
- Reinstate Eligibility for All ATB Students
- Extend Lifetime Limit to 14 Semesters
- Allow Access for Students in Short Term Workforce Programs
 - 2% of institution's previous year's Pell allocation provided as discrete pot of funds.
 - Institutional flexibility on program allocation.



HEA Reauthorization

- Reauthorization Will Not Be Completed This Year
- No New Money is Operating Assumption
- Much Senate Activity in 114th Congress
 - Three white papers circulated: data/ transparency; accreditation; risk sharing; AACCC and ACCT filed responses.
 - 4 bipartisan Senate HELP Committee working groups: affordability, accountability, accreditation, sexual assault.
 - Likely will propose large structural changes to statute.
 - No bill yet, parties' top-line priorities perhaps growing wider apart (deregulation versus more spending).
- House Also Working Behind the Scenes
 - Legislation likely to emerge in piecemeal form (20 14-passed bills have been reintroduced).



AACC HEA Positions--Loans

- Allow Colleges to Reduce Loan Amounts for Defined Categories of Students
- Establish Separate Limit on AA Borrowing
- Link Loan Eligibility to Enrollment Intensity
- Raise “Participation Rate Index” for Colleges in Default Jeopardy
- Create Student Default Risk Index (SDRI)
- More Frequent and Relevant Counseling



AACC HEA Positions— Measurement/ Graduation Rates

- 300% of “Normal Time” (Six Year) Plus Transfers-Out Should be Official CC Graduation Rate
 - More accurate picture of CC student success.
 - Same period used in VFA and SAM.
- Create a Federal Unit-Record Data System
 - Better track enrollment, completion and earnings.
 - Generate earnings data similar to Gainful Employment framework.



AACC HEA Positions – Risk Sharing

- Oppose New Financial Penalties on Institutions Tied to Loan Defaults or Repayment Rates
 - Various proposals would significantly penalize community colleges.
 - Senate focus of action. Precise objectives unclear.
 - Could result in higher tuition and/ or fewer services.
 - Possible withdrawal from federal loan program altogether.
- Alternatives to Reduce Loan Defaults and Increase Repayment Include:
 - AACC recommendations listed on previous slide.
 - Improved servicing, repayment simplification, ED administration.



OTHER HEA ISSUES

- AACC HEA Positions Call For:
 - State Maintenance-of-Effort (included in Promise Act).
 - Streamlining federal oversight of accreditation.
 - Demonstration program to further explore use of competency-based models.
 - Simplified Return of Title IV provisions.



HEA Reauthorization—Progress

- “Prior-Prior Year” Being Implemented by Administration
- Year-Round Pell Grant Looking Good
- Institutional Loan Discretion Getting Traction
- Interest in Pell Grant Eligibility for Short-Term Programs
- Prorating Loans to Enrollment Intensity Has Support
- New Metrics for Institutional Loan Performance Have Promise
- Loan Servicing Area of Focus
- Focus on Enhanced State Role, Especially in Senate
- Deregulation Effort has Real Momentum and Heft



America's College Promise

- Support the America's College Promise Act (S. 1716, H.R. 2962)
 - Provides tuition-free access to “responsible” students in articulated degree programs and targeted workforce development programs.
 - Modeled on President Obama’s proposal and state and local efforts.
 - Could benefit up to 9 million students annually.
 - Average \$3,800 benefit for full-time students.
 - Federal legislation as introduced is a long shot.
 - State and local progress impressive.



Perkins Act Reauthorization

- Senate Staff Working to Produce Draft Bill
 - Bipartisan effort, though some sticking points between parties.
 - Draft legislation expected to be circulated soon.
 - House reportedly on board with Senate direction.
- Time Running Short to Complete Reauthorization This Year, Though Still Possible



Perkins Act Reauthorization--AACCC

- Maintain Program Flexibility
- Require Recipients to Show How They Are Serving Business and Industry
 - Working directly with local/ regional businesses.
 - Using labor market information to inform development, modification of programs.
- Streamline Performance Indicators and Align Them With Other Accountability Measures
 - Particularly relevant measures recently established in Workforce Innovation and Opportunity Act.
- Preserve Ability to Support Programs Designed for Adult Students
- Create New Title II that Supports Capacity Building at Community Colleges
 - Similar in nature to CBTG, TAACCCT, and the proposed Community College to Career Fund.
 - Administration has proposed American Technical Training Fund.



Student Tax Provisions

- AOTC Made Permanent in 2015 Tax Extenders Bill
 - Major victory for community college students.
 - Action not “paid for.”
- Pell Grant Penalty on AOTC Eligibility Should Be Eliminated
 - Provisions that reduce AOTC eligibility because of Pell Grant aid received were not addressed in tax bill.
- Student Tax Credits and Deductions Should Be Streamlined and Better Targeted to Needier Students
 - Incentives overly complicated and lead to misfilings.
 - AOTC refundability should be enhanced.



Equal Treatment of Public Servants Act

- Replaces Windfall Elimination Provision That Reduces Social Security Benefits for Public Employees in Some States
 - New calculation for treatment of non-covered earnings in determining Social Security benefits.



FLSA Overtime Rules

- Big Jump in Salary Threshold to Determine Whether Employee is Entitled to Overtime
 - To > \$50,000 (13% increase from current level).
 - Could impose large financial burdens and administrative complications on institutions.
 - Final rules expected later this year.
 - AACCC has submitted comments; overwhelming public response may have some impact on final rules.



Borrower Defenses Neg Reg

- Negotiated Rulemaking on Borrower Defenses to Repaying Federal Student Loans Has Concluded
 - Not surprisingly, no consensus reached on the draft regulations.
 - ED is free to write the proposed rule, with final rule expected by November 1.



Borrower Defenses Neg Reg

- ED Proposals
 - Relief from FFEL and Perkins Loans in addition to Federal Direct Loans.
 - College repayment rate calculation and disclosure.
 - Colleges that fail to meet a zero percent threshold for their repayment rates 5 years after a cohort enters repayment would be required to disclose this information to all current and prospective students.
- Other Concerns
 - Limits on mandatory arbitration clauses.
 - Financial responsibilities.



Keep in Touch!

David Baime

dbaime@ aacc.nche.edu

Jim Hermes

jhermes@ aacc.nche.edu

Laurie Quarles

lquarles@ aacc.nche.edu

Jolanta Juskiewicz

jjuskiewicz@ aacc.nche.edu

www.aacc.nche.edu/Advocacy/Pages/default.aspx

