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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 2017 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 2017 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.
• Reinstatet 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; AACC 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 (2014-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--AACC

• 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 CBJTG, 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
FLSA Overtime Rules

• Big Jump in Salary Threshold to Determine Whether Employee is Entitled to Overtime
  • To > $50,000 (113% increase from current level).
  • Could impose large financial burdens and administrative complications on institutions.
  • Final rules expected later this year.
  • AACC 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!

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