AACC Legislative Update

- Election Analysis
- Fiscal Cliff
- FY 2013 Appropriations
- Affordable Care Act / Adjunct Faculty
- Veterans Legislation
- 2013 Big Ticket Items
  - HEA Reauthorization
  - Workforce Legislation
  - FY 2014 Funding
113th Congress

- Democrats Make Modest Gains in House and Senate
    - Result much different than predicted earlier.
    - New Democrats more liberal than those they replaced.
    - Dems pick up 8 seats.
    - 83 new House members.

- Congressional Leadership Remains Largely the Same
113th Congress

• Some Leadership Changes in Important Committees
  – New House Appropriations Committee ranking member and new House Labor-HHS-Education Appropriations subcommittee chair.
  – New Senate Budget Committee chair (Murray).
  – New ranking member for Senate HELP committee (Alexander).
Executive Branch

• Top Leadership at ED and DOL Expected to Remain
  – Some posts, including Asst. Sec. for Postsecondary Ed., need to be filled.

• Key White House Higher Education Staffer Zakiya Smith has Departed
The Fiscal Cliff

Components of the Cliff

- Expiration at end of year of Bush income tax cuts and many other tax and spending provisions.
- Sequestration scheduled to occur on January 2.

Going Over Cliff Could Push Economy Back Into Recession
The Fiscal Cliff

• Growing Optimism That Deal Can Be Reached, But Much to be Done
  – Republicans more open to raising tax revenue but still differ with President Obama over rates.
  – Bipartisan agreement that sequestration must be avoided.
  – Entitlement reforms also remain a sticking point and have received little public attention.
The Fiscal Cliff

- Possible package of “down payments” to get over the immediate crisis, followed by further spending reductions, tax reforms.

- Community colleges must be wary of specific cuts that could be included in any deal, including to TAACCCT program.
  - No specific threat for now, but program has been targeted previously.
Education Tax Provisions

• American Opportunity Tax Credit (AOTC) Expires at End of Year
  – Functions more effectively for community college students than the Hope tax credit.
    • Better formula, course materials included, 40% refundable.

• Extending AOTC is Top AACC Priority
  – Extension costs about $11 billion per year.
Other Tax Issues

• Republicans and Democrats Alike Looking at Deduction Limitation as Means of Raising Tax Revenue
  – Dems favor limiting deduction rate to 28% for top earners, Reps lean toward deduction cap.
  – Could have negative impact on charitable giving, including college foundations.
  – AACC has written to Congress to warn of potential impact.
Sequestration

• Sequestration: Across-the-Board Cut of 8.2% (OMB estimate) to Domestic Programs on January 2, 2013

  – Pell Grants (for one year only) and many entitlement programs exempt.
  – Huge blow to education and workforce training programs that impact AACC member colleges.
FY 2013 Funding

- Federal Government Operating Under Continuing Resolution that Expires March 27
- House and Senate Appropriators Working to Craft Omnibus Appropriations Bill For Consideration During Lame Duck Session
  - Not clear if Congressional leadership would take up a bill even if it is written.
FY 2013 Labor, HHS, ED Appropriations

- Legislation Passed by Senate Appropriations Committee (6/14) and House Subcommittee (7/18)
- House Provides $7 Billion Less Than Senate
  - Large reductions from “Obamacare” and other politically-charged programs allowed numerous programs to receive level funding.
- Reconciliation of Bills Not Likely Until 2013
FY 2013 Appropriations

• Bills Level-Fund Several Key Education and Labor Programs
  
  – Pell Grant maximum award will increase to $5,635 (due to $85 mandatory-funded increase).

  – Some program-level data not yet available for House bill.
<table>
<thead>
<tr>
<th>Program</th>
<th>FY 12</th>
<th>FY 13 Senate</th>
<th>FY 13 House</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pell Grants Max.</td>
<td>$5,550</td>
<td>$5,635</td>
<td>$5,635</td>
</tr>
<tr>
<td>Perkins CTE State Grants</td>
<td>$1,123,030,000</td>
<td>$1,123,030,000</td>
<td>$1,123,030,000*</td>
</tr>
<tr>
<td>Adult Ed. State Grants</td>
<td>$594,993,000</td>
<td>$594,993,000</td>
<td>$594,993,000*</td>
</tr>
<tr>
<td>Title III-A Strengthening Insts.</td>
<td>$80,623,000</td>
<td>$80,623,000</td>
<td>TBD</td>
</tr>
<tr>
<td>Title V HSIs</td>
<td>$100,432,000</td>
<td>$100,432,000</td>
<td>TBD</td>
</tr>
<tr>
<td>TRIO</td>
<td>$839,392,000</td>
<td>$839,392,000</td>
<td>TBD</td>
</tr>
<tr>
<td>DOL State Formula Programs</td>
<td>$2.63 billion</td>
<td>$2.6 billion</td>
<td>$2.6 billion</td>
</tr>
</tbody>
</table>
FY 2013 Appropriations

Key Differences Between House and Senate Labor, HHS, ED Appropriations:

- Senate: Partial restoration of Title IV eligibility for ATB students in career pathway programs.
- Senate: Elimination of living and other expenses for Pell Grants for 100% online students.
- Community colleges need to vigorously support the first and strongly oppose the second items.
Pell Grant Program

• For FY 2013, Program Finances are in Good Shape—i.e., “No Shortfall”
• For FY 2014, Large Program Deficit Returns (~$6 Billion)
  – Exact size depends on legislative actions and enrollment behavior/broader economy.
    • Program costs declined $2.2 billion from 10-11 to 11-12.
    • Cost decrease largely driven by decline in for-profit enrollments.
Pell Grant Program

• FY 2014 Cycle Will Likely Focus on Trimming Program Costs Through Eligibility Changes; Community College Students Remain Vulnerable
Affordable Care Act/Adjunct Faculty

• ACA Requires Larger Employers (Which Includes CCs) to Offer Health Insurance to Employees that Work More Than 30 Hour per Week, or Possibly Pay Penalty
  – Potential for large impact on community colleges – treatment of adjuncts not clear at this point.
  – AACC is actively working issue.
  – Please stay tuned.
Veterans Legislation

• New Consensus Emerging Among Higher Ed and Veterans Groups to Support H.R. 4057
  – Sponsored by Rep. Bilirakis (R-FL), legislation takes much less prescriptive approach to providing veterans with the information they need to make sound educational decisions.
  – Though imperfect, bill is preferable to much more burdensome Senate legislation.
  – Supporters will try to pass bill this year.
HEA Reauthorization

• Activity to Begin in 2013 Though Enactment Not Likely Until 2014 at Earliest

• Not a “Status Quo” Reauthorization
  – Will focus on college costs, efficiency, outcomes, etc., which the HEA does not directly address.
  – Pell eligibility, IPEDS reporting, regulatory burden, program simplification, for-profit institutions are likely issues.
WIA and Perkins Reauthorizations

• WIA Remains on Congressional Agenda
  – House Education and Workforce committee passed bill earlier this year and wants to act quickly in 2013 (ESEA, Perkins, etc., also on docket).

• Perkins CTE Act Due for Reauthorization
  – Obama victory means that ED’s “Blueprint” will be part of debate.
Dept. of Education Perkins Act Blueprint

- Released in April – First Major Action in Perkins Reauthorization
- High Priority for Obama Administration
- Executive Branch Often Seeks Redesign of Existing Program
ED Perkins Blueprint

• Proposals Divided into Four Major Categories

  – Alignment
    • CTE defined to span secondary and postsecondary.
    • Increased alignment with industry needs – states to identify key sectors.

  – Collaboration
    • Competitive funding within states exclusively to consortia of LEAs, postsecondary institutions (and others).
    • State-level private sector match requirement.
ED Perkins Blueprint

- Accountability
  - National definitions for participation and performance measures.
  - Eventual use of performance-based funding.

- Innovation
  - States need to show willingness to transform CTE system to receive funds.
  - National-level CTE Innovation and Transformation Fund.
AACC Membership Actions Needed

• FY 2013 Labor, HHS, Education Appropriations:
  – Adopt Senate language on Ability-to-Benefit students enrolled in career pathways programs.
  – Reject Senate language limiting Pell Grant budgets for 100% online students.

• Extend American Opportunity Tax Credit
  --Benefits More Than 10 Million College Students.

• Preserve the TAACCCT Program
Contact Information

• David Baime
  – 202-416-4500, dbaime@aacc.nche.edu

• Jim Hermes
  – 202-416-4501, jhermes@aacc.nche.edu

• Laurie Quarles
  – 202-416-4503, lquarles@aacc.nche.edu