



October 2011 Federal Update

Members of Congress continue to struggle with how to best cut spending and reduce the deficit, while investing in job creation and effective strategies for stimulating the economy. In the midst of deeply partisan battles over proposed budget cuts to education, labor, and other programs designed to help the poor, the community colleges continue to be in the mix of issues being considered by the President and Congress as part of the solution to our nation's economic recovery.

The Chancellor's Office continues to monitor issues on Capitol Hill that impact California Community Colleges: Proposals issued by President Obama, actions by Congressional Appropriations Committees, Federal Grant awards to community colleges, and the latest actions on Workforce Investment Act and Gainful Employment regulations.

President's Plan for Economic Growth and Deficit Reduction and the American Jobs Act

Plan for Economic Growth and Deficit Reduction

On September 19, 2011, the President released his plan for Economic Growth and Deficit Reduction. The proposal is a detailed plan of spending reductions and revenue raisers that purports to produce a net savings of more than \$3 trillion over 10 years. Included in this plan is \$1.5 trillion in new taxes, including the following measures: repealing Bush-era tax cuts for couples making over \$250,000; closing certain corporate tax loopholes; and raising taxes on specified millionaires. Savings from this plan would help pay for the President's proposed American Jobs Act, including \$5 billion in modernization funds for community colleges. Additionally, the President's plan seeks to shore up the discretionary funding to the Pell Grant program by providing \$50 billion over the next decade to retain the current maximum award of \$5,500. The plan has been presented to the Joint Committee on Deficit Reduction for consideration.

The American Jobs Act

The President's *American Jobs Act*, a plan designed to reinvigorate the economy, includes nearly \$450 billion for investments in education. The plan includes \$25 billion for K-12 school construction, \$5 billion for community college renovations, and \$30 billion to avert teacher layoffs and spur hiring at schools. The *American Jobs Act* is comprised of four main proposals that included rendering tax relief on small businesses, infrastructure investment (nearly a quarter of the Act's funds would go toward that effort), an aggressive strategy to tackle long-term unemployment, and tax relief to workers achieved in part by extending payroll tax cuts.

The plan faces an uphill battle. On October 12, 2011, the Senate took on an amended version of the plan supported by Senator Reid. The bill fell short by a vote of 50-49 in what was billed a "test" procedural vote in the Senate. It was the first major setback to the legislation since its introduction. The bill met with stiff Republican opposition and some concerns by Democrats regarding the bill's proposal to

impose a 5.6 percent surcharge tax on Americans making \$1 million or more to help offset the cost of the \$447 billion plan.

After the jobs bill was blocked in the Senate last week, the President took a new tact and has begun slicing the legislation into parts to stage a series of votes in Congress designed to apply pressure on members to support the measures.

- Senator Sherrod Brown (D-OH) and Congresswoman Rosa DeLauro (D-CT) have each introduced bills which would include the \$5 billion for community college modernization funding along with K-12 construction funds.
- U.S. Senator Bob Casey joined Senators Harry Reid and Bob Menendez to introduce the *Teachers and First Responders Back to Work Act*. The bill would support the hiring, rehiring, and retention of career law enforcement officers and first responders. The bill will also save or create nearly 400,000 education jobs. According to a recent Fact Sheet issued by the Office of U.S. Senate Democrats key provisions of the bill include:
 - **\$30 Billion To Create or Protect Nearly 400,000 Education Jobs Through Critical Investments in Education.** Specifically, the bill invests \$30 billion to support state and local efforts to retain, rehire, and hire early childhood, elementary, and secondary educators. Approximately 300,000 education jobs have been lost since 2008, and state and local budget crises will put as many as 280,000 teacher jobs at risk next year. The Senate bill will more than offset projected layoffs, providing support for nearly 400,000 education jobs.
 - **\$5 Billion to Keep Thousands of Police and Firefighters on the Job.** State and local budget cuts have forced thousands of cops and firefighters join the ranks of the unemployment. The Senate bill will create or save thousands of first responder jobs across the nation through competitive grants to states and localities.
 - **Asking Millionaires to Pay Their Fair Share Without Adding a Dime to the Deficit.** In order to create or save hundreds of thousands of teacher and first responder jobs, the Senate bill imposes 0.5% surtax on modified adjusted gross income in excess of \$1 million for both single filers and married couples filing jointly. The surtax is effective for taxable years beginning after December 31, 2012.

Although the Senate is moving separate bills, the House is less committed to moving forward with even parts of the package.

Continuing Resolution Passed To Fund Federal Government until November 18, 2011

Fiscal Year (FY) 2011-2012 began without a long-term spending agreement in place and a Congress mired in gridlock over short-term continuing resolutions to fund the federal government. On September 29, 2011, the U.S. House of Representatives passed a stopgap funding measure by unanimous consent to continue funding for the federal government until October 4, 2011. The five-day extension gave the House additional time to negotiate further cuts as a condition to passing a continuing resolution to keep the federal government open. On October 4, 2011 the House and Senate approved another continuing resolution in favor of the Senate version by a vote of 352 to 66 that cuts discretionary spending by 1.503% in order to stay under spending caps set by the Budget Control Act. The Budget Control Act of

2011 preserved Pell Grant awards at \$5,500, and funded the program at \$10 billion in FY 2012 and \$7 billion in FY 2013. The Act also provided \$17 billion in supplemental funding to address the Pell Grant shortfall-- \$11 billion in FY 2012 and \$10 billion in FY 2013.

"Super Committee" Update

As part of the Budget Control Act of 2011, a Joint Select Committee on Deficit Reduction, also known as the "Super Committee," was selected to develop a proposal to reduce overall government spending by \$1.5 trillion over the next decade. The Super Committee has until November 23, 2011 to develop its proposal. If the plan is approved by at least seven members it proceeds to the House and Senate for consideration, where it must be voted on by December 23, 2011. Congressman Xavier Becerra is the only California representative on the committee.

The super committee continues to meet in closed door sessions. Thus far no details have emerged regarding actions by the committee, and there is no indication committee members have broken through the impasse over ending certain tax breaks. If Congress does not approve at least \$1.2 trillion in savings, an automatic reduction in spending known as *sequestration** will occur on January 2, 2013. The

mandatory portion of the Pell Grant program is exempt from cuts under for 2013, but the discretionary portion of the program would be subject to cuts starting in 2014. This is significant because the majority of Pell Grant fiscal resources fall under the discretionary category. The mandatory portion of the program only specifies increases in the maximum Pell Grant award. It's important to note the "super committee" has no restrictions and can cut funding to the program or change the eligibility requirements for FY 2012 and FY 2013.

Actions Taken by Congressional Appropriations Committees

House Actions

On September 29, 2011 the House Labor, Health and Human Services, Education and Related Agencies Appropriations Subcommittee released their draft FY 2012 appropriations bill. In total, the draft bill includes \$153.4 billion in discretionary funding, which is \$4 billion below the 2011 enacted level and \$27.5 billion below the President's budget request. The bill maintains the maximum funding level for the Pell Grants, but makes significant eligibility changes to the program that disproportionately hit community college students, many of whom attend college part-time. These changes include:

- elimination of eligibility for less than half-time students;
- reduction to the maximum full-time semesters from 18 down to 12;
- lowering from \$30,000 to \$15,000 the income level that results in an expected family contribution of 0; and
- increases to the income calculation and income protection allowance.

In addition, the following provisions in the bill would affect other education programs to note:

- Career, Technical and Adult Education programs would be reduced by \$2 million, bringing the funding level to \$1.123 billion

****Sequestration: The withholding or cancellation of funds pursuant to the Gramm-Rudman-Hollings Act. Sequestered funds are permanently canceled.***

- Federal Supplemental Educational Opportunity Grants and Federal Work Study would be level funded at \$736 million and \$978.5 million.
- TRIO and GEAR UP would be level funded at \$826 million and \$303 million.

The bill also cuts the Department of Labor (DOL) budget by reducing funding to funding for job training programs including the elimination of \$125 million for the Workforce Innovation Fund. The bill makes significant changes to DOL programs over 2011 enacted levels and include:

- Workforce Innovation Fund is proposed to be eliminated - \$125 million.
- WIA Adult Training would receive a \$563 million net reduction.
- WIA Dislocated Worker Assistance sees a proposed *rescission** in the agreed upon 2011 advanced funding level, and 2012 level that nets a 90% cut or \$962 million reduction.
- WIA Youth Training would be reduced by 50% or \$412 million.

Additionally, the bill prohibits use of funds to implement Gainful Employment and State Authorization regulations. The bill is not expected to be marked up by the Appropriations Committee, but these funding levels may be seen in a House omnibus bill later this fall.

Senate Actions

On September 22, 2011, the Senate Appropriations Subcommittee on Labor, Health and Human Services, and Education approved a FY 2012 bill that provides \$158 billion in current year discretionary funding, including offsets and cap adjustments, for a range of programs. The bill was reported out by a party line vote of 16-14. These funds support programs that help train American workers, provide the Nation's youth with the skills they need to succeed, target fraud and abuse, and incentivize states and local communities to reform their health, workforce and education systems.

The bill reflects the new funding caps set forth by the debt limit deal and reduces funding from the FY 2011 final enacted numbers by \$308 million. The bill provides discretionary program level funding of \$12.69 billion for the Department of Labor and \$68.43 billion for the Department of Education. The comparable FY 2011 levels were \$12.66 billion for Labor and \$68.35 billion for Education. Highlights of the Senate bill include:

- Level funding for the Perkins Career and Technical Education (CTE) Act. Maintaining current funding levels is viewed as a significant within the CTE community;
- Elimination of the in-school interest subsidy for undergraduate students during the six-month grace period after college. \$2.34 billion in mandatory savings is generated over five years, of which \$1.2 billion will be provided to fill the FY 2012 Pell Grant shortfall. For FY 2013, however, there will be a Pell Grant shortfall.
- Despite a \$1.3 billion shortfall in discretionary spending for the Pell Grant program, the maximum award was maintained at \$5,550 with no changes to eligibility.

****Rescission:*** A statutory midyear reduction/cancellation in previously appropriated funds. A presidential rescission request is sent to Congress, specifying the amount of the cut and estimating the impact. Congress then has 45 days to pass a bill allowing the cut in spending, and if no bill is passed, the rescission request is considered refused.

- \$100 million is provided for the proposed Workforce Innovation Fund – a competitive grant designed to reward best practices for consortia that retrain and rapidly re-employ workers.

It is not known when the bill will go to the Senate floor. Congress is maneuvering to corral the remaining appropriations bills and move an omnibus appropriations bill later this fall. When both chambers approve their respective appropriations bills, leaders from the House and Senate will negotiate on a compromise bill.

Gainful Employment Regulations

The next phase of implementation for the new regulations requires reporting to the U.S. Department of Education detailed information on enrollment data for gainful employment programs. Chancellor's Office staff continue to work closely with the campuses to centrally gather as much of the data as possible to meet this deadline.

On September 27th the U.S. Department of Education announced they intend to ease requirements in the approval process to start a new occupational program. The new rule requires an institution to apply to the Department only if it plans to start a program similar to a failed program or a currently failing program. The previous requirement was intended to be temporary to avoid the possibility of institutions opening new programs before the Gainful Employment regulations became effective in July 2013.

Workforce Investment Act (WIA) Reauthorization

As part of the American Recovery and Reinvestment Act of 2009, Congress made substantial new investments in WIA. As Congress evaluates WIA reauthorization for 2012 many in the CTE community hope it will be an opportunity to improve upon the WIA program, and ensure our nation's workers receive the services and supports they need to go back to work and begin rebuilding our economy. On June 9, 2011, the U.S. Senate released a discussion draft of Title I of the proposed WIA reauthorization for stakeholder comment, and a few days later Titles II – IV were released for comment. So far there has been no further progress on WIA. The Senate did not introduce their bill, nor is there a WIA bill in the House of Representatives and it doesn't appear one is forthcoming. Several committee members in the recently renamed House Education and Workforce Committee raised concerns that WIA is duplicative and ineffective during several hearings that were held on workforce training issues. The Chancellor's Office will continue to monitor this issue.

Federal Grant Funding for Community Colleges

Trade Adjustment Assistance Community College and Career Training Grant (TAACCCTG) Program

On October 12, 2011, Congress passed three long-awaited free trade agreements in tandem with three pending free trade bills with Columbia, Panama and South Korea. On September 26, 2011, the U.S. Department of Labor officially announced the first round of awardees under the TAACCCTG program. Nearly \$500 million in grants were awarded to community colleges around the country to help economically dislocated workers who are changing careers. The \$500 million in grants is the first round of a four-year \$2 billion program. The grants support partnerships between community colleges and employers to develop programs that provide pathways to good jobs, including building instructional programs that meet specific industry needs. The remaining \$1.5 billion will be awarded equally in fiscal years 2012, 2013, and 2014.

In California the C⁶ Consortium, a central valley consortium of twelve colleges lead by West Hills College in the City of Lemoore, was awarded \$19 million to fund a three year project to develop targeted and highly effective training and workforce development programs. The C⁶ proposal is designed to serve as a blueprint for developing and implementing credential and degree programs in conjunction with local industries to meet their needs for skilled workers.

Aid for Hispanic-Serving Institutions

The other big higher education award announced recently was a \$107.4 million from a U.S. Department of Education grant program meant to strengthen and expand educational opportunities for Latino students at Hispanic-Serving Institutions. The federal government awarded these funds to colleges and universities nationwide that have more than 25 percent Hispanic enrollments. Nearly \$37 million in Hispanic-Serving Institutions grants from the U.S. Department of Education were awarded to 34 California Community College campuses. The California Community Colleges received a third of the total available grant funding, much of it earmarked to enhance science, technology, engineering and math (STEM) components at colleges.

E-Learning Congressional Caucus

A joint effort by the WICHE Cooperative for Educational Technologies (WCET), the Southern Regional Education Board, and a Washington D.C. law firm has been successful in encouraging Congress to create a new E-Learning Caucus. The impetus for establishing the Caucus was to clear up confusion and misunderstanding about E-Learning issues. The Caucus will serve as an important resource to Congress about a wide range of issues related to distance learning and educational technologies. Two members of Congress have agreed to co-chair the Caucus -- Representative Kristi Noem (R-South Dakota) and Representative Jared Polis (D-Colorado). Both are active supporters of online education.

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