

American Association of Community Colleges

Highlights of the Conference Report to H.R. 1, “The Economic Recovery and Reinvestment Act of 2009”

The American Recovery and Reinvestment Act is historic legislation designed to improve the country’s dire economic condition. The final legislation includes spending and tax provisions with a total price tag of \$789.5 billion. That breathtaking figure is still less than the initial bills passed by the Senate (\$838 billion) and House (\$819 billion). In general, the legislation provides funds for the current and upcoming fiscal year, FYs 2009 and 2010.

Time will tell whether the bill is effective in boosting economic output, with many economists already predicting that further stimulus will be necessary. Whatever the case, the legislation contains significant support for community colleges and their students. However, some of the details of precisely how the new funds will be spent remain unclear.

Below are descriptions and analyses of the most relevant provisions of the bill for community colleges. For the full text of the legislation and the conference report, visit http://www.rules.house.gov/bills_details.aspx?NewsID=4149

Student Financial Assistance

Provisions:

- The Pell Grant maximum is increased by \$500 in each of the next two fiscal years. The maximum grant will increase to \$5,350 for the award year beginning July 1, 2009. The legislation also retires huge program shortfalls that had threatened future increases in the maximum grant. (Some of the shortfall was in the entitlement funding provided through the 2007 “College Cost Reduction and Access Act,” which currently adds \$490 to the maximum Pell Grant and will increase to \$690 in award year 2010-11.)
- Federal Work-Study funding is increased by \$200 million. FY 2008 funding is \$1.171 billion.

Analysis: The massive infusion of Pell Grant funding is a red-letter achievement of the stimulus legislation. This increase will impact almost 7 million projected recipients and bring more students into the program. The driving force for this increase is Representative David Obey (D-WI), Chairman of the House Appropriations Committee. Community college students across the country owe Rep. Obey their gratitude.

“American Opportunity Tax Credit”

Provisions: A new “American Opportunity Tax Credit” is created for the next two years, replacing the existing Hope Scholarship tax credit of \$1,800. The maximum tax credit is \$2,500, and it covers 100% of a student’s first \$2,000 of eligible expenses and 25% of the next \$2,000. The legislation phases-out, based on income, starting at \$80,000 for single filers and \$160,000 for joint filers. The credit is 40% refundable. Under refundability, if a filer’s eligibility for the credit exceeds his/her tax liability, the excess is sent to the filer by the U.S. Treasury. The credit extends eligible expenses to include “course materials;” currently, only tuition and fees are eligible expenses.

Analysis: This new albeit temporary tax credit represents major breakthroughs for AACC’s longstanding agenda in the tax arena. The addition of “course materials” to eligible expenses means that hundreds of thousands, perhaps millions, of community college students will receive substantially greater benefits than they do now through the Hope tax credit. Many students will receive a dollar-for-dollar reimbursement for their book and related course expenditures through the credit. Another positive element is that the credit’s basic eligibility formula is tilted towards lower-priced colleges (despite the wishes of some prominent legislators). Finally, the new credit’s partial refundability is a watershed, as refundability is opposed on principle by many, particularly conservative, policymakers. Despite these gains, AACC believes that more could have and should have been done to help needier students attending low-cost colleges. This includes further expanding “eligible expenses” to include all those recognized by the federal Title IV student aid programs (e.g., transportation and living expenses), increasing refundability, and lowering the income phase-outs, which are higher than those used for the Hope Scholarship and overly tilted towards the affluent.

State Fiscal Stabilization Fund

Provisions:

- The legislation provides \$53.6 billion for “state fiscal stabilization.” Funds are distributed according to formula, based on a state’s general and school-aged population. \$40.1 billion of the total is to be provided to K-12 and public institutions of higher education, also according to a formula. This formula provides public institutions with funding to bring them up to the higher of their FY 2008 or FY 2009 state funding levels. If funds are insufficient to meet all the funding targets for K-12 and public higher education, funding is to be reduced proportionately for each sector. States must meet maintenance-of-effort criteria (which can be waived) in order to qualify for funding. They also must establish longitudinal data systems as delineated in the American COMPETES Act, which includes postsecondary education. (The full implications of this latter requirement are not clear at this time.)

- At the postsecondary institutional level, stabilization funds can be used for education and general expenditures, as well as facilities modernization. Funds cannot be used for new facilities, or to increase endowments.
- States are given discretion to spend \$8.2 billion of the stabilization funding in accordance with state priorities; higher education infrastructure funding—available to private non-profit as well as public institutions—is a highlighted activity. Community colleges are encouraged to attempt to access this funding but competition for it will likely be intense.
- Also of note in terms of state funding (but not in the stabilization pot itself) is \$250 million for the development of statewide data systems that strongly emphasize, if they do not definitively mandate, the inclusion of postsecondary and workforce information.

Analysis: Community colleges are disappointed that discrete higher education infrastructure funding was excluded from the final legislation, particularly since the Senate Appropriations Committee originally targeted funding specifically for community colleges, assigning it a higher priority than other sectors. As of this writing, it is unclear how much fiscal relief the additional funding for public institutions will provide, but it should be substantial on many campuses. AACC is pleased that public institutions are designated to receive funding sufficient to bring them up to the higher of the FY 2008 or FY 2009 levels; originally FY 2008 was the sole funding target.

Department of Labor Job Training Programs

Provisions: The bill provides \$3.95 billion for training and employment services administered by the Department of Labor. This total includes substantial sums for the three Workforce Investment Act (WIA) Title I formula programs: \$1.25 billion for dislocated workers, \$500 million for adult workers and \$1.2 billion for youth programs. The bill also provides \$750 million for a competitive grant program, \$500 million of which would be for research, labor exchange and job training projects to prepare workers for jobs in industries specified by the Green Jobs Act. The remaining \$250 million would be prioritized for jobs in the health care sector.

Local workforce investment boards are authorized to enter into contracts with institutions of higher education or other eligible training providers if the local board determines that it would facilitate the training of multiple individuals for high-demand occupations. This is a longstanding AACC priority.

Analysis: For the existing WIA Title I programs, these are large cash infusions that essentially amount to an extra year of funding. The new competitive grant program, which is not yet defined but which should greatly benefit community colleges, is equal to six annual competitions in the Community-Based Job Training Grants program.

The WIB contracting provision is intended to help local areas spend these extra funds expeditiously and effectively. While the provision was broadened at the 11th hour to include training providers outside of higher education, it still represents a great opportunity for community colleges to expand training capacity on a full cost-recovery basis. Community colleges that are not already doing so should be consulting with their WIBs on possible training contracts.

Trade Adjustment Assistance (TAA)

Provisions: The TAA program, which provides support to workers and firms impacted by trade, is reauthorized and extended through 2010. The new legislation includes many aspects of legislation passed by the House last year, which greatly expands the scope of the program. Major provisions of particular interest to community colleges include:

- Eligibility for the program, previously limited to workers and firms in manufacturing, now includes the service and public sectors.
- Funds available for training programs, previously capped at \$220 million annually, have been increased to \$575 million.
- New provisions clarify that workers may use their benefits to pursue degree programs at institutions of higher education.
- A new “TAA for Communities” section is established, which includes a \$40 million competitive grant program for training programs at community colleges and other educational institutions. In addition, this section establishes a \$40 million sector partnership program for which community colleges would also be eligible.

Analysis: Congress was finally able to break the logjam that had held up TAA reauthorization for some time and include it in the Recovery Act. Community colleges had advocated for the first three provisions outlined above, while the creation of the new programs was a late-breaking development and very beneficial to institutions. The funds provided for these programs and for the increased training cap come from the mandatory side of the federal budget, and therefore are not subject to the annual appropriations process.

National Science Foundation (NSF)

Provisions: The bill provides \$100 million for the NSF’s Education and Resources directorate, to be divided among the Robert Noyce Scholarship Program (\$60 million), Math and Science Partnerships (\$25 million) and the Professional Science Master’s Programs (\$15 million).

Analysis: This distribution of NSF education funds is not ideal for community colleges, especially given the fact that the Advanced Technological Education program would be a natural fit for stimulus legislation. Still, there are some opportunities for community

colleges. The Noyce program, which provides stipends and funds for other programs for aspiring STEM teachers, has traditionally not included community colleges. However, changes to the program made in the America COMPETES Act broaden the program somewhat to include activities at the freshman and sophomore levels. Community colleges are partners in several projects funded by the Math and Science Partnerships.

Health Professions Training

Provisions: The stimulus legislation contains \$200 million to address health professions workforce shortages outside of the National Health Service Corps program. Funds may be used to provide scholarships, loan repayments, and grants to training programs for equipment.

Analysis: The statute and accompanying explanatory report are vague as to the exact amount of funding to be targeted to nurse training programs as opposed to those supporting other health professions, but AACC will work to ensure that community colleges receive support to the maximum extent possible. These efforts will be directed toward the HHS Secretary, who is required to submit an operating plan to Congress within 90 days of enactment of the legislation, detailing how funds are to be spent.