



September Federal Report 2009

Community colleges have been the focus of significant activity in Washington D.C. President Obama has announced his American Graduation Initiative with a goal of boosting the number of college graduates in the United States to outnumber any country in the world by 2020. As part of this goal, the President has announced his Community College initiative that seeks to increase the number of community college graduates by 5 million by the year 2020. This report summarizes the major initiatives and funding opportunities being considered by the Obama Administration and Congress.

Congress has just returned to Washington, D.C. to continue legislative business after a month-long summer recess. Both houses are poised to address legislation that has a major impact on community colleges nationwide, including legislation to implement the President's American Graduation Initiative. The Congress has until the end of next year to address this legislation. While health care reform continues to dominate the agenda in the nation's Capitol, expanding college educational opportunities and affordability remains a priority for lifting the country out of the recession and improving the long-term economic health and vitality of the United States.

American Graduation Initiative

The House Education and Labor Committee passed H.R. 3221, its version of President Obama's American Graduation Initiative on a 30-17 vote (two Republicans votes aye). The House should be voting on this measure soon. The following summarizes key provisions of H.R. 3221 (the Community College League of California provided much of this analysis):

General Higher Education Provisions:

- Increases Pell Grant awards from \$5,550 in 2010 to \$6,900 by 2019.
- Simplifies the Free Application for Federal Student Aid (FAFSA) form.
- Replaces Federal Guaranteed loans with direct loans.
- Increases funding to expand the Perkins Loan program from \$1 billion to \$6 billion annually.
- Establishes a College Access and Completion Innovation Fund to be awarded to states on a competitive basis. The Fund would provide \$600 million annually for 5 years.

Specific Community College Provisions to Implement the President's Community College Initiative:

- Establishes a community college facilities program to help address modernization, renovation, repair and construction needs.



CALIFORNIA COMMUNITY COLLEGES

Federal Relations Division

- Launches several new competitive grant programs:
 - Grants for Community College Reform – \$630 million annually from 2010-2013 (\$2.5 billion total)
 - Grants to eligible states for Community College Programs – \$630 million annually from 2014-2019 (\$3.78 billion total)
 - Open Online Education Grants – \$50 million annually from 2010-2019 (\$500 million total)
 - Learning and Earning Research Center – \$50 million annually from 2010-2013 (\$200 million total)

On the Senate side, the Health, Education, Labor and Pensions (HELP) Committee is drafting its own version of the American Graduation Initiative. Due to the current focus on health care reform and the recent passing of HELP Committee Chairman Senator Ted Kennedy, there have been no indications of what the bill will contain.

There is speculation, however, that there are likely to be differences in the two versions related to the student financial aid provisions. HR 3221 mandates all student loans come directly from the federal government by July 2010; this feature promises to draw an intense lobbying effort from private lenders. Per the budget resolution passed by Congress in the spring, HELP has until October 15 to report a bill.

American Recovery and Reinvestment Act (ARRA)

At this point California Community Colleges have received more than \$5 million in grants. Most of these have come from local Workforce Investment Boards and the Chancellor's Office. The grants will fund training programs in Allied Health, Green Jobs and IT. The Governor's Clean Energy Workforce Training Program will add another \$23 million statewide later this year.

Another \$200 million in Build America Bonds went to Victor Valley Community College District, West Valley Community College District, State Center Community College District and San Bernardino Community College District. Those bonds will be used for various campus improvement projects.

In the coming weeks, more federal deadlines will close and more grants will be awarded. For example the Department of Labor is closing four major grant programs that many colleges have applied for. Please see the attached matrix for more details.



ARRA Tax Credit

In addition to providing colleges with grants, ARRA contains college tax credits for students and parents. The new American Opportunity Tax Credit (AOTC) expands and replaces the Hope Credit. AOTC can be used for 4 years instead of 2 and broadens the eligible income level. The California Post Secondary Education Commission estimates that about 70% of families will be eligible for AOTC.

AOTC covers 100% of college fees while permitting all remaining funds to be applied to textbooks and other expenses. In addition, AOTC allows community college students and parents with low tax liability will receive refunds up to \$1,000.

The number of families expected to be eligible for AOTC will significantly outnumber those who were eligible for the Hope Scholarship. Colleges should make every effort to communicate this new tax credit opportunity to all students and their parents.

Race to the Top Funding

U.S. Secretary of Education Arne Duncan visited Sacramento on September 3rd and re-iterated his desire to see California make the necessary changes that will make the state eligible for the Race to the Top grant. Governor Schwarzenegger and Senator Steinberg have expressed their commitment to making those changes. A major issue is that the new eligibility requirement links teacher evaluation to student performance on standardized tests, which Secretary Duncan has stated is preventing California from being eligible. The Governor has called a special session of the Legislature to address this issue before the application process opens in October.

While much of the focus on Race to the Top has been on K-12 issues, the state's application will be an inter-segmental approach that is intended to improve links between the K-12, California Community Colleges, CSU and UC.