

## June Federal Report Update

### Administration

#### **FY2010 Budget**

The Administration released its detailed FY10 budget request on May 7.

The Office of Management and Budget has prepared a fact sheet displaying the impact of the budget proposal on each state, predicting that California will see tax cuts for 12.6 million families, \$3.7 billion for schools, \$12.6 billion in new funding for Pell Grants, and a pay raise for 227,500 enlisted military. The California fact sheet is located at [http://www.whitehouse.gov/omb/fy2010\\_factsheet\\_ca/](http://www.whitehouse.gov/omb/fy2010_factsheet_ca/).

**Education Funding:** Total discretionary budget authority for the Department of Education would increase approximately 1%, from \$45.4 billion in FY 2009 to \$46.7 billion of discretionary funding in FY 2010 – an increase of \$1.3 billion.

Federal Secretary of Education, Arne Duncan commented: “One of the goals of the budget is to assure that students have the financial aid and student loans they need not just to enter college, but to complete their college educations...we want to make sure that students are not just attending college, but graduating.”

The budget proposal impacts community colleges in the following:

- **Pell Grants:** Increases the maximum Pell Grant award to \$5,550 (\$200 over the 2009 level); indexes the maximum Pell Grant to grow faster than inflation in future years (links maximum grant to consumer price index, plus one percent annually) and converts Pell Grant funding to mandatory status. This is paid for through a savings of \$21 billion over five years by making all new higher education student loans through the Direct Loan program and saving \$3.2 billion over five years by restructuring and expanding the Federal Perkins Loans program to serve five times as many students. Approximately 300,000 students in the CCC would be impacted by this proposal.
- **Direct Lending:** Provides for 100% institutional participation in Direct Lending (DL), thereby ending the Federal Family Education Loans (FFELP), which currently originates approximately 75 percent of student loans in the U.S. As noted, these actions were taken to provide for the Pell Grant program revisions, however, a number of sources are commenting that the Congressional Budget Office’s scoring

assumes lower costs for Direct Lending than may be the case. CBO projections do not include the higher cost administrative operations associated with DL, while those costs are included in the FFELP estimates and possibly underestimate the gap between short and long term interest rates and fail to include the benefits of FFELP's tax revenues. There is bipartisan support for maintaining competition in student lending by retaining the FFELP program. Student financial aid officers in the CCC report numbers of campuses utilizing FFELP.

- **Perkins Loan program:** Makes significant changes in the Federal Perkins Loan program by providing \$6 billion a year in *new* loan volume for up to 2.7 million students and expands the number of eligible institutions by approximately 2,700. The same 5 percent rate would continue, but in-school interest subsidies would be eliminated, and Perkins Loan forgiveness provisions would only apply to outstanding loans. The Department of Education would assume responsibility for servicing the Perkins Loans along with the other federal student loans.

Under this scenario, many more community colleges could receive Perkins loans funds. However, there will be winners and losers. Under the current funding formula, colleges enrolled before 1999 are guaranteed to receive at least as much money as they did that year, and the rest are left to compete for the remainder of funding. The proposal focuses on shifting the formula to favor institutions that work to lower tuition and raise student aid.

This program, scheduled to be eliminated in the prior administration's budgets, provides low-interest, need-based loans of up to \$4,000 for undergraduates and \$6,000 for graduates. The government and participating colleges contribute money to a pool of funds from which the colleges make loans, and the proceeds from repaid loans provide more money for new loans. The CCC has a little over 10,000 students enrolled in Perkins.

- **College Access and Completion Fund:** Establishes fund and provides \$2.5 billion incentive grants -- mandatory funding over a 5-year period to create federal-state-local partnerships that promote college completion. The emphasis is on helping increase college success for disadvantaged student populations. States and national organizations would be eligible to participate in this new program. The program would emphasize research-based approaches to helping student's complete postsecondary education.
- **American Opportunity Tax Credit:** Makes permanent this program that was established in H.R. 1, the American Recovery and Reinvestment Act. The CCC has joined AACC in lobbying efforts to include the Title IV Pell Grant definition for qualification in order to better target funding to low-income students attending low-cost colleges/Support.

- **SEOG/Supplemental Educational Opportunity Grants:** Provides level funding (\$757.5 million).
- **Federal Work-Study:** Provides level funding (\$980.5 million).
- **Leveraging Educational Assistance Partnerships:** Provides level funding (\$63.9 million).
- **TRIO:** Provides level funding (\$848.1 million).
- **GEAR UP:** Provides level funding (\$313.2 million).
- **Strengthening Institutions:** Increase of \$4 million (Title III-A of the HEA).
- **Strengthening Tribally Controlled Colleges and Universities:** Increases by \$1 million.
- **Native American-serving (non-tribal) institutions and Predominantly Black Institutions (PBI):** Increase of \$2.6 million.
- **Developing Hispanic-Serving Institutions:** Increase of \$7.9 million.
- **Strengthening Asian American and Native American Pacific Islander-serving Institutions:** Increase from \$2.5 million to \$2.6 million.
- **Even Start:** Eliminated.
- **College Access Challenge Grant Program:** Eliminated.
- **Carl D. Perkins Career and Technical Education (CTE) State Grants and Tech Prep programs:** Provides level funding.

A total of 112 programs are proposed for the chopping block, including the following 12 in education which are either eliminated or consolidated to free up \$550.7 million. The Department of Education states: “The 2010 budget request reflects the Administration's commitment to eliminating programs that national evaluations indicate are ineffective or, duplicative of other authorities, or are poorly structured to accomplish their objectives.”

Safe and Drug-Free Schools and Communities State Grants  
Even Start  
College Access Challenge Grant Program  
Mentoring  
Civic Education

Character Education  
Ready to Teach  
Javits Gifted and Talented Education  
National Institute for Literacy  
Academies for American History and Civics  
Close Up Fellowships

### Department of Labor Funding

- **Career Pathways Innovation Fund:** Requests \$135,000,000 for a Career Pathways Innovation Fund that will continue the support for community colleges provided by Community-Based Job Training Grants (CBJTG) but focus on career pathway programs at community colleges. This is a \$10,000,000 increase over the FY 2009 funding for the CBJTG program.

Career pathway programs help individuals of varying skill levels enter and pursue rewarding careers in high-demand and emerging industries. These programs are clear sequences of coursework and credentials, each leading to a better job in a particular field, such as health care, law enforcement, and clean energy. To implement this initiative, ETA will award competitive grants to community colleges and consortia of community colleges that are developing or expanding career pathway programs in partnership with education and training providers, employers, and the workforce investment system.



Department of Labor Secretary, Hilda Solis, noted: “The Department will work with the Department of Education as it develops and implements this new initiative. For more comments regarding involvement of community colleges as she discusses her department’s initiatives to help revive the U.S. economy and collaborations with other federal departments, go to:

<http://www.communitycollegetimes.com/article.cfm?ArticleId=1817>

- **Adult Basic and Literacy Education State Grants:** Increases from \$554.1 million to \$628.2 million. According to the Department of Education, a significant portion of this would be used to compensate some states for errors made in calculating the formula grant awards between fiscal year 2003 and fiscal year 2008 -- a one-time adjustment for prior state over-awards.
- **Workforce Data Quality Initiative:** Established (\$15 million).

## President's Comments/Community Colleges



On May 8, the President gave a speech entitled, "New Educational Opportunities for Unemployed Workers", in which he stated: "And in the weeks to come, I will lay out a fundamental rethinking of our job training, vocational education, and community college programs. It's time to move beyond the idea that we need several different programs to address several different problems - we need one comprehensive policy that addresses our comprehensive challenges." For the full presentation, go to:

<http://www.ft.com/cms/s/0/69dad60e-3be8-11de-acbc-00144feabdc0.html>



On June 18, Rahm Emanuel, his chief of staff, elaborated further on the plan, stating: "In the next couple of weeks, you will see a major announcement by the president on community colleges and job training and the rewriting of all the legislation related to job training and community education in the country - but, most importantly, in the area of community colleges." Emanuel continued: "There are more resources now... The goal is to get five million more workers through the community college system than might otherwise be the case in the next 10 years... What's been forgotten is how important our community college system is to the economy... As a competitive advantage for the United States, the community college system is essential, and the administration is intent on boosting funding for growth of the system." "Half of all high school graduates continue schooling in the community colleges, but they haven't gotten the funding they deserve... we all do what we're supposed to do at the public universities and the state universities, etc. This has not gotten attention," Emanuel said of the plan for boosting community college funding. "The community college system will be getting major resources to compete." A full version of his statements is reported by the Chicago Tribune @:

[http://www.swamppolitics.com/news/politics/blog/2009/06/obamas\\_community\\_college\\_boost.html](http://www.swamppolitics.com/news/politics/blog/2009/06/obamas_community_college_boost.html)



Anthony Carnevale, who currently serves as research professor and director of the Georgetown University Center on Education and the Workforce, wrote in response: "President Obama's effort to link Pell Grants and unemployment could finally help deliver on elusive goal of a unified education and training system... I think the president is serious about connecting education and jobs, because he started the conversation by putting earnest money on the table. Pell provides a robust funding stream... That is the natural instrument for signaling a new federal commitment to lifelong learning. This speech and the action on Pell are clearly more than

another love note to community colleges, gushing over how they do so much with so little, or another boutique program funded with departmental transfers...” Go To: <http://www.insidehighered.com/views/2009/05/15/carnevale>

### **American Recovery and Reinvestment Act/ARRA Funding**

**Access to funding sources:** On June 16, a 60-minute audio conference is being offered for a fee by Higher Ed Hero, entitled: "ARRA Funding for Universities: No-nonsense Tips to Get Funding". It will focus on: available grants and application requirements; ongoing evolution of guidance available; allowable and suggested uses for available funding; latest opportunities for utilizing grant funds and crucial timelines for reports and guidelines. You may find more detail at the following website --

<http://www.HigherEdHero.com/EE/0/2/p2G17Tc/p2G25ZRAi/p0e>

### **Potential grant opportunities with local partners:**

#### Rural Community Facilities Direct Loan and Grant Programs

ARRA provides \$1.1 billion for CF direct loans through fiscal year (FY) 2010. Community Facilities (CF) direct loans and grants are available to develop essential community facilities in rural areas and towns of up to 20,000 in population. Funds may be used for facility acquisition, construction, renovation, or the purchase of equipment and furnishings. Eligible applicants are units of local government, non-profit organizations, and Federally-recognized Indian tribes. Grants are available on a prorated basis for projects in communities with smaller populations and lower median household incomes. Facilities financed through the CF program must primarily serve rural residents. The goal of the CF program is to improve the quality of life for rural residents through the provision of essential community facilities such as health care, public safety, and education. The program provides facilities, equipment, and furnishings to house and provide these services; operating funds are not available through this program.

The average CF direct loan in FY 2008 was \$665,229. For CF grants, just over \$61 million is available. CF loan and grant applications are processed at the local level. Please contact the Rural Development Area Office serving your community for additional information and application materials at: <http://www.rurdev.usda.gov/rhs/cf/cp.htm>

#### Aquaculture Grant Program

ARRA authorizes up to \$50 million to carry out a 2008 (the 2008 AGP). The 2008 AGP is a Commodity Credit Corporation (CCC) funded program administered by the Farm Service Agency (FSA). Through the 2008 AGP, FSA will provide grants to State governments to

assist eligible aquaculture producers that suffered losses associated with high feed input costs during the 2008 calendar year. State grant amounts will be based on the amount of aquaculture feed used in each State during the 2007 calendar year. Also, for the information to be collected for the 2008 AGP, FSA is requesting comments from all interested individuals and organizations as required by the Paperwork Reduction Act of 1995.

**WIB Toolkit:** As much of the Department of Labor ARRA funding has moved to the local Workforce Investment Boards, it is important that local campuses and EWD Centers be as familiar as possible with the mechanics of their local WIB. Every region of California is different, and WIBs vary in form and function from place to place. Though the WIB Toolkit is an online sourcebook with over 150 pages of material, sorted into five easy to navigate cross-linked sections and targeted to WIBS, it may prove a useful resource for overview of their mission and function. Go to: <http://wibtoolkit.net/>

### **State Assembly Hearing on ARRA Funding:**

Chair of the Assembly Select Committee on Community Colleges, Mary Hayashi, has announced a hearing on Friday, June 26 from 10:30 a.m. to 12:30 p.m., entitled: Federal Economic Stimulus Funding/Workforce Development and Job Training.

The hearing will take place at Mission College, Hospitality Management Building, 3000 Mission College Boulevard in Santa Clara. Speakers include: Assemblymember Warren Furutani, Chair/Community College Caucus; Assemblymember Paul Fong, Chair/Assembly Elections & Redistricting Committee; Assemblymember Manuel Perez, Chair/Assembly Stimulus, Economic Recovery & Jobs Task Force; Jose Millan, Vice Chancellor/CCC CO Economic Development and Workforce Preparation Division; John E. Hendrickson, Chancellor/West Valley-Mission Community College District and Carl Guardino, President & CEO/Silicon Valley Leadership Group.

For information, contact: Elissa Silva @: 916.319.2018 or [elissa.silva@asm.ca.gov](mailto:elissa.silva@asm.ca.gov).

### **Congress**

**Budget:** Congress is in full gear on many fronts in hopes of resolving numerous issues before its August month-long recess. Appropriations bills are under scrutiny, and both chambers hope to complete committee consideration of them in July. House Appropriations Committee Chairman Dave Obey recently released a tentative schedule for consideration of appropriations bills in subcommittee, full committee and on the Floor by end of July, noting: "It is an ambitious schedule, but it is workable if we all work together and if other crucial considerations do not intervene." The House is scheduled to begin "markup" on its budget reconciliation bill on June 23, however, that date will most likely be pushed back as the debate around a health measure gains momentum.

### Community Colleges Focus:



Federal Education Secretary Arne Duncan testified in separate appearances before the House and Senate appropriation subcommittees that oversee education. During questioning by a House member regarding “the need for an improved system of matching practical and technical skills acquired during higher education with skills needed once students are working”, the Secretary spotlighted community colleges, noting: "community colleges play a huge role in the trajectory of education continuum...and have been a highly under-utilized, undervalued resource." He continued, framing the nomination of Martha J. Kanter, Chancellor of the Foothill-De Anza Community College District in California, to the position of Undersecretary of Education, as a "strategic" placement to include community colleges at the federal legislative level. "It's so important," Duncan said, "to help shape the opportunities that our high school and community college students have. We can't do enough of that. We have to tie education to the real world."

Student Aid: During the Secretary’s testimony on the President’s FY 2010 budget before the Senate, key appropriators expressed reservations about the proposal to convert student financial aid entirely to Direct Lending. Senate Subcommittee Chairman Tom Harkin (D-IA) noted he was “especially pleased by the plan to end entitlements to financial institutions” but also expressed concern that only large student lending companies would be able to service the loans in a government contracting scenario.

A major issue of the House Republicans focused on the “alleged savings” from eliminating the Federal Family Education Loan Program. Their debate mirrored the May comments by Senator Lamar Alexander, who stated on the Senate floor that savings estimates derived from transitioning to Direct Lending do not take into account administrative costs, which could amount to as much as \$32 billion, as well as the rate at which the Department would be borrowing money – 1 quarter of 1 percent and loaning it back out to students at 6.8 percent. A recent report by the Republican Policy Committee, “The Obama Administration’s Student Loan Proposals: An Expansion of the Federal Government that Harms Students and Taxpayers”, also notes: “Eliminating the FFELP program could result in the loss of approximately 35,000 private sector jobs.”

This year the Department of Education financed over 60 percent of the loans issued by private lenders through the authority granted the Secretary by Congress under the Ensuring Access to Student Loans Act, passed in 2008. In addition, the number of loans originated under the Direct Loan Program grew by 63 percent over the prior award year primarily as a result of schools choosing to switch to the Direct Loan Program.

### WIA Reauthorization

Reauthorization of the Workforce Investment Act slowed when a hearing originally scheduled by the Senate Health Education Labor and Pensions Committee for May 19 was postponed until the

summer, however, it is now rumored that Senator Kennedy wants to get it back on track with a subcommittee hearing next week.

### Community College Issues

While both ARRA and Congressional Conference Report language emphasize that employment and training funds should be primarily spent on services and training, there is no specific mention of the pivotal role that community colleges play in this area. It is important that community colleges advocate across appropriate venues that Reauthorization language reflect the emphasis ARRA places on “training”, and that community colleges should be designated as a “preferred partner” in the reauthorization, rather than just being listed among the array of partners as in current legislation -- leaving a lot of latitude for local Workforce Investment Boards to contract with private entities, which often take longer to “ramp up”. For instance, CCC EWD training programs, in particular, are easily replicated, sustainable and agile as they migrate readily to courses at a campus.

In this vein, the Chancellor’s Office recently forwarded a letter to Secretary of Labor, Hilda Solis, requesting an amendment to permanently exclude community colleges from the ETPL, basically mirroring the language contained in the recent USDOL Training and Employment Guidance Letter which explicitly states community colleges should no longer be on the WIA ETPL to be awarded a contract for ARRA funds from local WIBs. The permanent requirements of the WIA direct all training providers to be on the ETPL and have posed long standing issues for community colleges.

Additionally, the CO noted the current data and reporting collection system used by local WIBs is administratively burdensome – the expectation for all training providers to adopt the same data and reporting is generally not helpful, but especially obstructive during periods of budget decline. Finally, the CO requested a dedicated line of funding for community colleges to provide cost-effective training and education services.

### **Departments of Education and Labor**

Student Aid: Both have established a new web site to assist those who are unemployed because many unemployed individuals do not know they may be eligible for Pell Grants and other need-based student aid. Additionally, most also do not know of the ability of financial aid administrators to adjust financial aid eligibility based on their special circumstances. The following web site provides information on financial aid, labor tools, and other key resources available for unemployed workers. Go to: <http://www.opportunity.gov/>.

On June 17, Secretary Duncan today announced that four companies were awarded contracts to service a portion of the approximately \$550 billion outstanding federal student loan portfolio held by the Department. The selected contractors will also service loans originated by and sold to the Department in the future. The award of these contracts provides the Department with the



capacity necessary to support anticipated increases in the number of loans owned by the Department and ensures borrowers receive the assistance they need to effectively manage their federal student loan obligations. “The award of these contracts is another step in the Department's efforts to ensure that all eligible students have access to federal student loans and that, in partnership with the private sector, schools and borrowers receive excellent service. For more information, go to: <http://www.ed.gov/news/pressreleases/2009/06/06172009b.html>.

The new performance-based contracts offer the Department the capability to manage all types of Title IV student aid obligations, including, but not limited to servicing and consolidation of outstanding debt. The contracts have a base ordering period of five years with an optional five-year ordering period. The minimum contract award for compliant and performing firms is valued at \$5 million, with a maximum assignment to service up to 50 million student loan borrowers over the five-year ordering period. Ultimately, revenues generated under these contracts will be driven by contractor performance as measured by customer satisfaction and default aversion.

Last year, Federal Student Aid delivered approximately \$100 billion in financial aid to almost 11 million students and families.

#### Negotiated Rulemaking:

On May 26, the Department of Education published a notice in the *Federal Register* announcing its intention to establish negotiated rulemaking committees to prepare regulations under Title IV of the *Higher Education Act* (HEA). One major issue stands out for community colleges, according to CO Vice-Chancellor Linda Michalowski, who served as a member of the team drafting the regulations. She states: “The Department drafted a regulation that would require accrediting agencies to monitor specific institutional student outcomes like graduation rates and job-placement rates as part of their standards for assessing institutional quality. The statute prohibits the Department from regulating the standards so we are arguing that there is no authority to include those requirements in the regulations and trying to have them removed. We have indicated that consensus may be blocked on that issue.”

The Department intends to convene at least one committee to develop proposed regulations to maintain or improve integrity within Title IV programs. In addition to three public meetings in Denver, Little Rock and Philadelphia, on the day following each meeting, the Department will conduct two forums -- concurrently -- at the same location. One forum will focus on approaches to the agency's financial aid communications and processes (including the Free Application for Federal Student Aid, or FAFSA) that could wholly improve college planning, preparation, and access. The other forum will focus on ways that federal higher education programs could play a stronger role in fostering student educational persistence and degree attainment. Recently, Deputy Undersecretary Robert Shireman held a conference call with analysts and investors who monitor the career college and education industry to discuss the purpose and nature of these



committees. To hear a replay of this discussion, call 1-800-945-7621. This replay will be available until June 30. Go to:

<http://www.ed.gov/policy/highered/reg/hearulemaking/2009/negreg-summerfall.html>.

Additionally, here is the link to the Department's newest proposal for negotiated rulemaking under Title IV of the Higher Education Act:

<http://www.ed.gov/legislation/FedRegister/other/2009-2/052609a.html>

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