The Congress is in the midst of considering its fiscal year (FY) 2013 budget proposals in both the House and Senate Appropriations Committees. The Senate Appropriations Subcommittee on Labor, Health and Human Services, and Education approved its budget plan in early June. The House Appropriations Subcommittee on Labor, Health, Human Services and Education is not expected to take action on this spending plan until after the July 4 recess. The expectation is that both Houses will move their Appropriations measures to the floor, but will not take action until after the November election. Meanwhile, the U.S. District Court for the District of Columbia struck down portions of the “gainful employment” regulations issued by the U.S. Department of Education on the basis that loan repayment provisions were deemed arbitrary. Additionally, after months of negotiations, the House and Senate have agreed to extend Stafford Subsidized Loan interest rate of 3.4 percent for an additional year.

**Obama Administration issues Memorandum allowing Young immigrants to remain in U.S.**
On June 15, the US Department of Homeland Security issued a memorandum which will provide temporary legal residency to more than 800,000 undocumented immigrants who can remain in the United States without fear of deportation. This action was taken in lieu of Congress passing the DREAM Act and did not address or eliminate federal restrictions on states that wish to offer in-state tuition for DREAM students. For individuals who meet a set of criteria, their deportation will be deferred for two years (subject to renewal), and individuals will also be able to apply for a work permit during this time period. Administration officials said the president was within legal authority in making this broad policy change. President Obama did not consult Congress, where Republicans have historically opposed measures that benefit undocumented immigrants.

**Senate Labor, Health and Human Services, and Education Marks Up FY 2013 Budget Plan**
In early June, the Senate Appropriations Subcommittee on Labor, Health and Human Services, and Education bill passed its fiscal year (FY) 2013 budget plan by a party-line vote of 16-14. The bill sets a funding level of $157.7 billion, which is a $700 million increase compared to FY 2012.

During the markup, the Subcommittee adopted a provision to restore Pell Grant eligibility for Ability-to-Benefit (AtB) students participating in a career pathway programs (an occupational program). This effort to restore Pell Grant and Title IV eligibility was largely led by Senator Patty Murray (D-WA). Though the eligibility change will expire in seven years, Congress will have the opportunity to
reauthorize the Higher Education Act and permanently extend or broaden eligibility for a larger number of AtB students. This is a significant change for California Community College students.

Last December, the Congress eliminated Pell Grant eligibility to AtB students, students who do not have a high school diploma or a GED certificate, affecting about 40,000 students nationwide. In California, this change eliminated Pell Grant eligibility for close to 19,000 California Community College students. Restoring Pell Grant eligibility for AtB students who enroll in occupational programs will help the economic mobility of low-skilled adults and youth seeking postsecondary credentials to improve their job projects.

The bill also includes an $85 increase for the maximum Pell Grant award. This automatic statutory increase was triggered by level funding of the discretionary portion of Pell. Career and technical education State grants were also increased by $29 million. All other priorities such as Work-Study, Adult basic and literacy education state grants, and Career and technical state grants were level funded. New language in the bill also bans colleges or universities under Title IV from using Federal education resources on marketing, recruitment, and advertising.

The House Appropriations Subcommittee on Labor, Health, Human Services, and Education was expected to mark up its FY 2013 Appropriations bill by late June but has postponed this action until after the July 4th recess. The House Subcommittee established an overall allocation that is $7 billion less than the last fiscal year and is expected to make numerous deep budget cuts.

A newly proposed program, First in the World, will receive $40 million and will test, validate and scale up effective approaches to improving college access and completion.

**House Workforce Investment Improvement Act of 2012 passes**
The House Education and Workforce Committee passed the Workforce Investment Improvement Act of 2012 by a party-line of 23 to 15. The act was introduced by Higher Education and Workforce Training Chairwoman Virginia Foxx (R-NC), and focuses on consolidating 27 existing workforce training programs into one funding stream. The new fund will give states greater flexibility in how consolidated funds are designated. It will place greater emphasis on business engagement and designate the structure of current Workforce Investment Boards. The new structure includes a mandatory two-thirds business representation, and eliminates all other mandatory slots on the board, including community college representation. While a number of amendments were considered during the markup, the principles of the original bill were largely unchanged.

**Federal District Court strikes “gainful employment” regulations**
A Federal District Court ruling removed “gainful employment” regulations. Issued in 2011, gainful employment rules were created to restrict career training programs that were not providing students with successful outcomes. The regulations set three parameters by which career training programs were measured: 1) at least 35 percent of the program’s former students are repaying their loans 2) the estimated annual loan payment of the average graduate does not exceed 12 percent of his or her total earnings and 3) the estimated annual loan payment of a typical graduate does not exceed 30 percent
of his or her discretionary income. If programs did not meet one of these three metrics for three out of four consecutive years, their eligibility for federal student aid would be removed.

The Federal District Court ruling established that the 35 percent loan repayment measurement was arbitrary as no expert study or industry standard was linked to program success. While the court ruled that the other two metrics were based on supporting studies, these two provisions were still removed because they are interlaced with the first repayment measurement. Additionally, the court also struck out two other portions related to debt repayment measurement: one which requires institutions to receive prior approval from the department on new career training programs, and another that requires institutions to provide data to the department to collect debt measurements.

Other changes to student aid include: termination of repayment incentives to Direct Loan borrowers, except an interest rate reduction for auto payment; elimination of the six month post-graduate interest subsidy grace period for subsidized Stafford loan borrowers; and elimination of subsidized loans for graduation students (they are still eligible for unsubsidized).

**The House and Senate agree to extend the 3.4 percent interest rate for Stafford loans**

After months of negotiations, the House and Senate agreed to extend the current interest rate of 3.4 percent for new federally subsidized Stafford loans for an additional year. The bill passed by a vote of 373-52 in the House and 74-19 in the Senate. President Obama is expected to sign the measure into law very shortly. If Congress was unable to get an extension, rates were set to double on July 1st for 7.4 million student borrowers. The extension is part of a larger two year reauthorization of federal highway, transit and other surface transportation programs.

The offsets to cover the $6 billion cost of the extension comes from a few areas: the largest comes from changes to the federal pension system that increases premiums for pension insurance and changes employers’ contribution levels. These changes were largely supported by the business community. An additional offset comes from a change in in-school interest subsidies for some borrowers. Beginning July 1st, 2013 new borrowers will be limited in the amount of time they can receive an in-school interest subsidy. Students will lose eligibility for the subsidy once they have reached 150% of the published length of their education program. Originally the Senate Higher Education FY 2013 Appropriations bill used this offset to decrease the projected Pell Grant shortfall for FY 2014. With the passage of the student loan bill, Congress can no longer utilize the offset going forward.