June 2012 Federal Update

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, there are intense negotiations taking place on whether to extend the Stafford Subsidized Loan rate of 3.4 percent for an additional year. The Congress has until July 1 to take action or the student interest rate will double to 6.8 percent.

**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 to 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 student, 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 serve a greater number of second chance students who have severely limited educational options available to them.

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.

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.

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.

**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 they designate consolidated funds. It will also put 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.

**Negotiations to extend the Stafford loan interest rate continue**

There have been further negotiations to keep the Stafford loan interest rate at 3.4 percent for an additional year. Rates are set to double on July 1st if Congress is unable to get an extension. House Speaker John Boehner (R-OH) sent President Obama newly proposed offsets to cover the $6 billion extension. While these offsets are less controversial compared to the previously proposed offsets aimed at the Affordable Care Act, they have been rejected by Senate Majority Leader Henry Reid (D-NV). Senator Reid has recently offered two new offsets which reform the pension system and may be able to gain bipartisan support.