Federal Update

The California Community Colleges continue to monitor two major issues at the federal level that have long-term implications for community colleges: debt ceiling negotiations and gainful employment regulations.

The House and Senate immediately broke for their August recess following approval of the debt ceiling bill. Congress will return to work after the Labor Day weekend to a significant backlog of pending legislation. The appropriations process will resume in the House and Senate, with the current fiscal year scheduled to end on September 30. However, a short-term continuing resolution is likely to be required, as Congress likely will not approve all appropriations bills in three weeks. Alternatively, leaders could decide to pursue an omnibus appropriations bill.

Debt Ceiling Negotiations

After much debate and wrangling for votes, Congress approved the deal to increase the debt ceiling, known as the Budget Control Act of 2011. The President signed the bill into law August 2, 2011, just in time to clear the deadline before default of United States' loans would have occurred. The House approved the measure I in a bipartisan 269 to 161 vote, with 174 Republicans and 95 Democrats in favor. The Senate approved the measure 74 to 26, with 28 Republicans and 46 Democrats in favor.

As a result of the Congressional budget deal, the debt ceiling was immediately increased by $400 billion, with an additional increase of $500 billion to go into effect later this fall, subject to Congressional action to reduce the federal spending, as specified (see super committee discussion below) .

The Budget Control Act of 2011 preserves the maximum funding amount for the Pell grant at $5,550 and provides $17 billion in supplemental funding for the Pell grant program over the next two fiscal years; the program will provide $10 billion in fiscal year (FY) 2012 and $7 billion in FY 2013. The supplemental funding will help alleviate the Pell grant program shortfall; the FY 2012 shortfall is $11 billion and the FY 2013 shortfall is $10 billion.

As part of the Budget Control Act of 2011, a Joint Select Committee on Deficit Reduction, also known as "super committee," has been selected to develop a proposal that reduces overall government spending by $1.5 trillion over the next decade. The composition of the committee includes six members from the Senate and six members from the house with an equal representation of Republicans and Democrats. The following members have been named to the committee. Note that California has one representative on the committee: Congressman Xavier Becerra.

SENATE
Patty Murray (D-WA) - *co-chair*
Max Baucus (D-MT)
John Kerry (D-MA)
Jon Kyl (R-AZ)
Pat Toomey (R-PA)
Rob Portman (R-OH)

HOUSE
Jeb Hensarling (R- TX) - *co-chair*
Dave Camp (R- MI)
Fred Upton (R-MI)
James E. Clyburn (D-SC)
Xavier Becerra (D-CA)
Chris Van Hollen (D-MD)

By November 23 of this year, the Joint Committee must vote on a plan to reduce funding by $1.5 trillion over the period of Fiscal Years 2012 – 2021. If the plan is approved by at least seven members, it will proceed to the House and Senate for consideration, where it must be voted on by December 23.

If Congress does not approve at least $1.2 trillion in savings, an automatic reduction in spending known as sequestration will occur on January 2, 2013. The Pell Grant program is exempt from cuts under sequestration for 2013, but the discretionary portion of the program, which is most of the Pell program since the only mandatory portion of the program is the increases in maximum awards passed under the American Recovery and Reinvestment Act of 2009, would be subject to cuts by the Appropriations Committee starting in 2014. Additionally, the Joint Committee has no restrictions and can cut funding to the program or change the eligibility requirements for FY 2012 and FY 2013.

Gainful Employment Regulations

On June 2, 2011 the U.S Department of Education (ED) released the final regulations requiring college programs to prepare students for 'gainful employment' or risk losing access to federal student financial aid, including Pell Grants and student loans. While the focus of the regulations is primarily on degree and non-degree programs at for-profit institutions, the regulations also cover non-degree occupational training programs, or certificate programs, at community colleges. In fact, according to ED, a majority of the covered 'gainful employment' programs occur at community colleges.

The first phase of the regulations, effective July 1, 2011, require each higher education institution that offers gainful employment programs to provide prospective students with specified information to be displayed on the program's website. The required information includes:

- Occupations that the program prepares students to enter
- Links to occupation profiles
- Program costs for the entire program in a defined "normal completion time," including tuition and fees, on-campus room and board, books and supplies, and may include other costs
- On-time completion rates
- Median loan debt incurred by students who complete the program
- Job placement rates for students completing the program (not required for CCC's at this time)

Most colleges appear to have implemented the required disclosures by the July 1, 2011 deadline.

The next phase involves reporting to the U.S. Department of Education detailed information regarding enrollment data of gainful employment programs due by November 15, 2011 (the deadline was extended from October 1, 2011). The Chancellor's Office will work closely with community colleges in centrally gathering as much of data as possible for this purpose.

Under the new regulations, a program would be considered to lead to 'gainful employment' if it meets at least one of the following three metrics:

- **Repayment:** at least 35 percent of former students are currently repaying their loans
- **Debt-to-discretionary income ratio:** the estimated annual loan payment of a typical graduate does not exceed 30 percent of his or her discretionary income
- **Debt-to-total earnings:** the estimated annual loan payment of a typical graduate does not exceed 12 percent of his or her total earnings

If a program fails to meet all three metrics, the penalties are outlined in three phases:

- **After one failure:** The institution must disclose the amount by which the program missed minimal acceptable performance, provide the program's plans for improvement and establish a three-day waiting period before students can enroll.
- **After two failures within three years:** The institution must tell students in the failing program that their debts may be unaffordable, that the program may lose eligibility, and what transfer options exist.
- **After three failures within four years:** The program loses eligibility for federal student aid. Institutions cannot reestablish the program's eligibility for at least three years. However, they can continue to operate without student aid.

According to a U.S. Department of Education estimate, the vast majority of community college programs would meet one of the metrics outlined above. It is estimated that about 1% of community college programs could become ineligible for federal student aid under these regulations. Noncompliant programs would not be ruled ineligible for federal financial aid until 2015.