



## **Federal Issues Update:**

*as of January 26, 2010*

Despite continued strong support from the Obama administration for its American Graduation Initiative (AGI), Congress is making slow progress on the authorizing legislation. Four months after the House of Representatives passed its version of AGI (HR 3221, the *Student Aid and Fiscal Responsibility Act of 2009*), no Senate version has been introduced despite initial expectations for quick Senate action. While the Senate appears to be working behind the scenes on its version of AGI legislation, actual legislative activity on AGI or Workforce Investment Action (WIA) reauthorization appears unlikely until Congress completes its work on health care reform. The President's State of the Union address on January 27 and his 2011 budget request likely presented to Congress in early February are both expected to focus heavily on jobs and job creation.

### **AGI: Senate Action Delayed**

When the House passed its version of AGI on September 17, 2009, most insiders expected quick introduction of the Senate's version of the bill followed by immediate mark-up by the Senate Higher Education, Labor and Pensions (HELP) committee. The general consensus was that the Senate would complete its committee work by October 15, 2009 to comply with a procedural deadline. However, the Senate version of the bill has yet to be introduced and action seems unlikely until Congress finishes its work on health care reform.

In addition to the delay pending health care reform, there appears to be debate in the Senate about some of the key components of the House bill. One major component where Senate support may be at issue is the House-passed change that makes federal direct lending the only source for almost all federal student loans. The lending industry is lobbying hard in the Senate against the change to direct lending. The House version relies on an estimated \$87 billion in federal savings resulting from the switch to direct lending to pay for activities included in HR 3221. For example, the savings provide \$12 billion for community college initiatives, with additional savings used to increase Pell grants, support Pre-K12 reform, reduce the federal deficit, and finance increased federal administrative costs of direct lending.

Early indications are that there will be differences between the House-passed version of AGI and the eventual version introduced in the Senate, although details are not available. If there are differences, a conference committee will need to negotiate one agreed-upon version of the AGI that is approved by both chambers before being sent to the President for action. The ongoing conference committee currently working to iron out differences in the House and Senate versions of health care reform also seems to be delaying Senate action on AGI.

Delays in passing the Senate version of AGI and finishing the AGI conference committee process will only increase concerns among some lenders and colleges about the readiness and reliability of federal direct lending, scheduled to begin on July 1, 2010 according to the House-passed version. Another complication with the July 1, 2010 timeline for starting direct lending is that colleges must begin preparing financial aid packages for the 2010-11 academic year as early as January 2010. Delaying the start date for direct lending (as suggested by some in the lending industry) reduces the savings associated with the change, which the House-version relies upon to fund the initiatives in the HR 3221.

The System Office provided WTCS colleges with links to helpful resources for changing to direct lending. The System Office is advising WTCS colleges to prepare for direct lending to begin July 1, 2010 by completing initial federal enrollment in direct lending rather than waiting for the completion of the legislation. If colleges enroll in direct lending but the legislation does not pass or does not include the requirement to switch to direct lending, colleges will not be required to convert to direct lending. The American Association of Community Colleges is sponsoring with the US Department of Education a webinar at 12:30 CST on February 4, 2010 to outline the steps needed to prepare for the switch to direct lending. The webinar can be accessed at: <http://www.aacc.nche.edu/Advocacy/AdvocacyNews/Pages/adv01052010.aspx>.

### **WIA Reauthorization**

Reauthorization of the WIA has been pending since 2003; the WTCS benefits from federal Adult Education and Family Literacy funds provided under Title II of the WIA. Because of the heavy emphasis in the AGI on workforce education, there is some speculation that no WIA reauthorization legislation will be introduced until Congress completes work on the AGI initiatives. With the lack of progress on AGI because of delays completing health care reform, action on WIA reauthorization appears unlikely until midway through 2010 at the earliest.

Both the House and Senate, however, as well as the US Departments of Education and Labor have held hearings or listening sessions to gather feedback about changes that could help improve the effectiveness of WIA programs. Recurring themes have included the need for better alignment at the federal level of education and labor programs, developing career pathway policy grants for states, and increased emphasis and funding for adult basic education that helps improve the links between basic education and workforce development.

### **Federal 2010 Labor, Health and Human Services and Education Appropriations**

With the emphasis early in 2009 on economic stimulus proposals, Congress completed its work on seven remaining 2010 federal appropriations in late December 2009 through an omnibus appropriation bill that combined the remaining appropriations. Key federal programs of interest to the WTCS were level funded for 2010.

The 2011 budget and appropriations process (for the federal fiscal year that begins on October 1, 2010) is expected to start in early February 2010 when the President sends his budget request to Congress. Work on other major initiatives, such as health care and AGI, may slow progress on 2011 budget and appropriations.

### **HR 2847: Jobs for Main Street Act**

The Jobs for Main Street Act was passed by the House of Representatives in December 2009. The Act includes \$23 billion for an Education Jobs Fund that would help education institutions maintain and perhaps even increase educational services and support facilities projects. The Act also includes the Community College Stabilization Fund proposed as part of HR 4196, which authorizes \$700 million to support community colleges but does not provide any actual funding.

Some insiders are referring to the Jobs for Main Street Act as “Stimulus 2” suggesting it is a recognition that additional emphasis is needed on workforce training as a key step in getting people back to work. The link to previous stimulus funding, however, may make the Act particularly contentious as both parties prepare for the 2010 midterm elections.

There has been no Senate action on the Jobs for Main Street Act. Its future is unclear pending significant progress by Congress on health care reform.

### **President’s 2010 State of the Union Address**

The President is scheduled to give his 2010 State of the Union address at 8 PM CST on Wednesday, January 27. Based on a preview of themes provided by the White House, the speech seems likely to focus heavily on support for middle class families while other comments from representatives of the Obama administration suggest a renewed focus on jobs and jobs creation. The WTCS will be working to ensure that proposals considered by Congress in 2011 recognize the importance of workforce training and education as a key component of job creation and support for middle class families.

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You can find ongoing updates about federal issues of importance to the WTCS at <http://www.wtcsystem.edu/legislative/federal/index.htm> or contact WTCS Federal Relations Officer Nancy Merrill (email [nancy.merrill@wtcsystem.edu](mailto:nancy.merrill@wtcsystem.edu) or phone 608-267-9514.)