



Federal Issues Update:

as of September 13, 2011

As Congress returns to work after their August recess, look for the fall session to emphasize President Obama's American Jobs Act (AJA), with more specific details expected within the next week on both the AJA and a new legislative plan from the President for reducing the federal deficit. At the same time, Congress is continuing work on the federal budget in advance of the 2012 federal fiscal year that starts on October 1, 2011. The new "Super Committee" also must complete its work before November 23 by identifying \$1.2 trillion in federal spending reductions over the next 10 years to avoid significant across-the-board cuts to all federal programs.

American Jobs Act (AJA)

The President proposed \$447 billion for the AJA in a speech to a joint session of Congress on September 8, along with calls for quick action by Congress to pass the entire Act. The Act includes four major provisions:

- ***Tax Cuts Aimed at Small Businesses:*** Cut payroll taxes in half for the first \$5 million of payroll; 98% of businesses fall under this threshold according to the White House. Also establish payroll tax holiday when firms hire new workers or increase wages and reduce regulatory burdens to make access to capital easier for businesses.
- ***Infrastructure Improvements to Get People Back to Work:*** Provide tax credits for hiring unemployed veterans and funds to: avoid layoffs of educators (including counselors and tutors), police and firefighters; modernize schools, rail, roads, airports and waterways; rehabilitate homes and businesses; and expand high-speed wireless access.
- ***Pathways Back to Work:*** Change unemployment insurance to prevent layoffs and continue payment of unemployment insurance for displaced workers who take voluntary work or participate in on-the-job training. Give employers a \$4,000 tax credit for each long-term unemployed worker they hire but prohibit employers from discriminating against unemployed workers when hiring. Expand job opportunities for low-income youth and adults through subsidized employment and innovative training.
- ***Tax relief for workers:*** Cut payroll taxes in half for 2012 and help working families refinance their mortgages.

The WTCS seems most likely to benefit from funds for Infrastructure Improvements and Pathways Back to Work, based on early AJA information. For example, the Infrastructure Improvements includes \$5 billion nationally for renovation of existing community and tribal college facilities. States would receive funds based on their share of national community college enrollment and then must decide how to distribute funds. Eligible projects are those that can be completed during the 2012 federal fiscal year (October 1, 2011 to September 30, 2012.)



Daniel Clancy, President

4622 University Avenue · PO Box 7874 · Madison, WI 53707-7874 · 608.266.1207

Wis. Relay System: 711 or 800.947.6644 Fax: 608.266.1690

e-mail: info@wtcsystem.edu · www.wtcsystem.edu · www.witechcolleges.org

As part of Pathways Back to Work, WTCS colleges might have new opportunities for federal funding to further develop innovative training programs in high-growth areas. While some information suggests that the AJA includes \$5 billion for Pathways Back to Work, it is not clear how much of this funding may be used to support expansion of job training programs as compared to other proposals under this part of the Act, such as tax credits for hiring the long-term unemployed. Colleges can benefit, though, from the tax incentives included in the AJA for hiring the long-term unemployed and veterans and from reductions in payroll taxes.

More information will be available on the AJA when the actual legislation is introduced within the next week. In addition, the WTCS is monitoring Congressional action to ensure that these new initiatives do not come at the expense of support for existing initiatives that WTCS students and colleges currently rely on, including the Carl D. Perkins Career and Technical Education Act, student financial aid funded through the Higher Education Act, and Adult Education and Family Literacy funded through Title II of the Workforce Investment Act. The concern about cuts is based on the President's pledge that none of the \$447 billion proposed for the AJA will add to the deficit because he will introduce a new legislative plan for deficit reduction when he introduces the AJA legislation.

2012 Federal Budget, Deficit Reduction and the Super Committee

Even as the President prepares to introduce new legislation on the AJA and deficit reduction, Congress continues working on the budget and appropriations for the new federal fiscal year that starts on October 1, 2011. The President already proposed a 20% cut in Perkins for 2012 because he believes there is inadequate evidence that the Perkins program improves learning outcomes.

At the same time, the Congressional "Super Committee" composed of Democrat and Republican members of the Senate and House of Representatives met for the first time on September 8 to begin their task of identifying \$1.2 trillion in federal spending reductions or revenue enhancements by 2021. The Super Committee must adopt a proposal by November 23, each chamber of Congress must pass it without amendment by December 23, and the President must sign it into law by January 15, 2012 to avoid triggering automatic across-the-board spending cuts starting in 2013. The spending cuts will equal the amount of deficit reduction not addressed by the Super Committee and the cuts will be shared equally between defense and non-defense programs.

The likelihood of new deficit reduction legislation from the President and action by the Super Committee suggest that continuing budget resolutions will be needed to keep government operating after October 1. The sharp partisan divide evidenced by Congress during debates about the debt ceiling also seems likely to affect debate and action on any proposal developed by the Super Committee and any continuing resolutions, contributing to uncertainty about federal funding for programs of particular importance to the WTCS.