

December 4, 2017



Federal Budget

The federal government is currently operating under a Continuing Resolution which expires at midnight on Friday, December 8. The expectation in Washington, DC is that there will be another short-term funding bill through early next year, which will allow time for Congress to reach agreement on a long-term bill for the remainder of the 2018 Fiscal Year.

Higher Education Act Reauthorization Efforts

Last week Chairwoman Virginia Foxx (R-NC) of the House Education and the Workforce Committee along with Rep. Brett Guthrie (R-KY) introduced the Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER) Act ([H.R. 4508](#)) - House Republican's attempt to reauthorize the Higher Education Act, which was last updated in 2008. Below is some information about the bill:

- [Bill Fact Sheet from the Education & Workforce Committee](#)
- [Bill Summary from the Education & Workforce Committee](#)
- [Education Week Initial Analysis of the PROSPER Act](#)

There are 3 notable proposed changes in the bill that impact HSIs:

1. The bill would tie continued eligibility of Title III and Title V federal funds to an institutions' ability to graduate or transfer at least 25 percent of their full-time and part-time students.
 - o [List of MSIs](#) that could be impacted from the *Chronicle of Higher Education*
2. The bill would fix authorization funding levels at the current FY2017 current appropriations levels through FY2024. This would mean no possible increase in funding would be allowed if the bill was passed into law as written.
3. The bill eliminates Title II TEACH Grants effective July 2018.

The PROSPER Act faces a long road ahead before its final passage, since the Senate HELP Committee is just beginning the process of holding hearings and is still drafting their own HEA reauthorization bill. Additionally, the bill will need to garner support from Senate Democrats for passage. For the latest information, please be sure to visit the [HEA issue page](#) on the Advocacy Center. HACU will continue its analysis of the 542 page bill and to report on its findings going forward.

Dream Act

Sen. Jeff Flake (R-AZ), was one of two key holdouts on the Senate tax plan, due to his concerns that the corporate and individual tax cuts in the bill would add \$1 trillion to the national debt.

But on Friday afternoon, Sen. Flake assured Senate leadership he would vote "yes" on the tax reform bill after leadership agreed to offer him two concessions: 1) an agreement to phase out business expensing; and 2) an agreement from the White House and Senate leaders to negotiate on the Deferred Action for Childhood Arrivals (DACA) program.

In exchange for his vote, Sen. Flake was promised nothing more than a seat at the table - not any specific policy concessions or a timeline for when the agreement might happen.

HACU will continue to pressure Congress to act before the end of year to pass the *Dream Act of 2017*. If you have not done so already, we urge you to contact your members of Congress to act now to pass the Dream Act by [clicking here](#).

Congress and Tax Reform

The U.S. Senate passed its version of tax reform early Saturday morning. Its bill, which lowers the corporate tax rate from 35 percent to 20 percent, could add a trillion dollars to the federal deficit over the next decade, according to an analysis by Congress's Joint Committee on Taxation. These are the major education related changes in both congressional (House and Senate proposals):

- **529 education savings plans** - both bills allow individuals to use tax-free 529 college savings plans for elementary and secondary education costs, including for private schools. Vice President Pence cast the tie-breaking vote on an amendment offered by Senator Cruz (R-TX) to allow 529 funds to be used for private K-12 education.
- **Teacher deduction for classroom expenses** - The Senate bill doubles the existing \$250 deduction for teachers and educators who spend that much on classroom supplies, but the House bill eliminates it.
- **Student loan interest deduction** - The Senate bill does not change current law, but the House bill eliminates the deduction.
- **Graduate student tuition tax** - The Senate bill does not change current law, but the House bill taxes tuition waivers, meaning that graduate students would have to pay taxes on the waiver of tuition that many rely on to attend their programs.
- **Higher education tax credits** - The Senate bill does not change current law, but the House bill combines the existing higher education tax credits into one slightly expanded American Opportunity Tax Credit. Overall, the change dramatically reduces the college tax credits available.
- **College endowment tax** - The Senate bill imposes an excise tax of 1.4% on investment income at private colleges with endowments of at least \$500,000 per student (estimated to hit 25 to 30 colleges). The House bill imposes that same tax on more colleges - private colleges with income of \$250,000 per student (estimated to hit 65 to 70 colleges).
- **Deductibility of state and local taxes (SALT)** - Both bills limit taxpayers' ability to deduct their state and local taxes (key sources of elementary and secondary education funding) from the federal taxes, which many worry will lead high-tax states to cut their taxes to reduce the burden. Both bills allow individuals to deduct up to \$10,000 in property taxes.

Congressional leaders must now decide whether to form a conference committee to harmonize the Senate bill with the bill passed last month by the House of Representatives ([H.R. 1](#)). Another although less-likely possibility is that the House would simply vote to accept the Senate's version before sending it to President Donald Trump for final signature.

Both bills would create significant potential new tax burdens for higher education institutions and would, college leaders predict, adversely affect charitable giving and state budgets that support public colleges and universities.

The vast majority of higher education community, including HACU, has [spoken out](#) against the proposed tax plan as it will make college more expensive and undermine the financial stability of higher-education institutions.

Forward this Washington Update to a colleague or friend. Encourage them to [sign-up](#) and join the [Advocacy Center](#) to lend their voice of support for HSIs and Latino students.