FINANCIAL AID 102

An Updated Guide to Understanding Federal Financial Aid Programs for Community College Trustees and Leaders

ACCT
ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES

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About the Association of Community College Trustees:

The Association of Community College Trustees (ACCT) is a non-profit educational organization of governing boards, representing more than 6,500 elected and appointed trustees who govern over 1,200 community, technical, and junior colleges in the United States and beyond.

These community professionals, business officials, public policy leaders, and leading citizens offer their time and talent to serve on the governing boards of this century's most innovative higher education institutions-community, junior, and technical colleges-and make decisions that affect more than 1,200 colleges and over 13 million students annually.

INTRODUCTION: LEVERAGING FINANCIAL SUPPORT FOR STUDENT SUCCESS

A quality education is the primary instrument of social and economic mobility in the United States. As open-access institutions, community colleges are the gateway to postsecondary education for millions of Americans. Many of these students would be unable to afford college without federal resources, such as student financial aid and tax credits. Students use these funds to pay tuition and fees to colleges, to cover other costs associated with enrollment, such as books and supplies, and for the costs of living and commuting while enrolled. Institutional leaders must have a comprehensive understanding of college financing resources to help them better chart the course for their institutions' future and provide students information on their options. This guide offers an update to our 2011 guide, *Financial Aid 101*, providing detailed explanations of a variety of aid programs, including changes to programs and information on programs that have emerged as important alternate sources of aid for community college students. We also present information that is particularly important to institutional leaders looking to advocate for their students and colleges, and offer recommendations on how they can effectively approach this important work.

Title IV aid will be the focal point of conversations on the upcoming reauthorization of the Higher Education Act, and this guide should serve community college leaders well in advancing the missions of their institutions. For those interested in additional resources and information, please visit now.acct.org.

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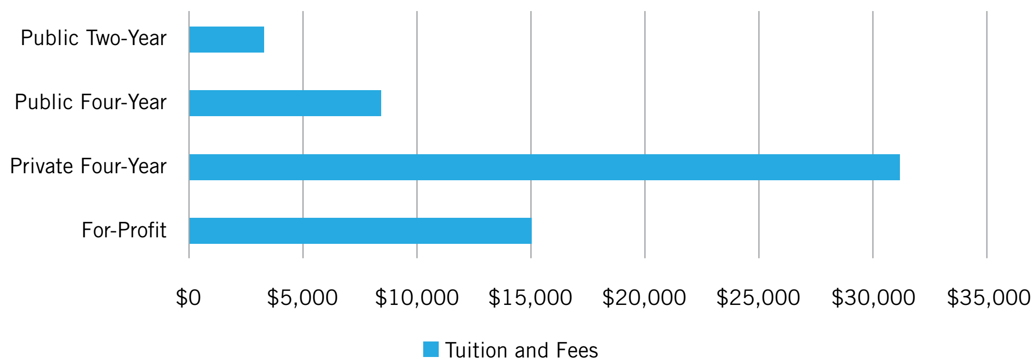
THE COST OF COLLEGE: BEYOND TUITION AND FEES

Why do community college students need access to robust federal financial aid? As the lowest cost sector in postsecondary education, it may seem as if community college students do not rely on financial aid as much as their peers at four-year institutions. In 2016-17, the average tuition and fees at public two-year colleges was $3,435, while in-state students at public four-year colleges paid approximately $9,410.[1]

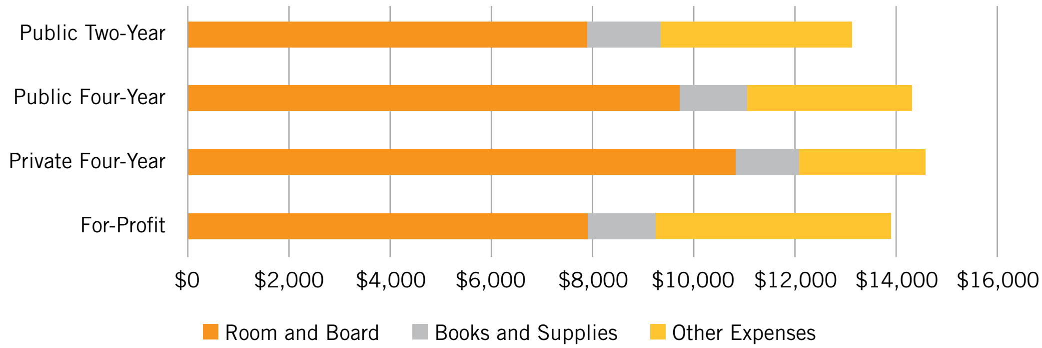
FIGURE 1: AVERAGE TUITION AND FEES IN 2014-15, BY SECTOR



Source: U.S. Department of Education, The Digest of Education Statistics, Table 330.40.
Note: Figure presented for for-profit colleges is the average for two- and four-year institutions.

Although there is significant variation between states, this trend holds: in all states, the average community college tuition is less than what is charged by public four-year colleges, and in 38 states, community college tuition is less than half as expensive.[2] However, costs outside of tuition and fees represent a significant portion of the total cost of enrolling in college and do not vary considerably by sector. Figure Two shows the estimated non-tuition expenses for students in the 2016-2017 academic year. These estimates, which are provided by colleges, show that living costs – not tuition and fees – make up the bulk of community college students' cost of attendance, and that those costs are similar to those faced by their peers at four-year colleges. Even if students can afford to pay low tuition prices, the living costs may stand in their way of their enrollment – especially as a full-time student. Federal financial aid is therefore vital to community college students despite their institutions' low tuition and fees.

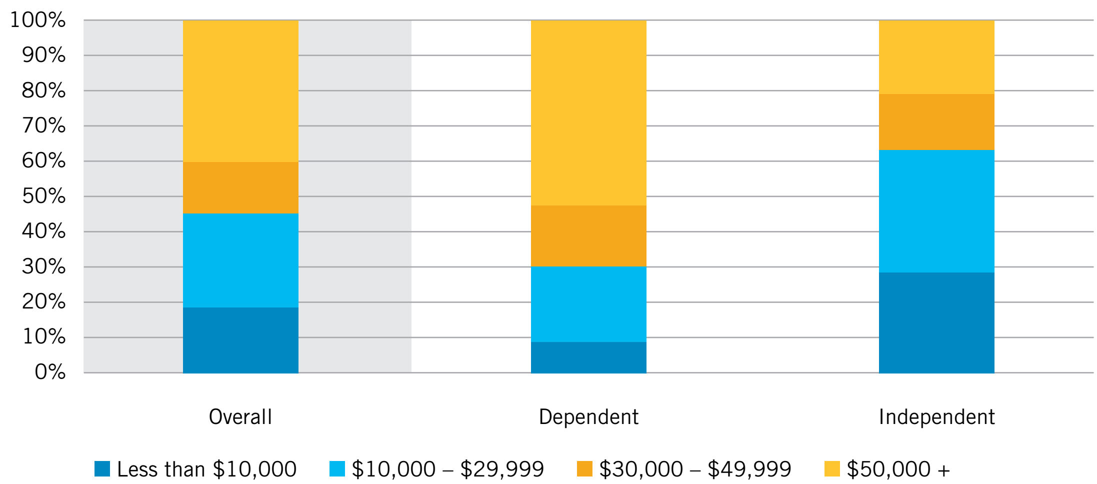
FIGURE 2: AVERAGE NON-TUITION COSTS IN 2014-15, BY SECTOR



Source: U.S. Department of Education, The Digest of Education Statistic, Table 330.40.
Note: Budgets for four-year public and private institutions denote on-campus living arrangements. All other sectors reflect students who are living off-campus, not with family. Figure presented for for-profit colleges is the average for two- and four-year institutions.

While these data describe the cost of college, students' ability to pay also factors into college affordability. According to federal data from 2012, half of all students at public two-year colleges had family earnings of less than $30,000.[3] Almost one third of independent students made less than $10,000. And while most dependent students' families had incomes at or above the national median of $51,000, those students only represented 40 percent of those enrolled in community colleges. With the average cost of attendance at a community college averaging $17,000 per year, most students and their families do not earn enough to pay students' way without assistance.[4]

FIGURE 3: FAMILY INCOME OF STUDENTS IN PUBLIC TWO-YEAR INSTITUTIONS, OVERALL AND BY DEPENDENCY STATUS



Source: National Postsecondary Student Aid Survey, 2012.

Understand the financial and social circumstances of your student body, including the cost of living in your community, so your campus can strategically provide resources to students.

Financial Support for Students: Gathering Information for the Journey

Today's students can access financial support from a variety of sources. In terms of federal support, aid is provided by the U.S. Department of Education in the form of grants, loans, and work-study. Most students can also take advantage of education tax credits or deductions, and some may be able to access other public benefits, such as Supplemental Nutrition Assistance Program (SNAP) or Temporary Assistance for Needy Families (TANF). At the state and local levels, students may be able to attend community college tuition-free through a College Promise program, or could qualify for state grants.[5] As our goal is to provide information on aid programs that will be applicable and useful to trustees across the country, with few exceptions, this report does not cover state, institutional, or private aid, as these financial aid programs vary widely in their eligibility requirements and amount of available aid.

FEDERAL AID

Federal Student Financial Aid

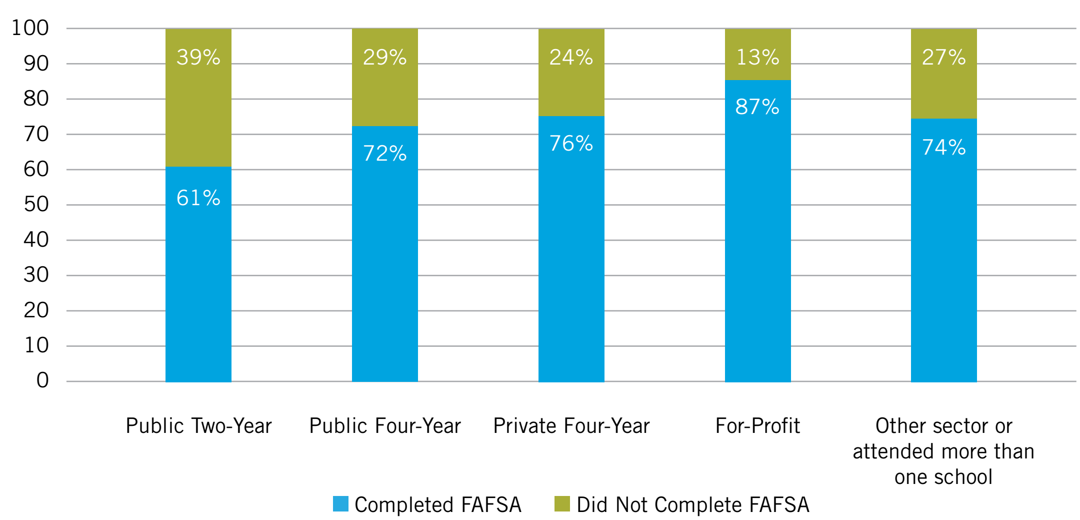
The Department of Education's Office of Federal Student Aid (FSA) administers all financial aid programs authorized in Title IV of the Higher Education Act (HEA).[6] Initially passed in 1965, the HEA focused on providing improved higher education opportunities; Title IV of the Act created several financial aid programs targeted to students who would not otherwise have the resources to go to college.[7] Title IV aid programs include Pell Grants, federal student loans, and Federal Work-Study, among others. As of 2015-16, more than 7,000 institutions of higher education opt to participate in Title IV programs, including approximately 1,300 community colleges.[8, 9] Each institution that administers Title IV aid must be authorized to provide postsecondary education by the state where they operate, be accredited by a nationally recognized accrediting body, and admit students who have completed high school or the equivalent or are past the age of mandatory school attendance.[10]

FSA also outlines basic financial aid eligibility requirements for students. All programs require recipients to be a U.S. citizen or eligible non-citizen, have a Social Security Number, and not be in default on any federal student loans, among other criteria.[11] For most Federal Student Aid programs, students must have demonstrated financial need, but students without need typically qualify for unsubsidized federal loans.[12] Students must reapply for aid each year and meet satisfactory academic progress standards as defined by each institution.[13]

Applying for Federal Student Aid: Accessing Resources for Success

To access federal student aid, students must complete the Free Application for Federal Student Aid, or FAFSA, each year to maximize the support they can receive. Not only do federal financial aid programs require a completed FAFSA, state and institutional aid eligibility is often based on FAFSA data. Unfortunately, nearly 40 percent of community college students fail to complete the form.[14] Non-filers could be leaving thousands of financial aid dollars on the table, funds that could mean the difference between persisting through a year of college and dropping out.

FIGURE 4: FAFSA COMPLETION RATES, BY SECTOR



Source: National Postsecondary Student Aid Survey, 2012.

The FAFSA is available as an online form at www.fafsa.ed.gov. When a student completes a FAFSA, they receive a figure called the Expected Family Contribution (EFC) which determines their eligibility for federal aid.[15] The FAFSA asks for significant information from students whose families make $25,000 or more per year, but the EFC is heavily determined by the student's family income, assets, and household size.[16]

As of October 1, 2016, FAFSA applicants can use tax data from two years prior, rather than the previous year, to complete the form. For example, students who complete the FAFSA for the 2017-2018 award year will use their 2015 tax information.[17] In previous years, the FAFSA required data from the prior year, which often delayed students' completion of the FAFSA and notification of financial aid award eligibility. Going forward, the FAFSA will also be available on October 1 of the academic year, as opposed to January 1. These policy changes, respectively known as Prior-Prior-Year and Early FAFSA, offer applicants the ability to use correct, readily available tax information, which in turn allows institutions to provide students with earlier notification of financial aid awards for the following school year.[18]

Make sure your institution promotes FAFSA completion and offers students information about their financial aid packages as early as possible so students plan for the next school year.

Financial aid administrators at the student's institution use the student's EFC, cost of attendance (including tuition, fees, room, board, books and supplies, transportation, and personal expenses), and federal, state, and institutional aid eligibility requirements to prepare the student's financial aid package, which is detailed in a financial aid award letter sent to the student.

After students receive their aid letter, they have a few decisions to make. First, students need to see how much money they need to cover their expenses after grants and scholarships have been applied. If they have remaining expenses, they may choose to cover the rest using student loans offered in their financial aid letter or to work to meet their expenses. Students also need to decide if they plan to attend college full-time or part-time. This is an important decision, because the size of awards for some aid programs is contingent on students' enrollment intensity.[19]

Once students have accepted appropriate aid and enrolled, financial aid administrators can apply student aid to their institutional account. Any aid, including loans, that exceeds the amount payable to the institution will be refunded to the student, usually by check or direct deposit. Per cash management regulations, institutions are required to offer students their choice of several ways to receive their student aid refund.[20] Refunded student aid can be used to meet other living expenses while the student is enrolled in college.

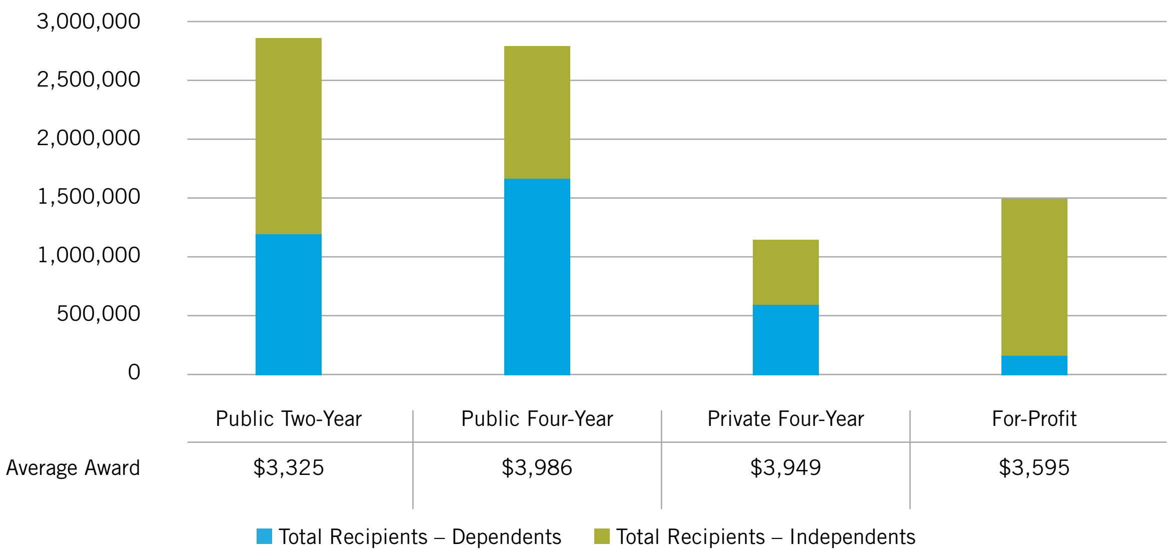
FEDERAL STUDENT AID PROGRAMS

Federal Pell Grant

Perhaps the most well-known federal financial aid program, the Pell Grant, has offered financial support to low-income students for decades.[21] Today, approximately 3.2 million community college students receive Pell Grants, totaling one-third of all Pell recipients nationwide.[22]

The amount of a student's Pell Grant is primarily determined by her EFC and enrollment intensity. Students enrolled less than full-time can still access Pell Grants, but are not eligible for the full grant amount. It can therefore behoove students to enroll full-time, as they can receive more Pell Grant funding while accelerating their progress toward a credential.

FIGURE 5: TOTAL RECIPIENTS AND AVERAGE AWARD OF PELL GRANTS IN 2014-15, BY DEPENDENCY STATUS AND SECTOR

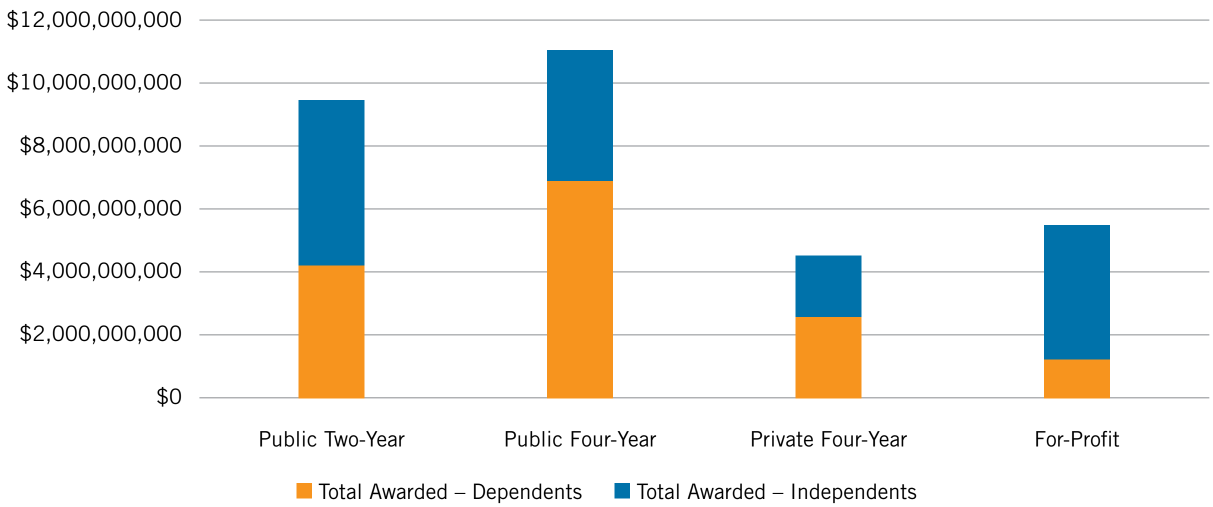


Source: U.S. Department of Education, Federal Pell Grant Program Data Books, 2014-2015.

Students can only receive Pell Grants for the equivalent of twelve semesters (or six years) of full-time study, known as the Lifetime Eligibility Usage (LEU).[23, 24] If a student reaches the maximum LEU while enrolled, he will no longer be able to receive a Pell Grant, even if he has not completed his program and has financial need.

As of this writing, students can only access Pell funding in the fall and spring academic terms. However, between 2009 and 2011, eligible students could also access additional Pell Grants to cover the cost of summer education.[25] Year-Round Pell, also known as Summer Pell, offers students support to progress toward degree completion faster and with more financial security. As of this writing, Year-Round Pell has not been re-instituted.

FIGURE 6: TOTAL AWARDED IN PELL GRANTS IN 2014-15, BY DEPENDENCY STATUS AND SECTOR



Source: U.S. Department of Education, Federal Pell Grant Program Data Books, 2014-2015.

Re-instating Year-Round Pell would help community college students finish their programs faster and with less debt. Speak to your Congressional representatives about how Year-Round Pell would positively impact students at your institution.

Federal Direct Loans

Less than one fifth of community college students use loans to finance their education.[26] Although it is important for students to borrow responsibly, it is possible that community college students are underutilizing loans as a financing tool. Nearly one third of community college students work full-time and another 35 percent work part-time.[27] When students work a significant portion of the week, it can cause them to enroll part-time and have less time to dedicate to their coursework. These factors can prolong, and even act as a barrier to, completion of a credential. If more community college students opted to borrow, they could accelerate their time to completion and minimize the opportunity costs of enrolling part-time.

Unfortunately, some institutions choose to not participate in the federal loan program. As of 2016, nine percent of community college students – nearly one million - attend institutions that do not participate in the Federal Direct Loan Program.[28] Because students at non-participating institutions cannot obtain federal student loans, they may opt to borrow private loans, which typically require a co-signer and offer stricter terms and fewer repayment options than federal loans.[29] Community college leaders should therefore see to it that their institution participates in the federal loan program so their students can benefit from this important source of support.

Make sure your institution participates in the federal Direct Loan program so students have enough support to work less and focus on their coursework, allowing them to move more quickly toward a credential.

Types of Federal Loans

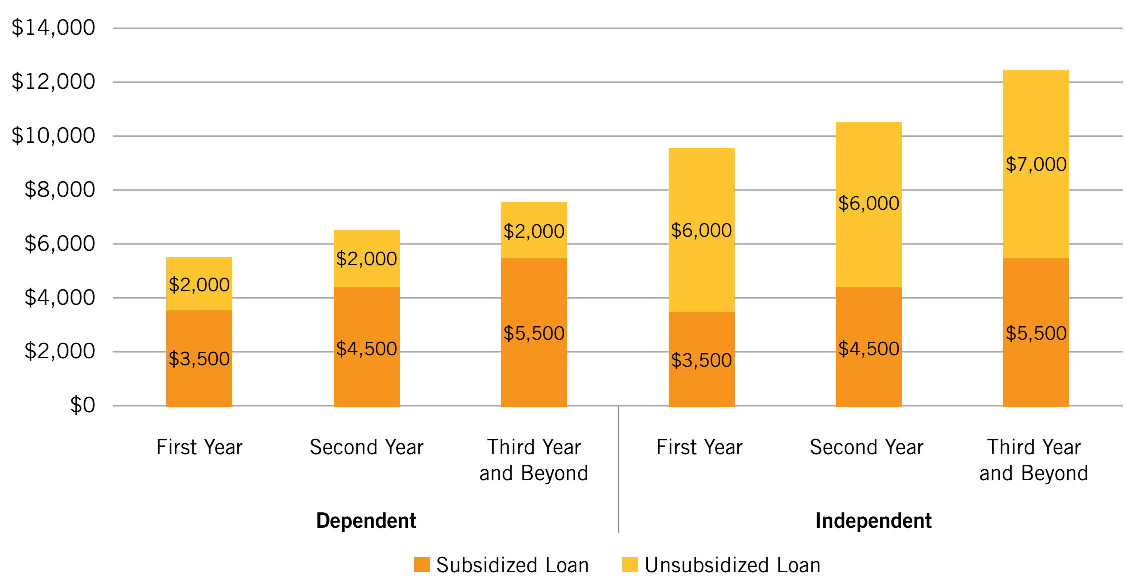
The Direct Loan program is the primary source of loans for college students. Those with financial need are be eligible for subsidized Direct Stafford Loans. Students are not responsible for repaying interest that accrues on subsidized loans while they remain enrolled at least half-time and for six months after they leave their institution.[30] Those without financial need are eligible for unsubsidized loans, which accrue interest over the life of the loan, including when the student is in school.[31] Interest rates are fixed, but rates vary from year to year based on the 10-year Treasury note. Typically, rates range from three to seven percent, and are capped at 8.5 percent for undergraduate students.

Direct Loans also include PLUS loans, which are available to graduate students and parents of undergraduate students. The federal government also administers the Perkins Loan program, which is described in the campus-based aid section of this paper.

Borrowing Limits

While Pell Grant size depends on enrollment intensity, annual loan limits are the same for full-time and part-time students.[32] Instead, loan limits are based on the student's year in school and dependency status. Independent students are permitted to borrow larger unsubsidized loans than their dependent peers, and eligible students may borrow larger subsidized loans each year, as described in Figure 7.

FIGURE 7: DIRECT STAFFORD LOAN ANNUAL LOAN MAXIMUMS, BY DEPENDENCY STATUS



Source: U.S. Department of Education, Office of Federal Student Aid.

There are also time limits on the use of subsidized student loans. The maximum length of time a student can access subsidized loans is equal to 150 percent of the published duration of their program.[33] For example, eligible students pursuing a two-year associate degree may only receive subsidized loans for a total of three years.[34]

Managing and Repaying Student Loans

Borrowers with subsidized and unsubsidized direct loans have a six-month grace period following graduation, leaving their institution, or dropping below half-time enrollment to begin repaying their loans.[35] As the beginning of repayment draws near, borrowers can choose from several repayment plans. Unless borrowers notify their loan servicer otherwise, they will automatically be enrolled in the standard repayment plan, which offers fixed monthly payments for ten years, with a minimum payment of $50.[36] Alternatively, borrowers can opt for one of several income-driven repayment (IDR) plans that offer payments capped at a percentage of their income. The total amount paid is higher than the standard plan, and the life of the loan is longer, but it may be easier to manage monthly payments under income-based plans. Undergraduate borrowers who enroll in IDR plans are also eligible for loan forgiveness after 20 years, or 10 years if they work in a public service field. Borrowers can also opt for a graduated repayment plan, which increases monthly payments over the course of repayment, or, if they have a balance over $30,000, they can opt for an extended repayment plan, which allows both fixed and graduated payment options beyond ten years.[37, 38] If borrowers experience financial hardship and are unable to make payments, they can seek loan deferment or forbearance, which temporarily postpone payments.[39]

While income-driven repayment plans act as a preventative measure for default, community college students, who borrow less than their peers at other institutions, may not be taking appropriate advantage of those plans. In 2016, 24 percent of federally-serviced borrowers in repayment were enrolled in an IDR plan.[40] However, these plans are disproportionately used by borrowers with large loan amounts, who benefit most from the reductions in monthly payments: sixty-four percent of borrowers in the Income-Based Repayment plan and forty-five percent of borrowers in the Pay As You Earn plan borrowed more than $30,000.[41] Community college leaders should ensure that financial aid administrators on their campuses are educating students about these repayment plans in order to keep their borrowers out of default, and advocate for better repayment options for low-balance borrowers.

Default on Federal Student Loans

While students should be counseled to borrow no more than they need, a small loan balance does not guarantee a smooth repayment process. There is a growing body of evidence that students who carry low student loan balances default on their loans at a higher rate than peers with high student loan debt.[42, 43, 44] In much of the research conducted, one of the most significant factors associated with default is failure to complete a credential. Non-completion may indicate that the student does not understand their repayment obligation, may not receive appropriate exit counseling, or does not have the ability to earn higher wages as the result of earning a meaningful credential. Additionally, some students take out loans without being aware that they borrowed, leading to missed payments once the loans enter repayment.[45] Colleges should be aware of patterns in student default using reports available from the National Student Loan Data System (NSLDS), develop default prevention plans that include counseling students toward an appropriate repayment plan, and create integrated, campus-wide initiatives that make completion a top priority.

College Cohort Default Rates and Aid Eligibility

To be eligible for Title IV participation, institutions must also manage their Cohort Default Rate (CDR). CDRs are published annually and represent the proportion of an institution's student borrowers who default within three years of entering repayment.[46] For example, borrowers who enter repayment in 2013 and default by the end of the 2016 federal fiscal year would be included in the FY2013 cohort default rate. To maintain Pell Grant and Direct Loan disbursement eligibility, an institution cannot have a CDR of 30.0 percent or greater for three consecutive years. If an institution's CDR reaches 40.0 percent or greater in a given year, it loses eligibility to participate in the Direct Loan program.[47] These institutional sanctions can be devastating to students who depend on Title IV aid for support and to institutions that rely on federal student aid for revenue.

Know your college's default rate and use federal data to understand what students on your campus have a high default risk and work with other campus leaders to develop wraparound supports for vulnerable students.

Campus-Based Aid Programs

Most Federal Student Aid programs are wholly funded by the federal government and are entitlements – meaning institutions are required to offer aid to eligible students. There are a few programs, however, that fall under the umbrella of campus-based aid. These programs all have some cost-sharing component, with the federal government and institution each providing a share of the funding. The campus-based aid programs are not an entitlement, which allows financial aid administrators more flexibility in awarding funds, but also means that students with unmet need may not receive an award under any of the campus-based programs. While there are still eligibility requirements and the funds are required to be distributed to students with financial need, colleges can award these funds to students who need them most. Campus-based aid is provided on an annual basis and once funds are exhausted for a given year no more aid can be awarded, regardless of student need or eligibility. Notably, the structure of formulas that allocate federal funds to institutions, per-student funding from campus-based programs to community colleges lags significantly behind that of four-year institutions, resulting in only five percent of students at public 2-year colleges receiving campus-based aid, the lowest of any sector.[48]

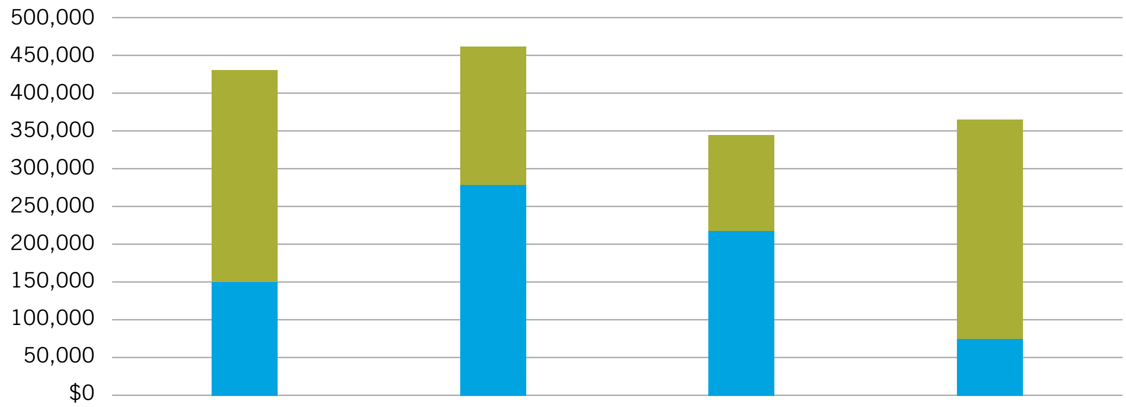
Federal Supplemental Educational Opportunity Grant (SEOG)

As its name suggests, SEOG (or FSEOG) is program designed to supplement Pell Grant funding for students with significant financial need. Although there is no EFC guideline as there is with Pell, financial aid administrators must prioritize Pell students when awarding SEOG. Students can receive up to $4,000 per year and there is no aggregate cap or semester limit. The federal government distributed $733.1 million in SEOG funds the 2016-17 academic year, $151.1 million (20.6 percent) of which went to students in public two-year institutions.[49]

Participating institutions are generally required to match one third of SEOG funds received from the federal government.[50] Federal funds are allocated to institutions using a "base guarantee," which provides colleges with similar funding as was received in the previous year. Any additional federal funds that are not distributed via the base guarantee are allocated using the "fair share" allowance, which apportions funds to colleges based off students' unmet need.

The campus-based funding formula disproportionately benefits higher cost, four-year institutions. Many of these colleges have participated in the campus-based programs since their inception, which ensures they receive substantial funds under the base guarantee. Furthermore, these colleges also benefit from the fair share allowance, as students at higher-cost institutions have significantly more unmet need than students at lower-cost institutions. As a result, the average SEOG award for a community college student is 60 percent of what a student at a four-year public college receives and is less than half of the average award at a private four-year institution.[51]

FIGURE 8: TOTAL RECIPIENTS AND AVERAGE AWARD OF FSEOG IN 2014-15, BY DEPENDENCY STATUS AND SECTOR

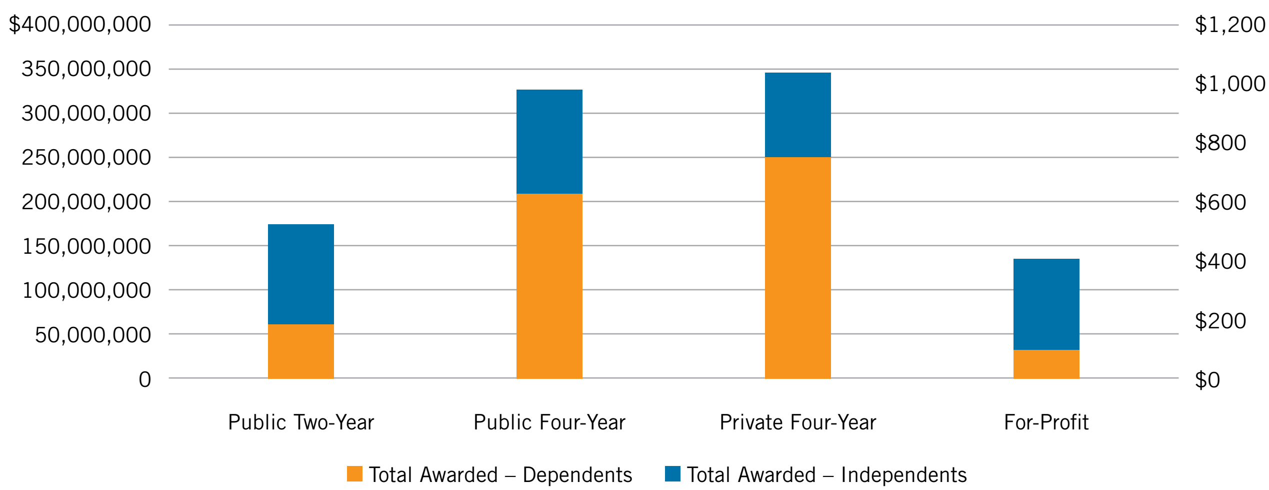


	Public Two-Year	Public Four-Year	Private Four-Year	For-Profit
Average Award	$405	$703	$993	$368

Total Awarded – Dependents Total Awarded – Independents

Source: U.S. Department of Education, Federal Campus-Based Programs Data Book 2016.

FIGURE 9: TOTAL AWARDED IN FSEOG IN 2014-15, BY DEPENDENCY STATUS AND SECTOR



Source: U.S. Department of Education, Federal Campus-Based Programs Data Book 2016.

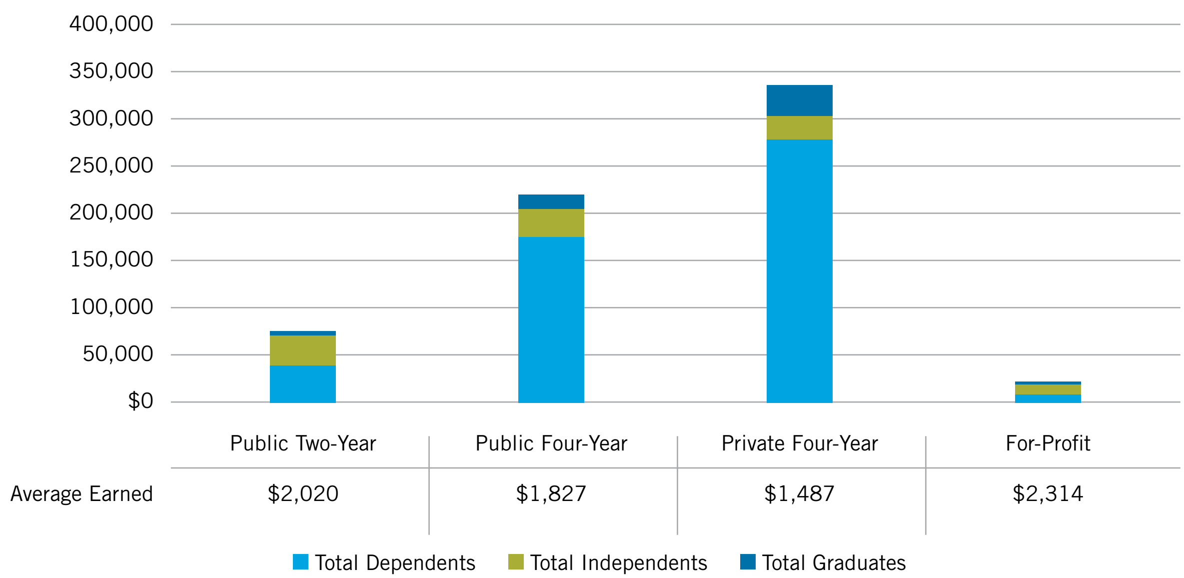
Institutional leaders can speak with their Congressional representatives about retooling the allocation formula for campus-based aid programs to ensure that funds go to low-income students across all sectors of postsecondary education.

Federal Work-Study (FWS)

Federal Work-Study (FWS) is a fundamentally different program from other types of federal financial aid. Instead of receiving an upfront award, students are instead awarded a potential maximum, which they can earn through hourly work at the college or with a nearby organization. Institutions (or the student's employer) are required to contribute up to 50 percent of the student's pay, with the federal government providing the rest.[52] However, some FWS positions – such as math and reading tutors – can be paid up to 100 percent by federal support.[53] Students in the Federal Work-Study program must have financial need and earn at least the federal minimum wage. While college students are often excluded from access to public benefits, students who receive FWS may be able to access benefits such as SNAP depending on their broader financial situation.[54]

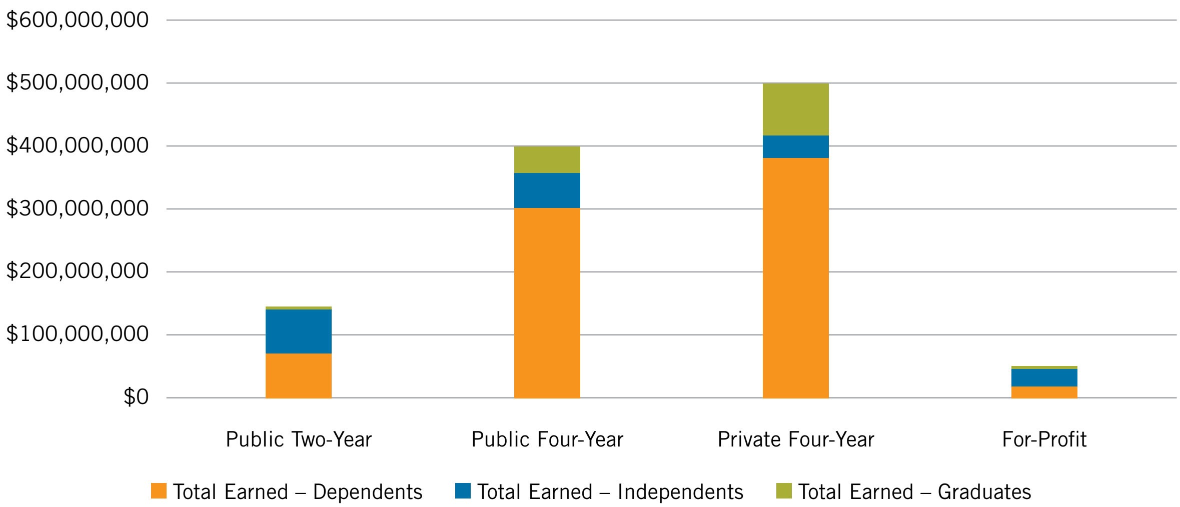
Federal Work-Study funds are allocated in a similar manner to SEOG. More funds are allocated to four-year public and private institutions and more students at those institutions receive pay through the FWS program. So, while the average earnings for students at community colleges is more than those of students at four-year public and private institutions, three times as many students at four-year publics and four and a half times as many students at four-year privates benefit from those earnings.[55]

FIGURE 10: TOTAL RECIPIENTS AND AVERAGE EARNED IN FWS IN 2014-15, BY DEPENDENCY STATUS, GRADE LEVEL, AND SECTOR



Source: U.S. Department of Education, Federal Campus-Based Programs Data Book 2016.

FIGURE 11: TOTAL EARNED IN FWS IN 2014-15,
BY DEPENDENCY STATUS, GRADE LEVEL, AND SECTOR



Source: U.S. Department of Education, Federal Campus-Based Programs Data Book 2016.

Federal Perkins Loan Program

The Federal Perkins Loan program differs significantly from federal Direct Loans. Perkins can be awarded to students who have unmet need after grants and subsidized loans are awarded. Perkins Loans are also administered and serviced by the institution, as opposed to Direct Loans, which are serviced by the Department of Education via contractors. Undergraduate students may receive a Perkins Loan of up to $5,500 per year, with an aggregate limit of $27,500. The interest rate on Perkins Loans is a fixed 5.0 percent and borrowers have a nine-month grace period after they graduate or leave their institution before they are required to begin making payments.[56]

The federal government has not provided funding for new Perkins Loans since 2004, and funds are allocated based on repayment of outstanding debt.[57] The funding formula for Perkins Loans is similar to that of SEOG and FWS. Although per-student funding for all campus-based aid programs is disproportionately less for community college students than students in other sectors, Perkins funds are overwhelmingly directed toward students in four-year public and private colleges, representing less than one percent of all borrowers and receiving just half a percent of loans disbursed.[58]

SUPPORT FOR MILITARY-CONNECTED STUDENTS

There are substantial federal resources available to students who currently serve or are veterans of the United States armed forces. Some programs are also available to students whose parents are or were servicemembers. The GI Bill, one of the original federal student aid programs, has been reimagined as the Post 9-11 GI Bill, which offers financial support to servicemembers and veterans who were active duty after September 10, 2001.[59] The Montgomery GI Bill provides support to enlisted active duty members and reservists. Students whose parent or guardian passed away as a result of military service in Iraq or Afghanistan after September 11, 2001 can receive up to a yearly amount equal to the maximum Pell Grant through the Iraq and Afghanistan Service Grant.[60] Military-connected students may also be able to access aid through programs administered by the Department of Veterans Affairs.[61, 62, 63] Many colleges now provide a veteran's liaison who can help military-connected students access the benefits to which they are entitled.

College leaders should consider supporting veterans on their campuses by offering professional or peer advising specifically targeted to military-connected students.

COLLEGE PROMISE PROGRAMS

Over the last decade, the college promise model has emerged as a way to provide low- or no-cost access to college for students across the nation. College promise programs ensure that students who meet eligibility requirements are not responsible for paying tuition and fees. While there is not currently a federal promise program, they deserve mention in a discussion about community college funding mechanisms. Promise programs fall into two broad categories: first-dollar and last-dollar. First-dollar programs apply college promise aid to eligible students' expenses before applying other aid, such as grants or loans. Any federal, state, or private aid above the cost of tuition and fees can then be used toward other living expenses. Last-dollar promise programs first apply federal and state grant aid to students' tuition and fees and then use promise funds to make up the difference. Last-dollar programs are less desirable for students, as they only account for tuition and fees and do not cover students' living costs, which represent the bulk of costs for community college students.

The first college promise initiative began in 2005, when a group of anonymous donors guaranteed full-tuition scholarships to students who attended public schools in Kalamazoo, Michigan and enrolled in any of Michigan's public colleges, as well as 15 private colleges.[64] As of this writing, over 150 state and local college promise programs are in operation in 37 states.[65] These programs are funded by a variety of sources, ranging from private businesses to local and state government support and have differing eligibility requirements. Figure 12 presents examples of college promise programs from across the country.

In recent years, lawmakers have attempted to expand college promise programs at the state and federal levels. Tennessee's legislature approved a promise program in 2014, and Oregon followed in 2015. That same year, President Obama introduced a proposal for America's College Promise, a federal-state partnership that would eliminate tuition and fees for two years for eligible students at community colleges.[66] Federal legislation to enact America's College Promise was introduced in Congress but never made it to the floor for a vote.

College promise programs are funded in a variety of ways, and trustees can be important facilitators in creating promise programs in their states or communities. Begin conversations with local and state officials about what it would take to start a promise initiative for your students.

FIGURE 12: EXAMPLES OF COLLEGE PROMISE PROGRAMS				
PROGRAM NAME	**FUNDING SOURCE**	**ELIGIBILITY**	**AMOUNT**	**AWARD STRUCTURE**
Tennessee Promise	Tennessee Lottery[67]	Tennessee high school graduates or GED recipients under 19 enrolling full-time in the fall after diploma/ GED receipt[68]	Up to the cost of two years of tuition at a Tennessee community or technical college[69]	Last dollar[70]
Chicago Star Scholarship	Institutional tuition waivers[71]	Recent college-ready graduates of Chicago Public Schools with 3.0 GPA[72]	Up to the cost of tuition, fees, and books for an associate program at City Colleges of Chicago[73]	Last dollar[74]
Oregon Promise	State appropriations[75]	Resident graduates of Oregon HS or GED recipients with 2.5 GPA or equivalent who enroll at an Oregon CC half-time or more[76]	$1,000 to $3,397 per year[77]	Last dollar[78]
Kalamazoo Promise	Private donors[79]	Graduates of Kalamazoo Public Schools enrolled in-district for at least four years[80]	Up to four years of tuition and fees at participating colleges and universities[81]	First dollar[82,83]
Milwaukee Area Technical College (MATC) Promise	Donors to institutional foundation[84,85]	Recent graduates of in-district HS or residents of college district who enroll full-time[86]	Tuition and fees up to 15 credits per semester, up to 5 consecutive semesters[87]	Last dollar[88]

EXTRA HELP ALONG THE WAY: SOURCES OF SUPPORT OUTSIDE OF STUDENT AID

Federal Tax Benefits

Community college students are able to use education tax credits and deductions while studying or repaying student loans. In 2014, tax filers claimed approximately $18.2 billion in education tax deductions and credits.[89] Students and their families should keep these credits and deductions in mind as they file their federal income taxes during and after enrollment.

Many community-based organizations provide free tax preparation assistance to low-income individuals. Institutions can partner with these organizations to help students access education tax benefits as they continue their studies.

American Opportunity Tax Credit (AOTC)

The AOTC, which was first made available in 2009,[90] offers taxpayers a credit of up to $2,500 per student per year over the first four years of postsecondary study. Eligible independent students can claim the tax credit for themselves, or parents and guardians of dependent students can claim the credit. Up to $1,000 of AOTC is refundable.[91] This means that those who claim the credit and have little or no tax liability can receive up to $1,000 refunded from the federal government to assist with education expenses. Those with an adjusted gross income of $80,000 or less ($160,000 for those married filing jointly) are eligible for the full credit. Those with an adjusted gross income of $90,000 ($180,000 for those married filing jointly) are eligible for a partial tax credit.[92]

Lifetime Learning Tax Credit

Created in the Taxpayer Relief Act of 1997, the Lifetime Learning Tax Credit offers up to $2,000 (20% of the first $10,000 of educational expenses) in deductions.[93] The basic requirements for receiving the Lifetime Learning credit are that the person claiming the credit paid qualified educational expenses for an eligible student and that the student is either the filer, their spouse, or their dependent. Qualified educational expenses include tuition, required fees, and any other expenses required for a student's educational program.[94, 95]

The Lifetime Learning Credit has no limit on the number of times it can be used, and students do not need to be pursuing a degree to use it.[96] If a student is taking even one college course, they can claim this credit. Students cannot claim AOTC and Lifetime Learning in the same year.

As with AOTC, there is an income cap for the Lifetime Learning credit. Those with a modified adjusted gross income of $55,000 or less ($110,000 for those married filing jointly) can claim the full tax credit. The income cap on the tax credit is an adjusted gross income of $65,000 ($130,000 for those married filing jointly).[97] Unlike the AOTC, those eligible for the Lifetime Learning Credit cannot receive any part of the credit as a refund.[98]

Tuition and Fees Deduction

If students have not used the Lifetime Learning or American Opportunity Tax Credit, they may be able to deduct up to $4,000 for tuition and fees that they paid out of pocket, depending on their income level.[99] Students can see the amount of tuition and fees paid to the institution on the 1098-T tax form they receive from their college.[100] The modified adjusted gross income ceiling on the tuition and fees deduction is $80,000 ($160,000 for those married filing jointly).[101]

Student Loan Interest Deduction

Student borrowers can access a tax deduction of up to $2,500 paid for interest on their federal or private student loans.[102] This deduction can be used whether or not the filer itemizes tax deductions and can be claimed during the repayment of student loans. The income cap on the student loan interest deduction is $80,000 ($160,000 for those married filing jointly).[103]

Public Benefits

Some community college students may be able to access public benefits for added support during their years of postsecondary study, such as Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), child care assistance, health insurance subsidies, housing assistance, and Unemployment Insurance.[104, 105] The wide variety of public benefits can offer much-needed assistance to eligible low-income students during the time they study at community colleges. In a recent study supported by ACCT, the Wisconsin HOPE Lab found that a half of students surveyed at ten community colleges struggled with food or housing insecurity.[106] These are students who can potentially benefit from public assistance programs, provided they have the information necessary to apply for such aid. Colleges can take steps to make sure students are aware of public benefit programs that may provide them assistance, as well as support during the benefits application process.

Supplemental Nutrition Assistance Program (SNAP)

SNAP provides financial assistance with nutrition expenses to low-income households and individuals.[107] As of this writing, SNAP offers a maximum of $194 in monthly benefits for individuals and up to $649 for a family of four.[108] In general, students enrolled in college at least half-time cannot access SNAP benefits. However, there are several exceptions to this rule. For example, students who work for pay a minimum of 20 hours per week or receive TANF assistance could be eligible for SNAP.[109] Fifty-eight percent of community college students work at least 20 hours per week, with 26 percent working at least 40 hours per week,[110] meaning that if those students meet income eligibility requirements, they may be able to receive SNAP benefits. Additionally, students who receive Federal Work-Study support may be eligible for SNAP, even if they work less than 20 hours per week in their position.[111] Some student with children may also meet criteria for SNAP.[112]

Temporary Assistance for Needy Families (TANF) Cash Assistance

This program offers cash assistance to very low-income adults with children.[113] Work requirements for families receiving TANF vary from state to state, but each state is required to meet standards for the number of state TANF recipients in designated work or training activities.[114] Likewise, the amount of monthly assistance varies widely among states, with current monthly benefits for a single-parent family of three ranging from $170 in Mississippi to $923 in Alaska.[115] While each state may establish guidelines regarding if or how postsecondary education counts toward work requirements, students may typically count higher education or training as a work activity for 12 months, after which the student must participate in another work activity for 20 hours per week to maintain eligibility.[116]

Other Public Benefits Programs

Students may be able to benefit from the Child Care and Development Block grant, which offers support to parents in job training or education.[117] States vary in terms of guidelines on whether attending college alone qualifies parents for support through this program.[118] Students may be able to access housing benefits through Section 8 or Public Housing Authorities if they meet a series of income, household size, and enrollment requirements.[119] Unemployment Insurance may also be available for students who are enrolled in programs that qualify as “state approved training” that move the student toward employment.[120, 121]

MOVING FORWARD: RECOMMENDATIONS FOR INSTITUTIONAL LEADERS

While this guide provides foundational information on the of the federal financial aid system, there are additional steps college leaders can take to better understand college financing and public policy related to higher education. We encourage community college trustees to take the following recommendations as next steps in being engaged and active advocates for their students.

Actively engage with ACCT and your representatives in Washington. ACCT offers many policy and advocacy resources for trustees, including new research, legislative news, and policy analysis. Visit www.now.acct.org to stay in touch with ACCT's policy work and to sign up for Latest Action in Washington (LAW) Alerts. We also encourage you to attend our annual National Legislative Summit to keep abreast of developments in federal policy and to develop a relationship with the elected officials that represent the interests of your college and students.

Stay updated on the health of your college, including the financial needs and obstacles to success for students at your institution, and use this information to advocate for your students. Work with your board to develop a set of metrics that assesses the financial and academic health of your institution and students. Make sure to include information on the financial need and aid received by your students. Boards should also develop a strategic plan to reach reasonable but ambitious goals, which should be informed by the needs of students, the workforce demands of area employers, the insights of the college's leadership team, and the interests of local, state, and national elected officials.

Think broadly about federal and state support for students, and stay up to date with outreach initiatives on your campus. Though student financial aid is a critical means of support, remember that other public benefits and tax credits may be available to students at your institution. Trustees should be aware of what their campus is doing to promote access to federal, state, and local aid from a variety of sources. Trustees can also be vital points of connection between their colleges and communities, developing relationships with community-based organizations, the area businesses, and policymakers. These relationships can be leveraged to bring in additional funding for special programs and populations in need of support beyond available federal financial aid.

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