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WHY THE SENATE HIGHER EDUCATION BILL IS GOOD NEWS FOR LOW-INCOME ADULTS—AND HOW TO MAKE IT EVEN BETTER

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The Higher Education Act (HEA) provides an annual \$56 billion in financial assistance to students, many of whom are adults, and is by far the largest single source of federal funds for workforce development. On September 8th, the Senate Health, Education, Labor and Pensions (HELP) Committee unanimously approved S. 1614, bipartisan legislation to reauthorize HEA. The Committee took the time to understand and address the particular barriers to college that confront low-income adults and other nontraditional students and, as a result, the bill eases those barriers in a number of ways. Specifically, the bill does the following for low-income adults:

- **Provides new Pell Grants to America's poorest students.** A new supplemental Pell Grant—the Provisional Grant Assistance Program (ProGAP)—provides an additional \$4.5 billion to the neediest students over the next five years. Funding for this program is mandatory, which means it can be allocated without going through the Congressional appropriations process.
- **Expands Pell Grants to students enrolled less than half time.** The bill allows room and board to be included in the cost of attendance for up to three semesters for students temporarily enrolled less than half time.
- **Offers year-round Pell Grants.** Students in AA and BA programs will be allowed to receive two Pell grants in a single year if they attend school year-round.
- **Increases the maximum Pell Grant to \$5,100 for 2006-2007.** The bill also provides further increases up to \$6,300 in 2010. It changes the minimum Pell Grant to 10 percent of the maximum grant each year, instead of the current \$400, with the minimum need for eligibility set at 5 percent of the maximum grant.
- **Supports “modularized” programs.** The bill creates pilot projects that provide financial aid to students enrolled in for-credit modularized programs—which separate longer programs into relatively small chunks with credentials awarded for each chunk—under the Department of Education’s Experimental Sites authority.
- **Offers an alternative to Ability to Benefit tests.** Individuals who lack high school credentials can prove their readiness for college and qualify for federal financial aid by successfully completing six credits in lieu of taking an Ability to Benefit test.
- **Prepares nontraditional students for high-growth jobs.** The bill provides competitive grants to college-business partnerships that provide job training to nontraditional students for high-growth jobs.

- **Focuses on improving remedial education and English language services.** The bill makes these components a focus of HEA grants to strengthen institutions, and emphasizes customizing remedial education to students' programs so that they can move into their core courses more quickly.
- **Increases minimum grants for on-campus Student Support Services from \$170,000 to \$200,000.** These services—part of the federal TRIO programs—aim to increase retention and persistence among first-generation and low-income students, including adults.
- **Corrects the tuition disincentive.** A current HEA provision actually gives states a disincentive to keep college tuition affordable by rendering students ineligible for the maximum Pell Grant at colleges where tuition is below a certain level. The new bill removes this provision.

CLASP had urged the Committee to adopt a number of these provisions, in part through our May 2005 recommendations to the Committee (http://www.clasp.org/publications/hea_recs_to_help.pdf) and in the development of Senator Hillary Clinton's 2004 Nontraditional Student Success Act. CLASP has also been working with The Workforce Alliance and the National Consumer Law Center (NCLC) to expand access for low-income, nontraditional students. (An NCLC analysis of the Senate bill's loan provisions can be found at www.nclc.org.)

Improving the Senate Bill for Low-Income Adults

The Senate bill is far better for low-income adults than its House counterpart, H.R. 609. Nevertheless, several important issues should be addressed before it comes to the Senate floor. The chief concerns for low-income adults are:

- **Reducing the “work penalty.”** At the moment, the bill reduces the work penalty for dependent students—but not for independent students, who typically must work to support themselves during college. These students are penalized for working because the Income Protection Allowance (IPA) is set at unrealistically low levels. For example, independent students without children are allowed only about \$5,500 a year—or about half of the poverty level—before their earnings start to reduce student aid. This is unacceptable; the other positive steps the Committee is taking to help nontraditional students will have little effect if this crucial issue is not addressed. The HELP Committee has said that it intends to add an IPA increase for independent students before the bill hits the Senate floor, but the outcome is far from certain, and will depend in part on constituents letting Senators know that this change is essential.
- **Simplifying the aid application process for low-income students.** The Senate should include in its final bill three important provisions to ensure that low-income individuals receive the student aid that Congress intends. (The latter two issues are addressed in the Financial Aid Form Simplification and Access Act, bipartisan legislation introduced by Senator Jack Reed.)
 - **Exclude the Earned Income Credit (EIC) from financial aid calculations.** Current financial aid rules count EIC payments as income, although eligibility rules for other federal assistance programs do not. Increasing the Automatic Zero Expected Family Contribution (EFC) threshold helps but does not eliminate this problem for some groups of students, such as independent students without dependents or families earning between \$20,000 and about \$35,000. The EIC helps offset the costs of work expenses and Social Security taxes for low-

income workers. Congress' goal of rewarding work is undercut when EIC refunds reduce student aid awards.

- **Allow dislocated workers to use projected current-year income.** As recommended by the Advisory Committee on Student Financial Assistance, dislocated workers ought to be able to complete the Free Application for Federal Student Aid (FAFSA) using their projected income for the current year. At the moment, dislocated workers must use their previous year's earnings, despite the fact that their income has fallen dramatically. They may then seek professional judgment to have their income adjusted, but few dislocated workers are likely to even know that this is an option. In addition, professional judgment should be reserved for special circumstances that require case-by-case decisions, not for treatment of an entire class of persons such as dislocated workers. These workers should simply be able to indicate their loss of employment on the FAFSA and put down projected current-year income.
- **Develop a FAFSA checkbox that automatically qualifies recipients of certain means-tested benefits for an Automatic Zero Expected Family Contribution (EFC).** Students who have already qualified for certain federal, state, or local means-tested benefits for low-income individuals and families have already documented that their income and assets are sufficiently low to qualify for a zero EFC. We agree with the National Association of Student Financial Aid Administrators (NASFAA) that the FAFSA's complexity may discourage these families from applying for financial aid and support the Association's recommendation to add a simple checkbox on the form to address the problem. Students who check the box and provide verification of receipt of these means-tested benefits would automatically qualify for a zero EFC.
- **Preventing fraud and abuse.** Low-income adults were victimized more than any other group by the student aid program abuses that occurred in the 1980s and 1990s, as documented extensively by Senator Sam Nunn. The current bill's changes in the 50 percent rule and the 90/10 rule would leave these programs once again vulnerable to fraud by unscrupulous institutions. The 50 percent rule prohibits schools from providing half or more of their students' coursework through correspondence and other distance education classes or having half or more their students enrolled in such classes. The rule was put in place because in the past distance education programs were especially prone to fraud; without it these students may once again fall prey to unethical providers. The 90/10 rule requires that proprietary institutions derive no more than 90 percent of their revenues from HEA program funds. It seems reasonable to ask that a college derive at least 10 percent of its revenue from sources other than federal student aid; gutting this provision risks inviting the return of entities that exist for no other reason than to bilk students out of Pell Grants and student loans, leaving them with large debts and no real education.

Next Steps

The HELP Committee intends to continue to improve the bill in a bipartisan way before it comes to the Senate floor. Floor action could be delayed until 2006 given the full agenda that the Senate faces this fall. Some provisions involving mandatory spending or savings—such as the work penalty—could come to the floor sooner, under the 2005 budget reconciliation legislation.

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