

# CLASP

CENTER FOR LAW AND SOCIAL POLICY

February 27, 2003

Jeffrey R. Andrade  
Deputy Assistant Secretary for Policy,  
Planning and Innovation  
Office of Postsecondary Education  
U.S. Department of Education  
1990 K Street, NW, Room 8046  
Washington, DC 20006

Dear Mr. Andrade:

Thank you for seeking comments regarding the reauthorization of the Higher Education Act (HEA). HEA reauthorization provides an important opportunity to assess how the face of higher education has changed in recent years and to revise the law accordingly so that federal policies and funding can continue to promote access and success in postsecondary for all Americans, especially those with limited financial means.

These comments are submitted on behalf of the Center for Law and Social Policy (CLASP). CLASP is a nonprofit organization engaged in research, analysis, technical assistance, and advocacy on a range of issues affecting low-income families. We are new to the higher education arena and our interest in it grew out of our longstanding work on workforce development and welfare reform issues.

Through that work we came to realize that job training and other postsecondary programs are critical for job advancement for low wage workers, that postsecondary institutions (especially community colleges) are the largest providers of job training in the country, and that, in effect, federal student aid is the principal source of federal funding for job training for low-income youth and adults. At the same time, it became clear that current policies and funding streams at the federal, state, and local levels often do not support the workforce development role of postsecondary institutions or meet the needs of the nontraditional students typically enrolled in occupational programs, particularly low-income, financially independent youth and adults.

As you know, American undergraduates are increasingly nontraditional—substantial numbers of them are older, working full-time, on their own financially, supporting dependents, and attending college less than full-time. As of 1999, more than half (51 percent) of all undergraduates were considered financially independent and 39 percent of all undergraduates were adults (25 years and older). Almost half (48 percent) attended part-time and 39 percent worked full-time. A

substantial number had dependents (22 percent) and about 13 percent were single parents. For these nontraditional students, working is generally a necessity and their greatest challenges involve balancing work, school, and family responsibilities, especially if they have dependents. Among undergraduates who work but consider themselves primarily students, half to three-quarters of those with four or more nontraditional characteristics report that work interferes with school.

To explore these issues further, we have launched a new project to explore issues of access, persistence, and program quality for nontraditional students, especially low-income, financially independent youth and adults. We are interviewing state and local community college staff in 6-8 states to understand the issues and develop recommendations for federal, state, and campus policy changes. We are focusing especially on participation in certificate and two-year degree programs that have an occupational focus. Because we are in the early stages of our project, the attached recommendations are tentative and based primarily on our initial interviews with California community college local and state staff, on research reports, and on discussions with other national organizations. We expect to expand and refine these recommendations as we learn more in the coming months through the project interviews.

One of the clearest messages we are hearing is that low-income students—especially nontraditional students such as financially independent young people and working adults—have serious and substantial financial need, and that the current federal need analysis obscures that problem by overestimating what such students can actually afford to pay toward their education and by underestimating costs, especially for single low-income adults, with or without dependents. A more accurate analysis of need is an important first step toward helping these students. To deliver more aid to the neediest students, though, an expansion of Pell grants will also be necessary. We also believe that better outreach and career and financial aid counseling are critical for helping eligible students, especially nontraditional ones, become aware of available aid and make wise use of it.

The attached recommendations for HEA reauthorization are organized around four goals:

- Help low-income students balance work, family, and school
- Help low-income students by meeting a higher share of their financial need
- Increase access and persistence in postsecondary by low-income youth and adults
- Recognize the critical workforce development role played by postsecondary institutions by promoting innovation in program content and delivery

Thank you again for the opportunity to provide you with comments. As we learn more from our research project in the coming months, we will forward additional recommendations for your consideration.

Submitted by Julie Strawn and Victoria Whistler, on behalf of the Center for Law and Social Policy.

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## **Preliminary Recommendations on Higher Education Act Reauthorization** February 2003

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### **I. Help low income-students balance work, family, and school**

1. **Recommendation:** Update the income protection allowance (IPA) and employment expense allowance to enable low-income adults (most of whom are working while in school) to keep a sufficient amount of their income to live on when calculating how much a student can afford to contribute toward educational costs. Adopt the NASFAA recommendation to use the Consumer Expenditure Survey (the lowest 20 percent table) to calculate the IPA. It could also be used to calculate the employment expense allowance, as suggested by the College Board. The new methodologies for calculating the income protection and employment expense allowances could be phased in gradually by applying them to financially independent students first, then, over time, extending them to all Pell recipients.

**Rationale:** The income protection allowance—what the government considers the family needs for indirect educational expenses, such as food, housing, and dependent care—is set at unrealistically low levels. It is particularly important that single independent students, especially those who are working to provide for their families and pay for child care while attending college, have a sufficient amount of their earnings protected before they are considered able to contribute toward educational expenses. For single independent students without dependents, for example, just \$5,300 of the student’s income is currently deemed necessary for indirect educational expenses. For a single independent student with one child, only \$13,210 is considered needed for indirect educational expenses. The Consumer Expenditure Survey data is collected annually and therefore reflects current living and employment expenses much more accurately than does the current BLS market-based data which, though updated for inflation, is based on consumer expenditure patterns from the 1960s. The employment expense allowance could also be calculated using this more current data.

2. **Recommendation:** Exclude the Earned Income Credit (EIC) from the calculation of expected family contribution (EFC).

**Rationale:** The EIC helps offset the costs of work expenses and Social Security taxes for low-income, working families. A key Congressional goal for the EIC was to reward work by ensuring that families experienced financial gains from working. Reducing student aid awards because a student receives the EIC undercuts this Congressional goal.

3. **Recommendation:** Revise the cost of attendance calculation for independent students with dependents to reflect the true living expenses of the family.

**Rationale:** The cost of attendance (COA) should, to the extent possible, reflect the actual direct and indirect educational expenses of the student. For students with dependents, these costs include housing and other expenses not only for the student but also for his or her dependents. Currently, of a student's costs for dependents, only child care costs are included in the COA; housing and other expenses can be taken into consideration for the student only. This hides the true cost of attendance for these students, who clearly face higher expenses in providing for their children while attending school than students without dependents.

4. **Recommendation:** Allow Federal Work-Study (FWS) funds to be used to subsidize wages for employed, low-income students who work for small employers in exchange for the employer providing reduced and more flexible work schedules that allow students to continue their employment and complete their studies more quickly.

**Rationale:** For low-income students who must work while in school to support themselves and their families, too many hours of work, and work schedules that change frequently, can prevent them from succeeding in school. Currently such students would have to quit their current unsubsidized jobs with private employers in order to take advantage of Federal Work-Study aid, which typically funds jobs on campus. These pilots would test the idea of allowing students to remain in the private workforce, potentially in jobs related to their studies, while using the leverage of work-study subsidies (at a reduced subsidy rate) as an incentive to encourage employers to support their workers' studies through reduced hours of work and flexible scheduling that fits with course schedules.

5. **Recommendation:** Increase the availability of affordable child care for low-income students with dependents.

**Rationale:** Almost one-fourth (22 percent) of undergraduates have dependents. For many low-income students, child care costs for the hours spent in class and studying can exceed the cost of tuition. Yet funds from the Temporary Assistance for Needy Families (TANF) block grant and the Child Care and Development Block Grant (CCDBG) for child care are often not available to low-income parents for time spent in postsecondary activities. The Administration and Congress should expand the availability of affordable child care for low-income students through a variety of means, including expanding the Child Care Access Means Parents in School (CHAMPS) program, allowing more work-study jobs in campus

child care centers to count toward community service requirements, and making loan forgiveness of child care providers an entitlement so that students can depend on it when planning their careers.

## II. Help low-income students by meeting a higher share of their financial need

1. **Recommendation:** Double the maximum Pell grant over the course of the next reauthorization. Phase in the increase first to those in the first year (“grade level one”) of their college program, then to those in their second year (“grade level two”), etc., until all Pell grant recipients are included.

**Rationale:** The purchasing power of the Pell grant has fallen dramatically over the last two decades, now covering just 38 percent of the average annual cost of attendance at a public two-year college.<sup>1</sup> Raising it in small increments for all Pell recipients at the same time, however, will mean that no students will receive large enough increases in the short run to substantially change their prospects for entering and succeeding in a postsecondary program. Phasing in the grant increase so that it first reaches students during their initial years when they are most at risk for not persisting with their studies would ensure that the Pell increases start making a difference in student outcomes right away.

2. **Recommendation:** Increase funding for Federal Supplemental Education Opportunity Grants (FSEOGs) and for the Federal Work-Study (FWS) program. Update the method of distributing funds among colleges for these programs so that these funds follow the neediest students to the greatest extent possible.

**Rationale:** FSEOGs are intended to help students with exceptional financial need. Yet these grants now average just \$581 per recipient, down 23 percent over the last ten years. The average FWS award has also fallen substantially, by 12 percent over the last decade.<sup>2</sup> This problem of the declining value of these important campus-based sources of federal aid is compounded by the use of a badly outdated distribution formula for these programs so that these funds go disproportionately to institutions with fewer needy students. Less than 10 percent of federal campus-based aid goes to public two-year institutions, for example, despite these colleges enrolling 42 percent of all low-income undergraduates.<sup>3</sup> The old formula should be gradually phased out and the funds increasingly distributed in proportion to where the most financially needy students are enrolled.

3. **Recommendation:** Restore the concept of “negative expected family contribution” in the need analysis so that low-income students can document the full extent of their financial need, which facilitates the packaging of aid from different sources. In the coordination of resources and aid in the student’s financial aid package, allow the negative EFC figure to be replaced with an actual financial aid award to fill the gap in need.

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<sup>1</sup> Center for Law and Social Policy calculation using data from *Trends in College Pricing 2002*. (2002) New York: The College Board.

<sup>2</sup> *Trends in Student Aid 2002*. (2002). New York: The College Board.

<sup>3</sup> The College Board (see note 2); Susan P. Choy, *Low Income Students: Who They Are and How They Pay for Their Education*. (March 2000). Washington, DC: National Center for Education Statistics.

**Rationale:** Currently all students whose assets and income fall below the levels set as necessary for their indirect educational expenses are considered to have an expected family contribution of zero. The problem is that some of these students may earn \$20,000 while others may earn \$5,000, yet on paper their financial need—their cost of attendance minus their expected family contribution—looks the same. Restoring the negative EFC would provide a way of distinguishing among students with a zero EFC by measuring how far a student is from being able to meet both direct and indirect educational expenses, and allow for aid to be awarded to fund that difference in need.

4. **Recommendation:** Remove the disincentive for colleges to set or maintain affordable tuition levels by eliminating the Pell “tuition sensitivity” provisions.

**Rationale:** Currently states face a disincentive to keep college tuition affordable for low-income students because if tuition and fees are below a certain level, students at those colleges cannot receive the maximum Pell grant. This penalizes states that seek to make, or keep, college affordable by taking away federal grant aid as state aid increases through greater tuition subsidies. This cap on Pell awards applies to anyone enrolled in a low-cost institution, regardless of a student’s level of financial need. The Pell grant is intended to enable low-income individuals to attend college and should not discriminate against students who attend low-tuition colleges and yet may face other high costs necessary for attending school, such as child care or housing. The law already explicitly includes such indirect educational expenses in what Pell grants and other aid are intended to help cover; the tuition sensitivity rule arbitrarily prevents students from receiving the help the law intends. More states, and students at low-cost institutions in those states, are likely to be affected by the tuition sensitivity rule as the Pell maximum grant increases.

### **III. Increase access and persistence in postsecondary education by low-income youth and adults**

1. **Recommendation:** Increase funding for TRIO and GEAR-UP programs to help increase access to postsecondary for both youth and working adults and also to better support nontraditional students enrolled in postsecondary so that they can successfully complete their programs.

**Rationale:** Recent research indicates that knowledge about financial aid options is a key predictor of whether young people attend college, yet a majority of lower income-families (and nearly two-thirds of minority, lower-income families) say they need much more help with understanding what aid is available. Other research shows a similar lack of information about aid options among low-income working adults. TRIO programs and GEAR-UP can help reach out to youth and working adults to help them explore career and postsecondary education opportunities, apply for college and for aid, and through Student Support Centers, succeed in school once they have enrolled.

2. **Recommendation:** Provide Pell grants for full-time, year-round study. Currently Pell grants are only available for two semesters or three quarters in a calendar year.

**Rationale:** Making Pell grants available for full-time, year-round study would enable students to complete programs more quickly by enrolling in fall, spring, and summer sessions. This would likely increase completion rates as it would allow students to stay continuously enrolled and by shortening the overall length of time in school, it would reduce the amount of earnings and work experience students forego while in school. Such foregone earnings are a major barrier for many students, especially financially independent youth and adults with family responsibilities. Year-round study would allow them to complete more quickly and reduce the chances of their stopping or dropping out due to competing demands from work and family.

3. **Recommendation:** Broaden the “ability-to-benefit” policy by allowing students to use the alternative proven successful in the U.S. Department of Education’s experimental sites: completing six credits of college coursework that count toward a certificate or degree with a C grade, its equivalent, or better, in a trial period. This could take the place of taking an “ability to benefit” test as a way to determine whether individuals without a high school diploma or GED can benefit from college and therefore receive federal student aid. Students who successfully complete the college credits during this trial period would gain eligibility for a federal Pell Grant for the academic year in which eligibility was established. The Administration and Congress should also consider making federal financial aid available on a retroactive basis to students who successfully complete the trial period so long as the units are completed within the same academic year.

**Rationale:** Currently students without a high school diploma or GED can only qualify for federal student aid if they pass an “ability-to-benefit” test. Yet experimental pilots conducted by the Department of Education show that the ability-to-benefit tests do not accurately measure a student’s ability to benefit from postsecondary education. Students who failed the test but were allowed to receive financial aid after successfully completing six credits went on to have higher GPA’s and to complete more credits than the students with high school diplomas. This proposal would allow all of those without high school credentials the option of demonstrating their ability to succeed in school, not through an ability-to-benefit test but through actual academic performance during a trial period. It would also allow them to retroactively receive aid for the trial period if they subsequently were determined to have met the ability-to-benefit requirement. This provision could help students with learning disabilities who may have particular difficulty with standardized tests.

4. **Recommendation:** Revise the “Return to Title IV” policy to ensure that low-income grant recipients are not disproportionately affected and are not discouraged from completing their educational programs.

**Rationale:** The current Return to Title IV policy places a substantial burden on low-income students who have unmet need. They have already used their Pell grants and other aid to pay for tuition, books, equipment, and living expenses. Low-income students who try to avoid indebtedness by not taking out loans and only receive grant aid are disproportionately hurt by the current Return to Title IV methodology. Consideration should be given to unmet need in the Return to Title IV calculation, together with the current factoring in of other aid that

could have been disbursed, such as loans for which the student was eligible but declined in order to avoid indebtedness.

5. **Recommendation:** The administration and Congress could explore the possibility of creating check boxes where those already eligible for certain federal programs (such as TANF, SSI, Food Stamps) could indicate that on the form and would automatically be considered to have a zero EFC.

**Rationale:** There is no reason for individuals who have already met stringent income eligibility requirements for certain programs, such as TANF, to complete a full federal student aid application. Creating a check box for these students to bypass the income and asset questions would save student and financial aid staff time and effort.

6. **Recommendation:** Add a check box on the FAFSA for students to mark if they expect their income to decrease during the next school year as compared to the prior year.

**Rationale:** Financial need is typically determined based on prior year income. Many students could be eligible for aid if professional judgment was applied to use current year income in cases where students experience unusual circumstances, such as being laid off. While aid administrators currently utilize this provision, students are unaware that their financial aid eligibility can increase if their income decreases. Adding this check box to the FAFSA would both increase financial aid awareness and provide aid administrators with data so they can follow up with students to more effectively calculate and meet the financial need of students.

7. **Recommendation:** Simplify the financial aid application forms and processes. A working group of state and local financial aid administrators could be formed to work with federal staff on creating clearer, simpler ways to apply for financial aid and to explore all the possibilities of linking aid applications to other information that is already collected for other purposes (e.g., taxes, government benefits). This group should also include staff from other programs, such as TANF, the Workforce Investment Act, Food Stamps, and child care, who understand the program interaction issues.

**Rationale:** The current financial aid application forms and resulting Student Aid Report (SAR) are far too complicated for students to understand on their own and there are too few financial aid staff to help everyone through the process individually. Further, as the application process becomes more and more automated, there are fewer financial aid staff who have the experience and training to help students work through all the possibilities for adjusting aid awards to meet particular circumstances. As a result, in too many instances low-income students are not applying for aid or are not getting all the aid for which they are eligible.



#### **IV. Recognize the critical workforce development role played by postsecondary institutions by promoting innovation in program content and delivery**

1. **Recommendation:** Reexamine the criteria by which educational programs qualify for financial aid to recognize the variety of flexible delivery modes that have emerged in recent years in response to the needs of workers and employers. Pilot new mechanisms, perhaps based on the Distance Education Demonstration model, for allowing compressed, modular, and other new delivery modes to become eligible for aid with careful federal oversight.

**Rationale:** “Leading edge” postsecondary institutions are restructuring the way programs are delivered in order to better meet the needs of employers and working adults. Yet when they do this—by breaking programs into shorter modules, by offering combinations of classroom and distance learning, by compressing year-long programs into shorter timeframes, etc.—it often results in the program no longer being eligible for its participants to receive financial aid.

2. **Recommendation:** Help postsecondary institutions tailor their programs, especially those with an occupational focus, to the needs of adults who with low basic skills and/or limited English proficiency by adding funds for this purpose to the titles of HEA that support program improvement.

**Rationale:** Over the next two decades, our nation will face a critical shortage of skilled workers as new entrants to the workforce will have significantly lower levels of education and English proficiency than the workers who entered the labor market over the previous two decades.<sup>4</sup> Community colleges and other postsecondary institutions can play a crucial role in helping our existing and future workforce upgrade their skills but only if they can tailor their programs to meet the needs of nontraditional students—those who are working, who have low skills and/or limited English and who are seeking occupational programs that they can attend and complete in flexible ways as their work schedules, family responsibilities, and finances allow. Congress should increase funding for the program improvement titles of HEA and target these new funds toward supporting the creation or expansion of innovative occupational programs that are accessible to these nontraditional students.

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<sup>4</sup> *Grow Faster Together. Or Grow Slowly Apart.* (2002). Washington, DC: The Aspen Institute.