Postsecondary Education

Reconciliation: Important Gains in Postsecondary Education, but Also Missed Opportunities

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The Health Care and Education Reconciliation Act (HCERA) signed into law by President Barack Obama on March 30, 2010, is best known for the changes it made to the health care reform law. But HCERA also makes important changes in federal support for postsecondary education, incorporating some provisions of H.R. 3221, the Student Aid and Fiscal Responsibility Act (SAFRA), which the House passed in September 2009.

HCERA ends the Federal Family Education Loan (FFEL) Program, which guarantees and subsidizes federal Stafford loans for students and PLUS loans for parents issued by private student lending companies. Instead, the law allows the federal government to issue all federal student loans directly, building on the Direct Loan program. This change captures significant savings that HCERA redirects to other purposes.

The most important postsecondary change in HCERA is indexing Pell Grants to inflation between 2013 and 2017, which raises the maximum Pell Grant from $5,550 to about $5,975 in 2017. In addition, the law also funds a new postsecondary education grant program, continues funding for two other grant programs, and improves the repayment terms for borrowers of federal loans who enter low-income professions. While CLASP commends Congress and the Obama Administration for supporting policies that will expand postsecondary education and training opportunities for low-income students, we must note that the final legislation did not incorporate all of the innovations in SAFRA, particularly those that had the potential to increase postsecondary persistence and completion and transform community colleges.

Relevant education and training provisions in HCERA include:

Sections 2201-2212: Termination of Federal Family Education Loan program. Federal student loans are currently administered through two programs: the Federal Family Education Loan (FFEL) Program and the William D. Ford Federal Direct Loan (Direct Loan) Program. The FFEL Program guarantees and subsidizes federal Stafford loans for students and PLUS loans for parents issued by private student lending companies. The federal government guarantees and subsidizes the same types of loans directly through the Direct Loan Program. HCERA terminates authority to make or insure any additional loans in the FFEL Program after June 30, 2010. Allowing the federal government to issue these loans through the Direct Loan program, instead of subsidizing private lenders to do so, leads to significant savings, currently estimated at $61 billion over 10 years. These savings provide funding for other higher education and training provisions in the bill.

Section 2101: Indexing of the Pell Grant. HCERA will set the Pell Grant on a temporary path of yearly increases based on the Consumer Price Index. This provision will take effect in 2013-14, when the maximum Pell Grant is $5,550. It will expire at the end of the 2017-18 school year, when the projected maximum grant would be $5,975. In subsequent years, the maximum grant will remain at the 2017-18 level, unless Congress acts at that time to increase the grant level.

Over time, the value of Pell Grants has fallen sharply relative to rising higher education costs. The original plan under SAFRA would have reversed this damaging trend by raising the value of Pell Grants annually over the next decade at a rate slightly higher than inflation. The maximum Pell Grant would have reached a projected level of $6,900 in 2019, and the legislation would have effectively made Pell Grants a mandatory program rather than a discretionary one. While the temporary indexing of Pell Grants will help millions of low-income college students, Pell Grants are nonetheless likely to cover a smaller share of higher education expenses in 2019 than they do today. We recommend that Congress transform Pell into a mandatory program rising at a rate slightly higher than inflation, as per the original plan under SAFRA.

Section 1501: Establishing funding for Community College and Career Training Grant Program (CCCTGP). The American Reinvestment and Recovery Act established a discretionary grant program within the Trade Adjustment Assistance (TAA) for Communities program to be administered by the Secretary of Labor. Congress authorized $40 million for the program in 2009 and 2010 but did not appropriate funds. HCERA appropriates $500 million annually, for a total of $2 billion, from 2011 to 2014. This is a significant investment during a time when millions of workers need to retool for new jobs. Features of CCCTGP include:

- The grants are to be used to develop, offer, or improve an educational or career training program for workers who are eligible for services under TAA.
- Priority for grants will go to institutions serving communities impacted by trade, as determined under the TAA for Communities program.
- Grants will be available to community colleges and other eligible postsecondary institutions as defined by Section 102 of the Higher Education Act.
- Eligible programs must be completed within 2 years.
- Each state is to receive not less than $2.5 million annually.

Because CCCTGP is being funded for the first time, it is difficult to predict how this program will be implemented by the Secretary of Labor. However, it was authorized in ARRA with a very defined population in mind and a much more modest funding level. Some key questions to be resolved include:

- Will there be any incentives for innovations that emerge at the institutional level to be scaled up to statewide use in the absence of a prescribed state role, as there was with AGI?
- Will trade-impacted individuals be the only ones eligible to enroll in programs developed or improved with these funds? It should be noted that the House version initially added adults who are unemployed or at risk of unemployment to the priority list, but this provision was dropped to meet Senate budgetary rules.
- How will the program serve low-skilled, low-income adults and their communities if they are not impacted by trade?

- Will there be a mechanism for institutions to identify the most successful innovations in the absence of uniform accountability standards or post-intervention evaluations, which was planned for SAFRA?

- Will grantees be encouraged to support programs that improve student success and completion?

- Will grantees be encouraged to develop and support programs that combine basic skills instruction with occupational training?

- Will grantees align CCCTGP-funded programs with existing programs in adult education and workforce development?

Section 2012: Increased Funding for the College Access Challenge Grant Program (CACGP). HCERA provides $150 million annually from 2010 to 2014 to CACGP, a program established under the Higher Education Opportunity Act of 2008 that distributes formula grants to states for a variety of uses that promote college access. Grantees must make special efforts to provide benefits to students who are low-income and underrepresented in postsecondary education. The federal government provides two-thirds of the grant, and the state provides one-third, which can be in cash or in-kind. In 2008 and 2009, the U.S. Department of Education distributed $66 million of these grants to the states. HCERA increased the minimum allotment for each state to 1 percent of the total appropriation.

Allowable uses for CACGP grants include: information for students regarding postsecondary education and career preparation; information on financing options for postsecondary education; outreach activities for students at risk of not enrolling in or completing postsecondary education; assistance in completing the Free Application for Federal Student Aid (FAFSA); need-based grant aid; professional development for guidance counselors, financial aid administrators, and college admissions counselors; and student loan cancellation or repayment for borrowers in a high-need geographical area or a high-need profession.

This program can play a useful role in supporting access to postsecondary education. A number of states have used CACGP funding to host financial aid awareness days at high schools, provide college planning and preparation materials, offer adult-learner hotlines to guide potential students through the financial aid and enrollment process, and many other worthy activities. However, the program does not take advantage of the best practices that informed portions of SAFRA:

- Each state is guaranteed its share of formula funding, thereby reducing the incentive to craft an innovative plan that advances the national postsecondary education agenda. Creating a competitive grant component would improve the overall quality of grant-funded programs.

- The program is not geared toward improving student success in college, despite unacceptably low graduation rates at many postsecondary institutions. Given the high priority of improving student success, the Department of Education should encourage grant applications that combine student access and success components.

- CACGP lacks an assessment or evaluation function. Without such capacity, state initiatives will not build an evidence base that identifies successful interventions for broad dissemination and provides the basis for terminating unsuccessful interventions. The Department of Education should plan, and Congress should fund, an evaluation system for CACGP programs, and use the results to shape future program funding.

Section 2103: Authorizing grants to historically black colleges and universities and minority-serving institutions. The legislation provides $255 million annually to minority-serving institutions through 2019 based on provisions outlined in 20 US Code §1067q. Of the total grant, $100 million is allocated to Hispanic-serving institutions; $100 million is allocated to Historically Black Colleges and Universities and Predominantly Black institutions; and $55 million to other minority-serving institutions, including institutions legally classified as tribal colleges and institutions that serve Alaska Natives, Native Hawaiians, Asian-Americans and Native Pacific Islanders, and nontribal Native Americans.

Section 2213: Increasing assistance to borrowers through income-based repayment. Starting in July 2014, student borrowers eligible for income-based repayment of a federally subsidized loan will pay only 10% of discretionary income instead of the current 15%, and their loans will be forgiven entirely after 20 years, instead of the current 25 years. This program will assist student borrowers who have difficulty finding employment or who enter low-paying occupations.

Fulfilling the Promise of SAFRA

HCERA makes significant contributions to increasing access and success in postsecondary education and training, but it is important to note that the plan does not go as far as SAFRA to improve access to and success in postsecondary education. SAFRA promised to address a vital national priority: improving student success at postsecondary institutions, especially at community colleges. Almost half of all Americans over 25 have no education beyond high school, and the United States is increasingly falling behind other industrialized nations in educational attainment, partially due to inadequate completion rates at two- and four-year institutions. Recognizing this potentially serious disconnect, President Obama, in June 2009, announced a proposal that aimed to produce 5 million additional community college graduates by 2020. To reach this goal, SAFRA proposed two major grant programs:

- The *American Graduation Initiative* would have established a $630 million per year competitive grant program to two-year institutions and states to improve student access and success in community colleges. States would have received grants to scale up successful innovations at community colleges.

- The *College Access and Completion Innovation Fund* would have established a $440 million annual competitive grant program to increase the rate at which students complete degrees and certificates at all postsecondary institutions. Like the American Graduation Initiative, institutions and states would have received funding.

SAFRA proposed several other important initiatives as well: grants to modernize community college facilities, FAFSA simplification, an early learning challenge fund, restructuring of the Perkins Loan Program, and establishment of a research center to assess community college effectiveness.

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Between SAFRA's passage through the House in September 2009 and the March 2010 vote on HCERA, projected savings dropped sharply, from $87 billion to $61 billion. In addition, congressional leaders were forced to allocate $l9 billion to reduce the budget deficit and cover increased Pell costs attributed to more students with lower incomes attending college during the recession. With just over half the funding of the original bill remaining, the programs described above were cut from the final bill. Given the decision to allot $2 billion to community colleges, it is clear that congressional leaders and the Obama Administration remain committed to the goals of the American Graduation Initiative, but the goals will suffer from a shortfall of funding.

The consequences of dropping the American Graduation Initiative, in particular, could be serious. Community colleges across the nation can serve as conduits for training the nation's workforce, but these institutions suffer from low rates of student success. Only 35 to 40 percent of community college students complete a degree or certificate within six years. Yet demand to enroll is overwhelming these open-door institutions, even as state and local public support drops year after year. One of the best ways to serve more students with less funding is to increase the rate at which community college students graduate or transfer to four-year colleges. Congress should return to the unfinished business of the American Graduation Initiative and seek ways to embed its innovations in other federal programs.

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