Postsecondary Education

Summary of Key Postsecondary Education and Training Provisions in the Health Care and Education Reconciliation Act of 2010

CLASP
policy solutions that work for low-income people

MARCH 2010 | Thomas Hilliard and Amy Ellen Duke-Benfield

On March 21, 2010, the U.S. House of Representatives passed H.R. 4872, the Health Care and Education Reconciliation Act of 2010 (HCERA), the combined vehicle for reforms to federal financial aid and amendments to the national health care reform bill. The Senate is expected to pass the bill, and send it President Barack Obama for enactment.

HCERA includes provisions from the Student Aid and Fiscal Responsibility Act (SAFRA), which the House passed in September 2009. The original SAFRA legislation ended the role of private lenders in issuing federal student loans, a change projected to save $87 billion over 10 years by eliminating subsidies to private lenders and making the federal government the sole initiator of federal student loans. The savings from this reform were to be used to create and strengthen several programs designed to improve postsecondary access and success, as well as establish a grant program for early care and education and renovating public school facilities.

Between September and March, however, SAFRA's revenue estimate dropped from $87 billion to $61 billion. In addition, congressional leaders allocated $10 billion to reduce the budget deficit, and another $9 billion to help the combined legislation meet the budget reconciliation requirement of a net reduction in federal spending. As a result, the House cut several important provisions of SAFRA from the final legislation, including the American Graduation Initiative, which sought to increase the number of community college graduates by five million. Another provision was added late in the process to fund grants to community colleges through the Trade Adjustment Assistance program.

The key provisions of HCERA affecting postsecondary education and training are:

- **Terminates the 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 2010. Allowing the federal government to issue these loans through the Direct Loan program, instead of subsidizing private lenders to do so, captures significant savings, currently estimated at $61 billion over 10 years. It is these savings that provide funding for other higher education and training provisions in the bill.

- **Increases Pell Grants.** The legislation will set the Pell Grant on a 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. The legislation also includes an investment of $13.5 billion to fund a shortfall in the Pell Grant program due to increased demand for financial aid, which makes the total HCERA investment in Pell $36 billion.

- **Increases 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 in 2008 that distributes formula grants to states for a variety of uses that promote college access. The grantee must make special efforts to provide benefits to students that are 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 to the states. 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;
  - 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.

- **Establishes 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) to be administered by the Secretary of Labor. The program was not funded at the time, but HCERA appropriates $500 million annually, for a total of $2 billion, from 2011 to 2014. Features of the program include:

  - Priority for grants will go to institutions serving communities impacted by trade, as determined under the Trade Adjustment Assistance for Communities program.
  - 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 Trade Adjustment Assistance.
  - 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.

- **Authorizes grants to historically black colleges and universities and minority-serving institutions.** The legislation would provide $255 million to minority-serving institutions annually through 2019. 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 tribal colleges and institutions that serve Alaska Natives, Native Hawaiians, Asian-Americans, Native Pacific Islanders, and nontribal Native Americans.

- **Increases 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 percent of discretionary income instead of the current 15 percent, and their loans will be forgiven entirely after 20 years, instead of the current 25 years.

For more information, contact: Thomas Hilliard at thilliard@clasp.org or Amy Ellen Duke-Benfield at aduke@clasp.org.