



April 23, 2004

Mr. Clare Cotton
Chairperson
Advisory Committee on Student Financial Assistance
80 F St., N.W., Suite 413
Washington, D.C. 20202-7582

Thank you for the opportunity to submit comments to the Committee as it prepares its report to Congress on simplification of the federal financial aid application process and on other changes that allow students to better balance the demands of work, school, and family. Our three organizations—the Center for Law and Social Policy, the National Consumer Law Center, and the Workforce Alliance—bring a unique perspective to higher education issues, viewing them through the lens of business workforce needs and of economic opportunity for low-income adults.

According to the Aspen Institute, between now and 2020 the share of workers with more than a high school education is projected to rise by only 4 percent—as compared to an increase of nearly 20 percent over the previous two decades. The skill requirements of today’s and tomorrow’s jobs continue to rise—by 2020, it’s estimated that 15 million new jobs will require college preparation. This coming “skills gap” has profound implications for our country’s ability to increase economic productivity and for our workers’ ability to earn enough to support their families.

If modernized to support economic development and meet the needs of business and workers, the Higher Education Act (HEA) can play a central role in addressing the skills gap. Changes are urgently needed to better align HEA with the needs of employers and the realities of working adults’ lives. Specifically, for the issues the Committee is tasked with examining, we need to:

1. **Decrease the “work penalty”:** In determining Pell grant eligibility, student earnings are taken into account. If a single, independent student earns more than about \$5,000, her Pell grant is decreased. Given the financial responsibility of supporting families and paying for school, many low-income, working adult students are especially hard hit by this penalty. We urge the Advisory Committee to consider the needs of independent students (with or without dependents) when proposing ways to reduce the work penalty.
2. **Exempt the Earned Income Tax Credit (EITC) from financial aid considerations:** Currently, the EITC is considered “income” in determining financial aid/Pell eligibility, although the EITC is not counted as income in determining eligibility for most federal means-tested programs. We would like the Advisory Committee to propose removing the EITC from financial aid calculations.

3. **Simplify access to financial aid for dislocated workers:** Currently, dislocated workers can request that financial aid officers use current year income for aid determinations, rather than previous year income, as is usually the case. However, dislocated workers often do not know enough about student aid rules to ask that this be done. We propose that a check-off box for dislocated workers be added to the federal financial aid application to flag for financial aid officers that they should use current-year income.

4. **Simplify access for those who have documented financial need for other means-tested programs:** If a student qualifies for another federal means-tested program, such as Free and Reduced School Lunch, Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), or Food Stamps, she should not be required to jump through several more hoops to qualify for financial aid. The Advisory Committee is considering proposals that would automatically qualify such students for Pell grants.

Thank you for your consideration of these important issues.

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