



MAKING HEA AN ENGINE OF ECONOMIC PRODUCTIVITY AND WORKER PROSPERITY

The Problem: Our workforce is aging, with college-educated baby boomers retiring, and there are too few new skilled workers to meet business needs. 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.¹ Yet the skill requirements of jobs continue to rise—63 percent of all jobs this decade will require some postsecondary education, and these jobs pay far better than those open to individuals with a high school education or less.² 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.

The Higher Education Act (HEA) Can Be a Key Part of the Solution: If modernized to support economic development and meet the needs of business and workers, 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. These changes will also help students generally, as 75 percent of undergraduates are now “nontraditional,” penalized by policies written for another era. We need to:

Increase enrollment and persistence by working adults and youth by removing barriers to financial aid and helping them balance school, work, and family.

- **Reduce the “work penalty” and recognize extra costs faced by nontraditional students.** When determining eligibility for federal financial aid, allow single, independent students to keep a greater share of their earnings. This would recognize their need to support themselves and their families while in school. The need analysis should also reflect the greater indirect educational costs faced by students with dependents and should exclude the Earned Income Tax Credit.
- **Help students stay enrolled when they are temporarily attending less than half time.** Provide more grant aid, for a limited number of terms, to less-than-half-time students by calculating their expenses in the same way (prorated appropriately) as full-time students, including indirect educational costs such as living expenses and loan repayment. Provide support services to these students to help them succeed. An Illinois study found most students attend less than half-time only temporarily (averaging 7.6 credits per term) and concluded that aiding them could increase persistence and completion.³
- **Allow students to receive a second Pell grant for summer school so they can attend year-round.** Funding summer school at degree-granting institutions would help students complete programs more quickly and make more efficient use of college facilities. This is especially important now when enrollments are growing and many institutions lack sufficient space.
- **Strengthen ties between colleges and business workforce needs.** Create a federal Business Workforce Partnerships initiative that funds on-campus staff to partner with employers to link credit-bearing college programs to business workforce needs, adapt college offerings to workers’ schedules, map and develop career and educational pathways, expand worksite learning opportunities, and assist students with job placement.

- **Streamline access to financial aid for adults and other nontraditional students.** Simplify access to aid through such means as check-off boxes for dislocated workers (so that aid administrators are alerted to use current year income for eligibility) and for individuals who already have documented financial need for other means-tested benefits.
- **Increase the benefit and use of education tax credits for working adults.** Potential changes to the Lifetime Learning Credit include increasing the percentage of education expenses that can be counted towards the tax credit from 20 percent to 50 percent; capping it at \$2,000; making it refundable; expanding the list of eligible education expenses eligible beyond tuition and fees; and allowing students to get the credit when they need it.
- **Expand on-campus services that support success for working adults and other nontraditional students.** Increase funding for Student Support Services (part of TRIO), which provides a broad range of academic, personal, and career services to promote completion. End the unfair distribution of campus-based funds—such as work-study and supplemental grants (SEOG)—and instead have these funds flow to colleges based on the extent to which they serve the neediest students. Currently, less than 10 percent of federal campus-based aid goes to community colleges, for example, despite these colleges enrolling 42 percent of all low-income undergraduates.⁴
- **Strike a balance in HEA between allowing innovation that effectively serves business and workers while protecting students from continuing problems with fraud and abuse.** Immediately undertake a nonpartisan study of the effectiveness of current policies put in place to prevent fraud and abuse. Assess the extent to which students continue to be victimized and explore new options for preventing these problems. Preserve current protections that have been effective and restore the most effective protections, such as cohort default rates and incentive compensation, to full strength. Amend the definition of “default” so that it effectively measures the true cohort default rate. At the same time, encourage programs to respond to business and worker needs through innovation by eliminating unnecessary provisions that may place arbitrary restrictions on program delivery and formats.

Protect working adults and youth from becoming saddled with unmanageable levels of college debt.

- **Make loans more affordable from the start.** Eliminate origination fees. Origination fees were enacted over 20 years ago as a temporary way to raise revenues. These fees are not necessary to offset student loan program costs and amount to an unfair tax on borrowers. Encourage schools to participate in the Direct Loan program to help preserve competition in the student lending marketplace.
- **Preserve and expand flexible repayment options, such as income-contingent repayment.** Allow borrowers with income-sensitive or income-contingent repayment plans to extend these plans for longer than 10 years under certain circumstances. All borrowers with proven economic need should have these repayment options, even if the outstanding loans total less than \$30,000 and regardless of whether a borrower is consolidating the loan. Expand opportunities for borrowers in default to set up affordable repayment plans. Clarify that there is no minimum payment requirement for a reasonable and affordable payment plan. Eliminate potential tax consequences for borrowers who have made income-contingent payments for 25 years.
- **Provide relief for borrowers who become disabled or experience substantial deterioration in pre-existing conditions after incurring student loans.** Expand eligibility for the temporary disability deferment to include loans taken out after July 1993. Borrowers who have been repaying their loans, but then experience short-term disabilities, are often ineligible for any type of deferment. Reinstating the temporary disability deferment would help these borrowers avoid the spiraling, negative consequences of

default. In addition, create a more equitable and efficient permanent disability discharge system by tying disability discharge criteria to Social Security Administration disability determinations.

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¹ *Grow Faster Together. Or Grow Slowly Apart.* Washington, DC: The Aspen Institute, 2002.

www.aspeninstitute.org/AspenInstitute/files/CCLIBRARYFILES/FILENAME/0000000225/DSGBrochure_final.pdf

² *Standards for What? The Economic Roots of K-16 Reform.* Anthony P. Carnevale and Donna M. Desrochers. Princeton, NJ: Educational Testing Service, 2003.

³ *Initiative to Aid Illinois Adult Learners.* Springfield, IL: Illinois Student Aid Commission, 2001.

http://www.collegezone.com/media/research_adultintitatives_web.pdf

⁴ *Trends in Student Aid 2002.* New York: The College Board, 2002; Susan P. Choy, *Low Income Students: Who They Are and How They Pay for Their Education.* Washington, DC: National Center for Education Statistics, March 2000. See also "Rich Colleges Receiving Richest Share of U.S. Aid," *New York Times*, November 9, 2003.