AMERICAN ASSOCIATION OF COMMUNITY COLLEGES

House "Risk-Sharing" Plan Undermines Community College Efforts to Serve At-Risk Students

On behalf of more than 1,100 institutions, the American Association of Community Colleges (AACC) opposes the new risk-sharing proposal in the House Higher Education Act (HEA) reauthorization legislation (H.R. 4508, the PROSPER Act). The change would require colleges to return substantial portions of federal financial aid received by students who do not complete a term or other academic period. It would reduce available funds for colleges that have the fewest resources and are charged with serving the most at-risk populations, thereby making it harder for them to promote student success, undermining the provision's purpose.

The "risk-sharing" proposal builds on current "Return of Title IV" requirements for students who withdraw before completing a term by transforming grants and loans provided directly to students into a large institutional liability. AACC wholeheartedly endorses the goal of incentivizing student completion, and community college graduation rates have in fact increased (by 21.5% in the most recent three years for which federal data are available). While the exact financial impact of the proposed change cannot be assessed at this time (AACC is in the process of obtaining such data from its member colleges), the cost will clearly be much greater than the current return of Title IV polices, which already represent a significant burden for many colleges.

As the House prepares for floor consideration of H.R.4508, we urge members to consider the following:

1) The bill's "risk-sharing" provisions will inevitably force colleges to either increase tuition or reduce educational services or both. There are no other options. We note that the average community college charges $3,570 per student for tuition and fees, about one-third of the average in-state public 4-year college, and one-tenth the tuition of 4-year private, non-profit institutions.

2) The financial support they receive from state and local appropriations is community colleges' "skin in the game." This public support comprises 52% of total revenue and, as such, greatly exceeds the total funds they receive indirectly through federal student aid programs. Moreover, in most states, performance-based funding is in place to promote student success. Currently, 37 states have, or are transitioning to, performance-based funding at 2-year public institutions.

3) Community colleges strive to serve all students who pursue postsecondary education, and they have far fewer resources than 4-year institutions to serve their students. Colleges will be loath to limit access in any way because of a new federal provision, but if enrolling the most at-risk students represents a cost they cannot assume, they may ultimately be forced to curtail educational opportunity.

4) The concept of "earning" aid only at four, quarterly increments during a period of enrollment, and ignoring actual academic progress, is extraordinarily unfair to students and colleges alike. Under the proposed provision, for example, a student can attend 49% of a term yet "earn" only 25% of the financial aid for that period. This formulation has no basis in either equity or logic. Under current law, for example, students who complete 60% or more of the term "earn" all their aid, and students who leave prior to the 60% point earn a proportionate share of their aid. Current law also protects half of Pell Grant funds from being returned to the government, on the principle that students should be encouraged to aspire to higher education and that colleges should also be encouraged to serve the most at-risk students. The PROSPER Act jettisons these principles.

Congress provides significant student aid funding and has a right to expect that both institutions and students use those funds responsibly and that they lead to student success. However, the new "Return of Title IV/Risk-Sharing" provisions will not accomplish their stated objectives and, at community colleges, may in fact undermine them. It is imperative that these financial aid return provisions be rethought and applied in a way that will help, rather than hinder, students attain their educational goals, and fairly incentivize and recognize the sector that serves the most financially disadvantaged students.

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