

HEA REAUTHORIZATION AND THE PROSPER ACT

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What Is The Higher Education Act?

- The Higher Education Act (HEA) was first signed into law in 1965 and has been updated or 'reauthorized' eight times.
- The HEA represents the federal government's primary role in undergraduate higher education. This includes programs and policies on:
 - Federal Financial Aid
 - Accreditation
 - Grants such as TRIO, GEAR UP, and support for Minority-Serving Institutions
 - Regulation of higher education through a variety of requirements

Will Reauthorization Happen this Year?

- It is unlikely that both chambers will pass a HEA reauthorization bill this year.
- The Senate has not moved in a bipartisan manner to introduce a comprehensive bill.
 - Senate Democrats have issued a list of their priorities.
 - Senate Republicans recently issued a white paper on accountability to which AACC and ACCT responded.
 - AACC and ACCT have also submitted a formal HEA position to the HELP Committee
- House Republicans passed a reauthorization bill out of committee – HR 4508, the PROSPER Act.
 - PROSPER Act sponsor and committee chairperson Rep. Virginia Foxx (R-NC) is trying to build enough support for consideration by the full House.
 - AACC and ACCT did not support the bill, stating their position to the Education and Workforce Committee.

PROSPER Act Themes

- “Reforming” the HEA, Not Merely Reauthorizing - Rep. Foxx Believes HEA is Failing
- Emphasis on Meeting Current Workforce Needs/Skills Gap
- Program Simplification and Streamlining
- Unfunded Programs Eliminated, Authorization Levels Set at Current Levels or Reduced
- Tilt Towards Newer Providers, Away from Traditional Higher Education
- Graduate and Professional Students Get Dinged

PROSPER Act – The Good

- New eligibility for short-term workforce development programs.
- Institutional discretion to limit student borrowing in defined circumstances.
- Reinstatement of Pell Grant eligibility for Ability-to-Benefit students with six credits.
- Full-time status maintained at 12 credit hours.
- Elimination of student loan origination fees additional counseling for student borrowers.
- Early awareness of financial aid availability.
- 300% time completion rate metric to reflect community college population.

PROSPER Act – The ‘Mostly’ Good

- Revised Formula for Federal Work Study
 - Would likely result in most community colleges qualifying for larger allocations.
 - Matching requirement increased from 25% to 50%.
 - Institutes new metric of ‘student need’; difficult to assess impact.
 - Doubles the current funding authorization.
- New Authority for Competency-Based Education

PROSPER Act – The ‘Mostly’ Good

- Creates New Apprenticeship Grant / Work-Based Learning Program
 - Not limited to registered apprenticeships.
 - Eligible recipients must include institution and industry partner, but college would not necessarily be lead partner.
 - 50% match requirement.
 - Funds could cover 50% of wages.
 - No direct funding for education, but funding is permitted for equipment and curriculum development.
- 15-Credit Pell Bonus
 - \$7 billion over 10 years
 - \$300 per year maximum
 - Won't help most community college students

PROSPER Act – The Bad

- New Accountability Metric - Programmatic Repayment Rates
 - Would replace institutional Cohort Default Rates (CDRs).
 - Programs that have repayment rates of less than 45% for three consecutive years lose eligibility
 - Student is counted as being in repayment if less than 90 days delinquent.
 - Impact of this proposal is difficult to assess. some programs would be eliminated.
 - Requires substantial data collection and analysis. ED's Inspector General cited this proposal as 'nearly impossible to successfully implement.'

PROSPER Act – The Bad

- Completion Rate Threshold for Title III and V Grants
 - Institutional eligibility would be tied to a minimum graduation / transfer rate requirement of 25% (using IPEDS 150% of 'normal time' definition)
 - Applied to Hispanic-Serving Institutions, Predominantly Black Institutions, and other Minority Serving Institution programs.
 - Would not apply to HBCUs and Tribal Colleges.

PROSPER Act – The Bad

- For-Profit Industry Safeguards are Significantly Relaxed
 - Single definition of institution of higher education.
 - Elimination of 90/10 rule.
 - Eliminates distance education requirements – no longer requires 'regular and substantive interaction between students and instructors.'
 - Non-Eligible providers can access Title IV funds (via eligible institution).
 - Elimination of Gainful Employment.
 - Regulation of State Authorization is barred.

PROSPER Act – The UGLY

- Elimination of Title III-A, Strengthening Institutions Program
 - Program currently funded at \$99 million.
 - Multi-year competitive grant to help institutions that serve a large percentage of low-income students.
- Reduced Federal Investment in Students
 - \$14 billion reduction in direct spending.
 - Eliminates subsidized loans – low-income borrowers would accrue more interest.
 - Eliminates Supplemental Educational Opportunity Grants – nearly 400,000 community college students benefit from SEOG.
 - New Income-Contingent Repayment Plan is less generous than current law.

PROSPER Act – The UGLY

- Risk-Sharing via Return to Title IV (R2T4) Modifications
 - Constitutes a major new financial obligation for community colleges.
 - Changes the current “pro rata” structure of R2T4 to create new tiers of institutional repayment.
 - All of a student’s “unearned” federal student aid to be returned to federal government.
 - Responsibility to repay R2T4 funds shifts – 90% from college and 10% (maximum) from student.
 - Currently, colleges pay on the front end and then bill the student.
 - Based on AACCC/ACCT data, R2T4 payments for many colleges would at least double.

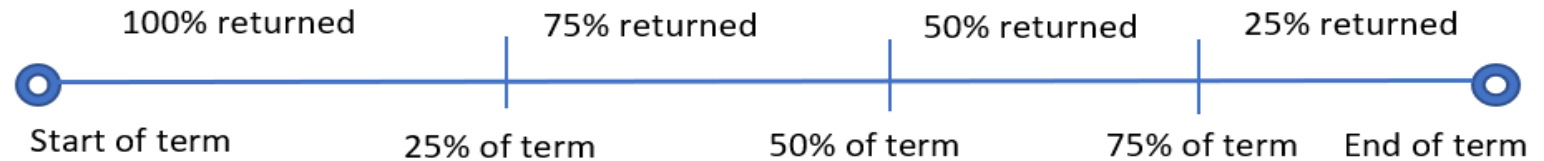
Current Return to Title IV Aid Formula

Financial aid funds are returned proportional to the percentage of the term the student completes, e.g. if the student completes 25% of the term, 75% of funds are returned.

Funds do not need to be returned.



Proposed Changes to Return to Title IV Aid Formula (PROSPER Act)



PROSPER ACT – R2T4 Example

	Number of Students	Financial Impact
R2T4 refunds under current rules (Fall 2016 term)	282	\$145,058.51
R2T4 estimate based on new methodology (Fall 2016 term)	282	\$368,000.16
Estimated increase based on new methodology (Fall 2016 term)		\$222,941.65
R2T4 annualized estimate based on new methodology	659	\$859,968.64

PROSPER Act's Key Omissions

- Repeal of Ban on Federal Student Unit Record Data System
- Improvements to Pell Grant Program:
 - Tying Maximum Award to Inflation
 - Increasing the Semester Limitation to 14 Full-Time Semesters / Equivalent
 - Second Chance Pell
- State-Based Dual Enrollment Grant Program
- Simplifying and Consolidating Direct Loan Repayment Options with Low-Debt Borrowers in Mind
- Enhanced Student Loan Servicing

Advocacy & Resources

Visit our website [Acct.org](https://www.acct.org) → Advocacy → Higher Education Act Resources

Visit AACCC: <https://www.aacc.nche.edu/advocacy/policy-positions-analyses/>

Contact Us Anytime!

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