



American Federation
of Teachers, AFL-CIO

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May 11, 2004

Committee on Education and the Workforce
United States House of Representatives
Washington, DC 20515

Dear Representative:

On behalf of the 1.3 million members of the American Federation of Teachers (AFT), I write to express our concerns with H.R. 4283, the College Access and Opportunity Act of 2004. This legislation falls short of the historical mission of the Higher Education Act (HEA), which since 1965 has opened the doors to higher education for students regardless of their financial circumstances. Given the extent of our concerns outlined below, we cannot support H.R. 4283 at this time and ask that you consider our comments to improve this legislation.

The AFT believes three critical components must be addressed in the current HEA reauthorization in order to increase access to postsecondary education through adequate federal financial aid. These components are:

1. Restore the purchasing power of the Pell Grant.
2. Improve support for nontraditional students.
3. Reduce the rising debt burden on students caused by an increasing reliance on student loans.

Unfortunately, H.R. 4283 exacerbates existing deficiencies in the HEA rather than improving current law along the lines suggested above.

Pell Grants

Under H.R. 4283, Pell Grants, which serve as the cornerstone of the federal government's commitment to help low- and middle-income students pay for college, remain authorized at a maximum level of \$5,800. By failing to increase the maximum grant, the bill ensures that the neediest students will continue to see a decline in the purchasing power of their Pell Grants. This is troublesome given that over the last two decades, the purchasing power of the maximum Pell Grant has declined from 84 percent of "average fixed costs of four-year public institutions" to 42 percent today. The AFT strongly supports doubling the maximum grant award to \$11,600 over the next six years.

Nontraditional Students

The AFT also believes that the current student aid system does not take into account the financial need of nontraditional students (older students, first-generation to attend college, working students). The current formulas for determining financial need mistakenly assume that these students have more resources available to contribute to their education than is the case. H.R. 4283 would not improve the situation for these nontraditional students and, as a result, we believe a number of important revisions should be made to the pending bill. These include:

- *Decreasing the “work penalty”* – Although student earnings are taken into account in determining Pell Grant eligibility, the income level counted under the current eligibility formula is far too low. Under the formula, if a single, independent student earns more than about \$5,000, his or her Pell Grant is decreased. The earnings level should be significantly higher before any award reductions are triggered.
- *Exempting the Earned Income Tax Credit (EITC) from financial aid consideration* – Currently, the EITC is considered “income” in determining financial aid/Pell Grant eligibility, although the EITC is not counted as income in determining eligibility for many other federal means -tested programs. EITC monies should be exempted from the calculation for determining financial need.
- *Simplifying access to financial aid for dislocated workers* – Dislocated workers currently can request that financial aid officers use current-year income for aid determination, rather than data from the previous year. However, dislocated workers are often unfamiliar with student aid procedures, and many fail to take advantage of this option. We propose adding a “check-off” box on the federal financial aid form so that dislocated workers can choose to provide the current-year income information when they submit their financial aid applications. Further, financial aid officers should be required to alert and counsel applicants about this option.
- *Improving access for those who have documented financial need for other means-tested programs* – If students qualify for other federal means-tested programs, such as Free and Reduced Price Lunch (FRPL), TANF, SSI, or Food Stamps, they should not be required to jump through additional hoops to qualify for college financial aid. We urge the committee to consider providing a

new option for directly certifying eligible students for Pell Grants that is similar to the existing mechanism used to qualify needy students for FRPL.

Student Loan Consolidation

H.R. 4283 also will create significant, long-term financial burdens for students who depend on student loans. Under the bill, students no longer will be able to consolidate their loans at a fixed rate. The current structure has provided students struggling to make their payments with a fixed payment structure that allows them to budget and plan accordingly. The newly proposed variable rate has the potential to make college much more expensive for students and their families and to make financial planning more difficult. This provision should not stand.

Single Definition, 50 Percent Rule, and the 90/10 Rule

Unfortunately, H.R. 4283 promotes the financial interests of the for-profit higher education industry at the expense of the needs of students. This is evident in the proposal to change rules and definitions that would open more federal dollars to for-profit institutions. For more than a decade, these guidelines have ensured that student and institutional aid goes to low- and middle-income students, while also protecting our federal financial aid system from fraud and abuse.

H.R. 4283 calls for a “single definition” of an institution of higher education (IHE). This would make *all* IHEs, including for-profit institutions, eligible for Title IV programs that currently provide institutional aid to public and private nonprofit colleges and universities serving large numbers of minority and other nontraditional students. Under current law, many for-profits are not eligible to participate in these programs. In addition, the bill would repeal a legal provision that prohibits students attending institutions offering more than half their coursework by distance education from receiving federal student aid. The AFT joins other higher education associations representing faculty and administrators in opposing changing the 50 percent rule, which has served to ensure integrity in federal student financial aid programs and promote “face-to-face” interaction as part of a student’s college education. It is well established that current funding for public colleges and universities, as well as for federal student aid, is inadequate. Making a new universe of institutions eligible for student aid, as suggested in H.R. 4283, without imposing safeguards aimed at preventing fraud and abuse would be highly irresponsible.

The AFT believes that the federal government should collect more information and study the impact of lifting the 50 percent rule before considering such a dramatic change. We support comprehensive research that evaluates the quality of distance learning, the students it is serving, and how federal aid programs will be affected by the expansion of student aid eligibility to distance learning. We believe these and other relevant questions need to be answered before Congress moves in this direction.

Finally, we oppose the lifting of the so-called 90/10 rule which mandates that for-profit schools demonstrate that 10 percent of their revenue is derived from sources other than federal student aid funds. The 90/10 rule was put into effect to ensure that federal student aid was not the sole funding stream for these schools. As a result of the implementation of that rule, fraud and abuse in federal student aid programs were drastically reduced. There is no evidence to believe this protection is no longer necessary.

TRIO and GEAR-UP

The AFT strongly supports increasing the authorization levels for both TRIO and GEAR-UP, above the levels that are currently included in H.R. 4283. These additional resources are crucial to helping more low- and middle-income students move on from high school to college.

The AFT believes that the current HEA reauthorization represents a tremendous opportunity to improve access to higher education for America's low- and middle-income students. It should not be reduced to an exercise in improving access to federal aid for private entrepreneurs. To this end, we look forward to working with you on these issues of great importance to AFT higher education professionals and the students they serve. If you have further questions, please contact me or Gabriella Gomez of the AFT legislative staff at 202-879-4452.

Thank you for considering our views on H.R. 4283.

Sincerely,

Charlotte J Fraas
Director, Department of Legislation

CJF : kb