THE PROSPER ACT
Making Community College Less Affordable

ACCT ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES

The PROSPER Act seeks to streamline existing programs under the Higher Education Act. The bill does so by making billions of dollars in cuts to student aid and institutional aid. Despite increases in some areas – such as the $300 Pell Bonus for students taking 15 credits – policy changes represent a net loss of student aid. For many students college would simply cost more if these changes were enacted.

CUTS TO CAMPUS-BASED AID

Elimination of Supplemental Educational Opportunity Grants
Funded at $840 million if FY 2018
1.5 million recipients each year

The elimination of federal Supplemental Educational Opportunity Grants (SEOG) will add an additional cost burden for numerous students and families. SEOG is a vital source of aid for many community college students, enabling the neediest students to receive extra federal support.

The PROSPER Act does increase the authorization for Federal Work Study (which would require annual appropriations funding). However, the cut to SEOG represents a net loss of funding devoted to campus-based aid.

CUTS TO THE LOAN PROGRAM

The PROPSER Act makes changes to the federal student loan program that represent a net loss of more than $26 billion over 10-years.

Elimination of Undergraduate Subsidized Loans
Loss of at least $18 billion in Student Aid

Changes to Repayment Plans
(Eliminating Forgiveness and Requiring Higher Payments)
Loss of $15 billion in Student Aid

Elimination of Public Service Loan Forgiveness
Loss of $25 billion in Student Aid

The PROSPER Act eliminates subsidized undergraduate loans for low-income students. In 2017, around half of all undergraduate loans generated by the federal government were subsidized. Under this change low-income students would be paying 11 cents more per dollar lent under unsubsidized loans compared to subsidized loans.

The PROSPER Act eliminates also Public Service Loan Forgiveness (PSLF) and reforms options available for income-contingent repayment of federal student loans. These changes represent a combined $40 billion cut over 10-years.

The new income-contingent repayment option is less generous for most borrowers compared to current options. Under the PROSPER Act there would be no forgiveness of outstanding debt after 20 or 25 years of repayment. Additionally, the minimum monthly payment would be increased.

The PROSPER Act does provide a new benefit to borrowers through the elimination of loan origination fees. At $14.5 billion it is a substantial savings for students. However, it is not a substitute for aid benefits targeted at low-income borrowers, and still represents increased debt for most borrowers.

REDUCTION IN PELL GRANT BUYING POWER

Under the PROSPER Act the Pell Grant maximum would remain stagnant, losing buying power annually as the grant no longer keeps up with inflation. This combined with the elimination of Supplemental Educational Opportunity Grants puts a greater cost burden on students and families.

While the PROSPER Act does expand the Pell Grant program, most of the new investments in the bill are aimed at expanding eligibility to institutions and programs that are currently ineligible for Title IV aid. Some of the costliest changes would disproportionately benefit for-profit institutions through the weakening of accountability standards. For example, the elimination of a rule that requires proprietary institutions to procure 10% of their funding for a source other than Title IV aid would increase the 10-year spending outlays for the Pell Grant program by more than $2.7 billion. It would also generate nearly $1 billion in new student loans over the same period of time. Many of these changes received opposition from the Department of Education's Inspector General citing concern for students and the possibility of fraud and abuse.

Additionally, the discretionary cost increases to the Pell Grant program would impact the fiscal stability of the program. The $19.1 billion in added costs from the PROSPER Act would accelerate and intensify a multi-year shortfall starting in FY 2021. Utilizing the Congressional Budget Office's April baseline, the Pell Grant program would experience a cumulative shortfall of $38.8 billion from FY 2021 – 2027 if these changes were enacted.

CUTS TO OTHER PROGRAMS THAT HELP INSTITUTIONS AND STUDENTS

The PROSPER Act eliminates Title III-A, the Strengthening Institutions program. These multi-year grants are used to expand institutional resources to help low-income students meet their postsecondary goals. Congress recently increased funding for this program by $14 million, bringing a total appropriation of $99 million.

Elimination of Title III-A, Strengthening Institutions Program

Currently funded at $99 million, this competitive grant program assists institutions that serve a large percentage of low-income students.

Reduces Authorization for Federal TRIO Programs

The federal TRIO programs receive an authorization level that is $100 million less than current funding.

This elimination of the Strengthening Institutions program would be a tremendous setback for the many community colleges that have particularly low levels of resources and serve large percentages of low-income and minority students. Many of these institutions serve economically struggling rural areas.

The PROSPER Act also proposes a lower authorization level for Federal TRIO programs. These programs assist low-income, and first-generation students access and persist in higher education.