

Re-Authorization of the Higher Education Act: Assessing Barriers and Opportunities to Promote Access and Success for Working Adults

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This report is not intended for widespread distribution. In it, the authors reflect frankly on conversations with a number of people about higher education policy and programs. While those conversations were not necessarily "off the record," they were candid and unencumbered by any expectation that parties would be quoted or their remarks would be even indirectly attributed.

Introduction

In April of 2002, FutureWorks published ***Held Back: How Student Aid Fails Working Adults***, a report of a detailed, 18-month research study documenting how federal and state higher education financial aid policies fail to help most working adults who seek post-secondary credentials.¹ The report describes how the eligibility rules of student aid grant and loan programs deny or limit aid to millions of inadequately educated adults who are now seeking post-secondary skills but whose full-time job and family obligations preclude post-secondary enrollment on more than a less-than-half-time basis.

FutureWorks estimates there are about 65 million adults in the workforce with no post-secondary credentials (although as many as 20 million of them enrolled in college and took at least a few courses or even may have completed several semesters). Although they are now pursuing post-secondary studies at record levels, they are getting very little help from education institutions or government programs. As a result, very few are successfully gaining the educational credentials that could help them secure better jobs and contribute to America's productivity growth.

This report has been generally well received by the business community and by those in the field of workforce development and higher education who are concerned about higher education access and success for working adults. It has helped raise the visibility of this serious issue and has contributed to new dialogues about how federal and state policies might respond.

¹ The Ford Foundation supported this research.

An important opportunity to influence federal policy — and, through thoughtful federal action, state policy — about this problem arises as the new 108th Session of the US Congress prepares to re-authorize the Higher Education Act (HEA), a process that happens only once every six years. The reauthorization offers a rare occasion to advance new ideas or approaches at the federal level that could help promote post-secondary opportunity for working adults.

Three foundations — Ford, Heinz, and KnowledgeWorks — have commissioned FutureWorks to build on its previous research by assessing and reporting on barriers and opportunities in this re-authorization process to encourage changes that will promote better post-secondary access and success for working adults. Futureworks began this work in May 2002.

This report outlines the activities undertaken by FutureWorks over the past several months to assess the reauthorization process and understand how better to influence it. The report is divided into six parts as follows:

1. The first few pages of this report offer as background a quick and general primer on the history of the HEA and the various programs it has established.
2. The second section of the report reviews in general terms the primary issues that are likely to be addressed in the re-authorization process over the many months ahead.
3. The third section focuses more directly on the issues that will most affect working adult students, highlighting what FutureWorks has learned to date regarding key barriers and opportunities to a stronger emphasis on the needs of these non-traditional students and suggesting how these new perspectives influence FutureWorks' policy recommendations.
4. The fourth section outlines the several specific activities of FutureWorks under this project and briefly summarizes important insights gained from each of these activities.
5. In the fifth section, the report make specific recommendations about how best to move this agenda forward, using the Higher Education Act reauthorization process to advance post-secondary access and success for working adults.
6. The final, sixth section proposes an on-going role for FutureWorks in this process and requests support for this work.

I. Background

The Higher Education Act (HEA) was originally enacted in 1965 to provide federal support for student financial aid and other post-secondary education activities. Its major precursors included the veterans benefits program popularly known as the GI bill. Passed in 1944, this first of its kind federal initiative helped millions of returning servicemen and women attend college. In the immediate post-Sputnik period, Congress enacted the National Educational Defense Act that provided low interest loans to college students preparing for careers in engineering, mathematics, and the sciences.

When the HEA was enacted in 1965, its major justification was to expand college access for low-income youth, especially minorities. The program has been re-authorized several times since then. Its continuation has never been in serious doubt but each time there have been important changes, additions, and subtractions from the previous authorization. Sometimes the Congress has made changes, technical and otherwise, in between scheduled re-authorizations, but more often these changes await the re-authorization cycle.²

The current authorization for several higher education programs funded through the HEA and administered through the Department of Education will expire during the next session (108th Session) of the Congress. The authorization formally will expire at the end of FY 2003 (on September 30, 2003) but there is an automatic one-year extension that, if needed, will carry the Act through September 30, 2004.

The House Committee on Education and the Workforce will begin hearings on the reauthorization in the early spring of 2003. The Senate committee on Health Education, Labor and Pensions (HELP) is expected to begin hearings later in the year. Few expect the House or the Senate to complete action on a bill during 2003, although all hearings may be completed over the course of the year. Some observers have suggested that there is a distinct chance that the reauthorization process may not even be completed by the 108th Congress and may have to be held over by special arrangement until 2005.

The HEA is a "big bucket" program attracting much attention from the post-secondary community where nearly 6,600 HEA eligible institutions serve about 15 million students. Direct appropriations exceeded \$14 billion for discretionary activities – mostly student grants – in FY 2002, and federal and federally-insured loan programs provided another \$38 billion to eligible students. These HEA programs add up to about two-thirds of all student aid from federal, state and institutional sources. All direct student financial aid programs are outlined under Title IV of the HEA.

² In February 2002, Congress amended the HEA to extend the current interest rate structure that was due to be replaced by a new structure to take effect on July 1, 2003. Also, in July 2002, the House failed to pass a set of technical amendments (known as the FED UP amendments) that had been proposed by many higher education organizations to streamline what they saw as regulatory impediments to Pell grants and student loans.

While most attention is on the student aid provisions of the HEA, ***it also contains modest, direct support for selected institutions of higher education.*** Under Title III (Institutional Aid) and Title V (Developing Institutions) certain institutions (tribal colleges; Hispanic-, Alaska-Native-, and Native-Hawaiian-serving institutions; and historically black colleges and universities) receive grants for operation and other minority serving colleges receive support for capital programs and for science and engineering programs. Appropriations under these two Titles totaled \$447 million in FY2002. In addition, Title II authorizes grants to states and institutions for teacher training activities, and in FY2002 Congress appropriated \$153 million for them.

The HEA also authorizes funding for ***student support services*** (in Title IV). TRIO, which received \$802.5 million in FY2002, is a collage of five distinct programs (there were three when TRIO was first named in 1968). Over 1,200 college, universities, community colleges, and agencies host TRIO programs. The first of these was *Upward Bound*, which is designed to help out-of-school youth and adults prepare for college. This program actually predates the 1965 passage of the HEA. The other programs were added later. *Talent Search* was included in the original 1965 HEA to encourage middle and high school students to better understand their options and prepare for college. *Student Support Services* was born in the 1968 amendments as a measure to help disadvantaged youth stay in college once they have enrolled. *Educational Opportunity Centers (EOCs)* were added in 1972 to serve displaced or under-employed workers by helping them to choose a college and suitable financial aid programs. Just under one-quarter (about 22%) of all TRIO students served in FY 2001 were served in *EOCs*. *The Ronald E. McNair Post-Baccalaureate Achievement Program* was developed in 1986 to encourage eligible students to consider careers in college teaching as well as prepare for doctoral study.

A major new initiative to promote collegiate access and support for low-income youngsters, *Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)*, was added in the 1998 re-authorization as a program distinct from the TRIO programs. *GEAR UP* is a discretionary grant program designed to increase the number of low-income students who are prepared to enter and succeed in post-secondary education. It provides five-year grants to States and local partnerships to provide services at high-poverty middle and high schools. These funds may also used to provide college scholarships to low-income students. *GEAR UP* was funded at \$285 million in FY2002.

It is instructive to note that as new student support programs were established, the earlier ones were not eliminated. This fact is not lost on members of the Congress as they are asked to create new programs for newly defined groups.

While these programs for institutional development and student support are not insignificant, the focus of the HEA remains on student aid programs that are authorized in Title IV of the Act. In FY2002, college students received about \$52 billion under Title IV. Of course the majority of this aid – about \$38 billion – took the form of loan funds that do not require direct annual federal appropriations.

Of the grant programs, by far the largest is the Pell Grants — need-based grants to needy undergraduate students from low-income families. About 4.4 million students received \$10.7 billion in 2001-2002. The maximum grant was \$3,750, and the minimum was \$400.

Another set of funds — Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study, and Federal Perkins loans — are allocated directly to eligible post-secondary institutions who must then provide a match for some portion of their allocation. Undergraduates are eligible for all three of these programs and graduates are eligible for the latter two. Total federal appropriations in FY 2002 for these three programs were \$1.835 billion. (For the Perkins loan program only \$100 million was actually appropriated but loans of \$1.2 billion were made.)

Yet, another program of student aid is LEAP (Leveraging Educational Assistance Programs) that provides matching funds to state financial aid agencies to encourage them to offer need-based grants to low-income students. Some states operate this as a discrete program while others simply fold their LEAP grant money into their own state-funded student aid programs. This program is a slightly revised version of an earlier program known as the State Supplemental Incentives Grant (SSIG) and in FY 2002, it was funded at about \$67 million. The Bush Administration has proposed ending this program (almost all the states now have such need focused grant programs) but the Congress may elect to continue its funding.

Table One: Aid Available to Students

\$ in millions

(excerpted from the Presidents FY 2003 Budget Proposals)

	FY2001	FY2002	FY2003
Pell Grants	\$9,581	\$10,708	\$10,840
Campus-based Programs:			
Supplemental Grants	875	918	918
Work-Study	1,215	1,215	1,215
Perkins Loans •	1,195	1,202	1,202
Subtotal Campus-based Programs	3,285	3,335	3,335
Leveraging Educational Assistance Partnerships ••	135	171	0
Loan Forgiveness for Child Care Providers	—	1	1
Federal Family Education Loans	24,694	26,531	28,513
Federal Direct Loans	10,635	11,404	12,231
Consolidation Loans •••	<u>17,015</u>	<u>16,978</u>	<u>12,184</u>
TOTAL	65,345	69,127	67,104

• The actual federal outlay for this program was \$100 million.

•• The LEAP program (matching funds to states to encourage need-based grant)s is to be phased out in FY2003.

••• New FFEL and Direct Loans issued to consolidate existing loans

There are two major federal student loan programs — the Federal Family Education Loans (FFEL) and the federal Direct Loans (DL). FFEL loans are federally insured loans made by private lenders to students and their parents. The loans are available only to students enrolled at least half time (and since 1992 the Congress has severely restricted the participation of private institutions whose students had demonstrated very high default rates). For families with demonstrated financial need, a federal interest rate subsidy is provided and for all borrowers the federal guarantee reduces the interest rate to below market levels. In FY 2002, about 6.8 million borrowers received FFEL loans totaling about \$26.5 billion. Direct Loans are made with federal capital resources with the colleges and universities acting as the loan processors. Again, they are available only to students who are enrolled at least halftime or more. In FY 2002, Direct Loans were made to about 2.8 million borrowers for \$11.4 billion. In FY 2002 students who had previously received multiple loans under various older programs were allowed to consolidate them under the FFEL and DL provisions and some \$17 billion worth of consolidation loans were made.

II. Major Issues in the Re-Authorization Debates

It is still early in the re-authorization process. The White House has yet to make its views known on potential re-authorization issues or about the overall level of the budget for the HEA or the allocation of resources among the various programs within the HEA. The House and Senate have not yet started hearings, and there have been no new bills introduced that would begin to predict the areas of consensus or debate. Still, the major higher education interest groups are already lining up their positions and preliminary Congressional and while House reactions to those positions may offer several clues to predicting the issues that will dominate this re-authorization. These issues are outlined below.

Pell Grant Maximum Award Level and the Escalating Costs of College: The program likely to receive the greatest attention in the upcoming re-authorization is the Pell Grant program. It is the largest item of federal appropriation and includes the highest visibility issues within the HEA. The big issue probably will be increasing the size of the maximum award. Currently set at \$4,000, the award has been steadily increasing over the past several years. It was only \$3,300 as recently as FY 2000 and increased to \$3,750 in FY 2001 and to the current level of \$4,000 in the FY 2002 appropriation process. Most higher education institutions are supporting a proposal to increase the maximum award for FY 2004 to \$4,500. The Senate version of the FY 2003 appropriation already contains an increase in the Pell award to \$4,100.

The Administration and the new majority leadership in the House and Senate may resist the pressure to increase the maximum award. They have expressed concerns about the budgetary implications of the proposed increase and the need to reduce the rate of growth in the rapidly escalating costs of college.

College cost increases have been stunning. In the ten academic years from 1990-91 to 2000-01, inflation adjusted tuition and fees on average grew 51 percent in public four-year colleges. They grew just as fast in community colleges – 50 percent. Tuition and fees rose "only" 35 percent in private four-year colleges during the 1990's but they grew at a more rapid rate than the publics in the 1980s.³ During this same period, median family income (again inflation-adjusted) grew only 12 percent. Moreover, family income rose much more rapidly in the higher economic quartiles than in the lower quartiles where the gap between relatively stagnant family incomes and college prices widened even more dramatically.

Total aid grew in that period but not nearly enough to significantly close the gap. Federal aid increased by 74% over the ten years but most of this increase consisted of loans, not grants. Pell Grant funding increased only 15% over the ten years. Pell grants covered 98 percent of average tuition in 1986, but only 57 percent in 1999. As a result, the average cumulative debt of graduating seniors rose substantially. For those in the bottom quartile

³ The College Board, Trends in College Pricing, 2001 (Washington DC, 2001)

of family income it increased from \$7,629 in 1989 to \$12,888 in 1999 (in constant dollars).⁴

On one hand, this could be seen as strong justification for increasing federal grant support to keep college affordable for low-income students; this is the argument being advanced by the institutions in the reauthorization process. On the other hand, these escalating costs are seen by many in the Administration and the Congress as a strong indictment of higher education institutions' failure to contain soaring expenses. It might be argued – as it is by many – that continued increases in Pell Grant awards would simply induce educational institutions to continue increasing tuition and fees, eroding any added value from the increase in Pell Grants.

Supplemental Funding for Pell Grants: Related to the question of the maximum award is that of supplemental funding for the annual appropriation. In many years, the total Pell grants awarded exceed the appropriated level. Generally, the next year's appropriation for Pell is increased by an amount that "fully funds" the number of awards granted in the previous year. For example, the FY 2002 appropriation contained a supplemental appropriation of \$1 billion to cover the 2001 shortfall. The Administration's budget proposal for FY 2003, however, contains no supplemental funding for 2002. This may lead to an authorization issue around whether the Secretary of Education should be given the statutory authority to reduce awards in order to address shortfalls. Right now, the Secretary does not have that authority. It was eliminated by the 1992 re-authorization.

Front-Loading Pell Grants: In addition, there is some interest by institutional groups and in the Congress to consider measures to "front-load" the Pell Grants. Under this approach, college financial aid officers would be encouraged to authorize higher grant levels in the first two years of college while trying to defer most loan borrowings to the third and fourth year of undergraduate education. There is some evidence, although far from conclusive, that some low-income youth are so loan adverse as to decide to not attend college if it means incurring debt. There is good evidence that the likelihood of degree completion increases with each year of progress. Therefore, if most borrowing were deferred to the third and fourth years, it is argued, a higher percentage of borrowers would actually receive their degrees and be better positioned for repayment.

Pell Grants and Tax Credits and Deductions: There is some interest in reviewing how the new federal tax credits interact with Pell grants to support college affordability. A GAO report issued in September 2002 was not able to shed much light on the trade-offs between grants and tax credits and deductions. However, it did point out that over the past several years there have been several important revenue code measures affecting student and family perceptions of college affordability. In 1996, the Congress made earnings from prepaid higher education payment and tuition and state-sponsored education savings plans free from federal income taxation. In 1997, student loan interest payments became deductible (up to \$2,500 and with income limits). Also in 1997, further amendments to the Internal Revenue Code established what is know as the Coverdale Education Savings Account, which allows modest tax free contributions to

⁴ The National Center for Public Policy and Higher Education, [Losing Ground](#) (San Jose, 2002).

education savings plans. The Hope Credit and the Lifetime Learning Credit became effective for 1998. In 2001, the Congress authorized tax deductions for tuition and fees of up to \$3,000 per return (although taxpayers must choose between the Hope credit and the tuition deduction). The GAO was able to determine that about 14 percent of all undergraduate students received both Title IV aid and some tax credits, but it was unable to determine how the newer tax credits and tax deductions impact aid eligibility and decision-making on the part of students and their families.⁵

Student Loans: The last session of the Congress extended the student loan interest rate structure through June 2006 and established fixed rates for borrowers thereafter. The new re-authorization may return to the loan programs for another look at interest rate structures and other fees that affect the cost to students. It may also consider raising the annual and cumulative limits on borrowing for undergraduates and graduates so that students would not be forced to rely on more expensive non-federal private loans. The loan limits have not been increased since 1992 and, as noted above, there have been huge increases in college costs since then.

Some believe that Congress should also take another look at the questions of tax deductibility and tax credits for student loan payments as an alternative to increasing Pell Grants. There may be some sentiment in the Congress to reconsider whether it chooses to continue two loan programs — one of direct government loans and one of insured loans from private lenders.

General Eligibility for Title IV Aid: Title IV established the framework of family income and education cost analysis that is the basis of need determination for all Title IV programs and for most state and institutionally-based programs as well. These standards have been fertile grounds for past debates in the re-authorization process and 2003-04 is not like to be any different. This may include a review of how the newer tax credits and deductions impact eligibility (see above) and reconsideration of how the current eligibility rules affect the non-traditional students who are making up a steadily increasing share of total new enrollments. The pattern of enrollment intensity of non-traditional students is markedly different from traditional students as they alternate between full-time and part-time enrollment, occasionally dipping to less-than-half-time. Because students must be enrolled at least half time over the course of an academic year to qualify for loans, many lose and regain eligibility once or twice during a single academic year.

Rationalizing the Student Support Services Programs: As noted earlier, the Congress has enacted a succession of programs designed to help young people in middle school and high school better prepare to college and to stay in college after enrollment. There is now a somewhat confusing array of programs, some aimed at state departments of education governing the K-12 system, some aimed at private community-based youth services organizations, and some aimed directly at institutions of higher education. There is some sentiment in the Congress for a more careful re-structuring of these programs.

⁵ Student Aid and Tax Benefits, GAO-02-751 (Washington DC, September 2002).

Distance Education: Several provisions of the HEA effectively preclude eligibility for distance education programs that rely on Internet-based delivery of most education content. The 1998 reauthorization set up a Distance Learning Demonstration program that allowed the Secretary of Education to test to innovative approaches to distance education by waiving these requirements for certain institutions and then reviewing the resultant enrollment and education programming.

The last session of the Congress considered legislation partially based on the FED UP initiative to significantly revise the HEA in ways that would spur access to Internet-based educational programming. H.R. 1992, "The Internet Equity and Education Act of 2001" was passed by the House in October of 2001 and sent to the Senate. However, it failed to move out of the Senate Committee on Labor and Education and died. This legislation would have modified that section of the HEA that excludes from eligibility for Title IV loan programs any institution that allows more than 50 percent of its classes to be delivered by telecommunications. This provision was enacted in 1992 as part of a general crackdown on institutions that were seen as delivering programs with poor content and inappropriately enrolling large numbers of students that never completed the programs and then defaulted on their student loan obligations. The bill would have eliminated that requirement for any institution already participating in the student loan programs and having a student loan default rate of less than 10 percent per year.

H.R. 1992 also would have eliminated a provision of the HEA that requires "non-standard" programs that are based on clock hours instead of semester hours to ensure students spend at least 12 hours in class per week (known as the "12-hour rule"). H.R. 1992 instead would have required only that these programs be held to the same standard as those offered on a traditional semester basis.

One of the reasons the Senate did not choose to move this bill in the 107th session of the Congress was the sense that the new re-authorization process would be a better place to consider these ideas. Also it was anticipated that there would be more hard evidence in 2003 from the demonstration program that has been underway since 1998. Despite the fact that H.R. 1992 died in Congress, the Secretary of Education has been able to enact some of the regulatory changes from the FED UP initiative, including waiving the "12-hour rule." Other changes are statutory and must be passed by the Congress. The sentiment that contributed to this legislation in 2001-02 will encourage the reconsideration of these requirements in 2003.

Accountability Measures: There is growing sentiment in the Congress (and perhaps in the Administration, although its views are not clear) that the new re-authorization must promote aggressive efforts by the higher education system to hold itself more accountable for outcomes. In the past, the accountability focus on the HEA has been on matters of fraud and abuse by the institutions and on the high default rates associated with student loans. The 108th Congress is likely to push institutions toward other measures of outcomes, most likely establishing and tracking progress toward standards of enrollment persistence from year to year and degree completion within some period after initial enrollment.

Higher education institutions are concerned about this push toward accountability. As non-traditional students with non-traditional patterns of enrollment intensity have become a larger share of total enrollment, the educational institutions are concerned about being held responsible or accountable for the percentage of their students who move progressively through their institutions to degree completion. Non-traditional students frequently have required more time to gain their degrees. Moreover, some non-traditional students are not as interested in actually completing degrees. They are more strongly focused on the skills they think they need to advance in their current careers than in obtaining the degrees that facilitate access to these careers. Finally, more non-traditional students enroll in courses as a method of sampling careers. They may take a few courses in health care or food services or accounting, for example, just to see if they enjoy and feel competent in the particular set of skills and activities associated with that career.

Proponents of tougher accountability in the Congress are not necessarily swayed by these arguments. Most of them are not suggesting formal penalties for institutions with poor rates of persistence and low rates of degree attainment. They simply want the institutions to track and publish this information so that prospective students can understand better the differences among different institutions and among different programs within the institutions.

One approach that may gain support as the debate about accountability unfolds is that of requiring careful tracking and reporting only for students who are Pell and federal student loan recipients. These students tend to be traditional (after all, loans are available only to those attending half time or more and very little Pell aid goes to less than-half-time-students). Moreover, this would seem to be where the federal government has the most at stake.

The debates about accountability will be very interesting. Seemingly, it would be difficult for higher education institutions to maintain that they should not be expected to track and report information about what happens to the students who enroll, especially if they get Pell grants or federally insured and subsidized loans. However, the persistence and degree completion rates of traditional post-secondary students are very low, and most schools are apprehensive about making that information to be generally available. For example, in all the conversations about the maximum level of the Pell Grant and the need for "full funding" there has been little acknowledgement of the amount of Pell funds spent annually on low-income students who do not return to school after the first year.

III. New Perspectives on Access and Success for Working Adults

In writing the report, *Held Back: How Student Aid Programs Fail Working Adults*, FutureWorks focused much of its research on Title IV of the Higher Education Act and uncovered many statutory barriers faced by working adults who need student financial aid to help them earn post-secondary credentials. *Held Back* identified several grant and loan eligibility limitations that arise from regulations governing enrollment intensity, the pace of credit accumulation, requirements for “seat time,” and the definition of eligible expenses for working adults.

A fundamental barrier facing working adults has to do with their schedule as full-time workers and (usually) full-time parents. They simply cannot attend college at the enrollment intensity assumed by the post-secondary institution as they implement the Pell Grant program and, in the case of the student loan programs, at the intensity required by Title IV. The research also found that limits on program and institutional eligibility mean that many of the education and training institutions most accessible to the schedule of working adults are not eligible to participate in the Title IV programs.

As a result, very few working adults get financial aid to pursue their post-secondary studies. FutureWorks discovered that in 2000, there were 280,000 working adults with children and with family incomes of less than 200% of the poverty level who were enrolled less-than-half-time at Title IV eligible institutions in Title IV eligible programs. Although that probably should have made all of them Pell-eligible,⁶ only 77,000 got any form of aid — federal, state, private, institutional, grant or loan. Only 34,000 of them (less than 13% of those apparently eligible) received any Pell grant aid.

Held Back focused sharply on student financial aid policies and programs. But research carried out by FutureWorks for that report — and subsequently under this project — also found that post-secondary barriers facing working adult go well beyond the paucity of grant and loan support.⁷ The structure and schedule of credentialed programs rarely work well for individuals with full time job and family responsibilities. Among our key findings were the following:

- Programs that lead to degrees and academically recognized credentials are frequently campus-bound or have prerequisites that are tough to fit in the schedules of adults with full-time work and family responsibilities.
- Degree and other credential requirements often seem too daunting for a working adult attending part-time. Associate degrees that require 60 to 75 credit hours can seem an almost insurmountable barrier to a student who can take only three or four credits at a time.
- Adults who have been out of school for several years often require developmental or remedial courses; however, few colleges have integrated such basic skill re-building curricula into their for-credit credential or degree-oriented courses.

⁶ College age dependents in those households almost certainly would have been Pell-eligible.

⁷ This quantitative research of FutureWorks was reinforced by more qualitative studies carried out in 2001-2 by MDRC. See Manpower Demonstration Research Corporation, *Opening Doors to Earning Credentials*, 2002 and FutureWorks, *Held Back: How Student Aid Fails Working Adults*, 2002.

- Many programs continue to require seat time in lieu of competency demonstration as a chief criterion of credentialing. This can be a huge disincentive to working adults with little time and an impatience for traditional collegiate pedagogy.
- Few public colleges have successfully integrated preparation for industry-based certification into their for-credit, academically credentialed programs. Students who choose to pursue such credentials (as in the explosively growing information technology fields) are often required to pursue these programs in more flexible but also more expensive proprietary training schools. Here, they often sacrifice future ability to articulate their study into higher level programs in favor of short-term credentials.

FutureWorks’ policy recommendations derived from this original research focused on how to use the upcoming reauthorization of the HEA to change the eligibility limitations of Title IV. *Held Back* suggested that expanding aid would in turn drive programmatic responses — that institutions would develop programs more accessible to working adults if there were more financial aid available.

However, the logic of this strategy now seems thin. First, there is, in fact, very little funding "stretch" in the Title IV programs. Most of the organized constituency in the higher education field – both for students and for institutions – view federal student financial aid as virtually a “zero-sum” game. In their view, steering more student aid money toward working adults – or any other non-traditional student group for that matter – would require steering money away from traditional students. Our action research in this project revealed that most of the national associations and organizations in the higher education establishment would probably oppose any efforts to “divert” federal support, loan or grant, from traditional students. In a time of tight budgets, these groups have become even more protective of their traditional constituents. Moreover, there is little optimism among House and Senate leaders that it will be feasible to provide substantially more funding for the Pell grants program and there is resistance to revisiting the 1992 eligibility limitations on student loans.

Second, even the most optimistic assumptions about enlarging the flow of student aid to working adults may not have much impact on the general availability and accessibility of "working adult friendly" academic programs. As noted above, the lack of student financial aid is but one barrier for working adults seeking post-secondary education. Others, as documented by our report, MDRC’s work, and the work of others, include lack of time, family responsibilities, scheduling difficulties and course length, and lack of support. These challenges would not be solved by altering Title IV of the federal HEA, although changing the way student aid is distributed could help to mitigate some of them. The problems that discourage access and success for working adults seeking post-secondary credentials go very deep into the governance, structure, and financing of higher education. Solutions must come through reforms in how the states manage their higher education responsibilities and how institutions develop and provide credentialed programs for working adults.

For these reasons, FutureWorks is urging consideration of a new strategy that would be embodied in a new title in the HEA and that would be aimed explicitly and exclusively at how states serve working adults. This new "Title X" would provide formula driven grants (with incentive kickers) to states. These grants would help states develop and implement plans to change their systems of governance, formula financing, student aid, curricula and program development, accreditation, credentialing, and faculty development in ways that would promote access and success for working adults seeking post-secondary credentials.

This proposed Title X of the HEA would not create new federal student financing programs. Nor would it seek to divert existing program like the Pell Grants and guaranteed student loans away from traditional students toward working adults. Rather, this new approach would be focused on helping the states – the biggest financial stakeholder in higher education – explore how changes in the way they govern and finance higher education can create better opportunities for access and success for working adults. Title X would provide modest formula-based grants and incentive funding to support states who choose to make these changes. (See more about this Title X proposal in the policy brief attached to this report as Appendix 1.)

In addition to these changes within the HEA, we have found considerable interest in ways to better help working adults outside of the HEA legislation. Many people with whom we have discussed the issue would like to see a better integration of post-secondary access and completion policies across major programs, including the Workforce Investment Act, Temporary Assistance to Needy Families, Perkins Vocational Education, and Adult Basic Education/English for Speakers of Other Languages. As the re-authorizations of most of these programs have been delayed until 2003, there may still be opportunities to move in this direction.

Additionally, the education tax credits repeatedly surface as a significant means to aid working adults. Providing student aid through the tax code has become a popular means of aiding students since allocations to Pell Grants and other grant programs have fallen behind the rising increase in higher education costs. Given the budget constraints the Congress has imposed on itself, the tax credits have a significant advantage in that they do not have to endure annual appropriations. On the other hand, they are administered by the US Treasury, which has not invested or experienced in administering, implementing, targeting, monitoring, and tracking student aid. However, there is much interest in the Congress and from higher education advocates in how tax credits can provide more aid to students, especially non-traditional students.

Since their inception in 1997, neither the Hope Scholarships Tax Credit nor the Lifetime Learning Tax Credit has been evaluated for their use by or benefit to traditional or non-traditional students. Our report indicated (based on admittedly preliminary data and analysis) that far more could be done with these tax credits that would better serve working adults.

Ideally, the HEA re-authorization process will permit a careful examination of the tax credits as it contemplates revisions in Title IV and the prospect of a new Title X as we have recommended. At present, there is more apparent understanding of the tax credits as a policy tool in the Senate than in the House.

More importantly, there is very little understanding anywhere of how the tax credits really work and what impact they have. The higher education establishment has never fully embraced the idea of the tax credits. The higher education institutions see the credits as going primarily to middle-income families who would send their children to college without the tax credits. Many interviewed in the course of this project suggested that the tax credits were not likely to impact the issues of collegiate access for low - income families. They would much rather have seen this new federal subsidy take the form of additional funding for the Pell grants program. But even at this level, there is not much awareness in the higher education community of how the tax credit programs are working and how they impact the persistence and degree completion of traditional and non-traditional students. The September 2002 GAO report on education tax credits included limited findings, with the most concrete one being the observation that more research is needed.

Another major finding of this project has been that there seems to be an unusually tight circle of interest and influence over the Higher Education Act. The House and Senate membership are even more deferential to the cognizant committees than is generally true with respect to other issues facing the Congress. The sub-committee on 21st Century Competitiveness in the House pretty much sets the agenda for full House and amendments to the bills it will pass out are very uncommon. This is also true for the full Committee on Health Education, Labor, and Pensions in the Senate. Other members of the House and Senate not on these committees generally regard the HEA as arcane and full of detail (notwithstanding the amount of money involved), and, therefore, rely on and trust the committee members to work out the details of the re-authorization.

Surprisingly, many of the interest groups one might expect to weigh in on the HEA do not get deeply involved. Importantly, the seemingly most natural stakeholders in education and training - business groups and trade associations - do not participate as actively in discussion about the HEA as they do in similar deliberations about the Workforce Investment Act (which amounts to about 5-10% as much money). The same is true with organized labor. One reason for this may be the general perception that the HEA is just about grant support to kids from low-income families. There is little apparent understanding of the sharp growth in the number of non-traditional students in post-secondary education and the barriers to access and success that many of them face. However, many of the business groups became very deeply involved in the federal legislation around elementary and secondary schools in the No Child Left Behind Act. The apparent lesson here may be that everyone is an expert on elementary and secondary education but no one knows anything about higher education, except, of course, the institutions themselves.

That said, the national organizations that represent institutions of higher education have been very accomplished at managing the federal policy debates that surround annual higher education appropriation decisions and the periodic re-authorizations.

Congressional staff members tend to come from a higher education background and not infrequently move to national higher education-related organizations after their time with the committees. There are important exceptions to this general rule, but it is hard to avoid the impression that the HEA re-authorization process is essentially an "inside baseball" game where apparently concerned outside interest groups — labor and business most notably — are relegated to the sidelines with only occasional participation. Direct beneficiaries, college students, have virtually no voice in the debates. Even groups that traditionally advocate for low-income and minority groups are not very active in the HEA reauthorization process. (An exception may be the State PIRGs Higher Education Project which has stayed close to the re-authorization process and developed several reports about student aid, especially the loan programs.)

The national higher education groups are not monolithic, but nearly so. Even where one might expect sharply differing perspectives (between four year and two year schools or even among public, non-profit, and proprietary schools for example), differences are very highly nuanced and tend to be muted. For example, community college organizations often follow the lead of four-year institutions regarding federal public policy. This results in policy positions focused on and benefiting more traditional students. When community colleges do focus on the working adult student, it is often on the workforce development side of the house, which is driven more by federal workforce policies such as the Workforce Investment Act, Temporary Assistance to Needy Families, and the Perkins Vocational Act than by HEA.

IV. Major Activities of FutureWorks under this Project

Since the initiation of this grant in May 2002, FutureWorks has carried out several activities to learn more about the reauthorization of HEA and potential ways to influence this process in favor of working adult students. Many of those activities were "in-house" work sessions refining previous research and exploring strategy implications. However, FutureWorks also organized many meetings with other people and organizations to track the HEA re-authorization process and discuss ideas for approaches to better meet the needs of working adults. This section outlines these "outreach" activities chronologically and, as appropriate, summarizes the important policy lessons that were learned from them.

On June 17, FutureWorks staff met with a variety of congressional staff to assess the issues most likely to be discussed in the reauthorization of the Higher Education Act, the schedule for reauthorization, and potential opportunities for the inclusion of working adult issues in the reauthorization. These meetings are outlined below, with the salient issues gleaned from each meeting in bullets.⁸

Kathleen Smith, chief education staffer on the House Committee on Education and Workforce and for the committee chairman, John Boehner (R-OH).

- Smith has worked in student financial aid prior to coming to the Committee, so she is very familiar with the Act and issues from a practitioner's perspective.
- Priority selection of important issues in the reauthorization will be difficult and weighty due to lack of funding.
- The reauthorization of HEA may be delayed; Congress is likely to use the one-year extension. Therefore, it may not be on the agenda until late 2003, or early 2004.
- The recession and this Administration's spending strategies indicate that there will be no additional funding for student aid contained in the reauthorization. Any ideas to assist working adults that include significant increases in funding likely will not pass unless budget offsets could be found.
- The House committee was very pleased with a 2001 web-based feedback process used to gather constituent feedback on federal regulatory requirements in student aid programs, and will look for ways to use this process in the reauthorization of HEA.⁹
- Organizations important on student loans include The Education Finance Council, Consumer Banking Association, National Council of Higher Education Loan Programs, and Sallie Mae.

⁸ Note that there were areas of disagreement among some interviewees on both the process and the content of the HEA re-authorization.

⁹ The "Upping the Effectiveness of our Federal Student Aid Programs," or "FED UP," initiative was launched in May 2001 to collect recommendations from students, educators and others involved with higher education for streamlining federal red tape in student aid programs. From these recommendations, Representative Buck McKeon (R-CA), chair of the 21st Century Competitiveness subcommittee, drafted legislation - the FED UP bill (H.R. 4866) - that was introduced in the House in early June 2002 (it subsequently failed to pass).

- Organizations important in student financial aid in general include the National Association of Student Financial Aid Administrators (NAFSAA), United States Student Association, and State PIRGs.
- The higher education organizations that normally take the lead on this reauthorization – the “One DuPont Circle crowd” – will present their agenda to the Congress in the fall of 2002. Current issues on their agenda include unmet need; tax credits; graduation rates and accountability measures; persistence; and faculty quality. All of these issues are mostly centered on traditional students.
- Although the education tax credits are not within the jurisdiction of the education committee, members of the committee would like to learn more about them and comment on them.
- The committee is interested in ways to link post-secondary education opportunities under the Workforce Investment Act, Temporary Assistance to Needy Families, and HEA.
- Other important staffers with which to discuss this issue include those in Senator Judd Gregg’s office (R-NH) and Senator Kennedy’s office (D-MA).

Jane Oates, Chief education staffer for Senator Edward Kennedy (D-MA), then chair of the Senate Health, Education, Labor, and Pensions (HELP) committee.

- The two most important issues for this reauthorization are persistence and completion (rather than access). Two other important issues will be the packaging of student aid (combining aid from various sources) and need analysis (determining how “need” should be calculated).
- One of the real problems with HEA re-authorization at this point is that there is little interest. Thus far, the Senate HELP committee is the only one showing any interest in HEA re-authorization. Oates also sees a potential delay in HEA reauthorization. She is concerned that WIA and HEA will have to be reauthorized simultaneously.
- The HELP committee also is interested in learning more about and commenting on the Lifetime Learning Tax Credits.
- Community colleges are an important part of the solution for working adults. They may need to revisit their structure and programs to better meet the needs of this population.
- Oates is very cautious about pushing distance learning as the primary method for helping low-income students gain access to post-secondary education. Given the experience of the 1992 HEA re-authorization, she is very concerned about the quality of the education and the ability of low-income students to learn via distance learning.
- Many of the HELP committee members are from New England: Kennedy (D-MA), Gregg (R-NH), Collins (R-ME), Jeffords (I-VT), Reed (D-RI), and Dodd (D-CT).
- Oates invited FutureWorks staff to a series of regional briefings on HEA (New England area) around August 19, 2002.

Grey Gardner, workforce development staffer for Senator Maria Cantwell (D-WA), who is a member of the Senate HELP committee.

- Senator Cantwell would like to see the Democrats do more on higher education and workforce development issues.
- Senator Lincoln (D-AR) has authored a bill on the Lifetime Learning Tax Credit to add more qualified expenses to those counted for credit under the rules now.
- Others to contact include Marge Baker in (the late) Senator Wellstone's office and David Baime of the American Association of Community Colleges (AACCC).

Catherine Brown, education staffer for Senator Hillary Clinton (D-NY), who is a member of the Senate HELP committee.

- Senator Clinton is very active in New York on issues of higher education. She is meeting with college presidents in the state sometime in the summer.
- It was recommended that FutureWorks staff track the TANF reauthorization issues around higher education to gauge interest in the Senate on helping low-income students in higher education. The Workforce Alliance is a coalition that has formed around these issues.
- Senator Jeff Bingaman (D-NM) has introduced the Education Works Act, with co-sponsors Paul Wellstone (D-MN), Patty Murray (D-WA), Jack Reed (D-RI), and Jon Corzine (D-NJ). Carmel Martin is the staff person on Senator Bingaman's staff with whom FutureWorks staff should discuss this bill. Olympia Snow (R-ME) has introduced a bill on the Parents as Scholars program and wants to attach it to the TANF reauthorization. She is on the Senate Finance committee.

Also on June 17, Brian Bosworth and Vickie Choitz of FutureWorks met with ***Assistant Secretary Carol D'Amico, head of the Department of Education's Office of Vocational and Adult Education*** to discuss the *Held Back* report, and to consider how it might affect the objectives of OVAE in the HEA re-authorization process. Assistant Secretary D'Amico expressed great interest in the findings and recommendations of the report. However, she suggested that her office would focus virtually all its legislative attention around the re-authorization of the Family and Adult Literacy Act (Title II of WIA), and the Perkins Act. She offered to help arrange meetings with her counterpart at the Office of Post-Secondary Education at DOE and with the Assistant Secretary for Employment and Training at the DOL. (Those meetings have not yet been scheduled.)

D'Amico also suggested that Brian Bosworth of FutureWorks serve as an advisor to the Adult Education programs at OVAE. As a result of this suggestion, Bosworth participated in an Adult Education Visioning Process in Washington, D.C., on November 12 and has been appointed to a Department of Education committee to focus on the issues and opportunities that affect the Department's adult education mission. The objective of this latter group, which will begin meeting in late January 2003, is to:

- identify key issues and trends facing adult education at the local and state level;
- identify promising policies and practices;
- direct an interactive discussion on the impact of existing or proposed federal policies and programs; and
- serve as a conduit for informal discussions among adult education leaders, researchers, and policymakers.

In addition, D'Amico had several suggestions about key staff and members in the Congress who should be briefed about this work. (Bosworth and Choitz have had several follow-up sessions with Assistant Secretary D'Amico.)

On June 18, FutureWorks staff helped plan and participated in a discussion roundtable, ***“Higher Education Access and Persistence for Working Adults: Does HEA Reauthorization Provide New Opportunities?”*** organized by *Jobs for the Future* in Washington, D.C. Brian Bosworth launched the discussion, providing an overview of the realities and policy issues concerning student aid and working adults. Other speakers discussed the HEA reauthorization and potential opportunities within it to better aid working adults and other policy approaches toward this end. Important insights from this meeting:

- The majority view presented was that this pending re-authorization presents no real opportunities for anything approaching sweeping changes to HEA – for either traditional or non-traditional students. However, a second, minority view was that the Bush Administration might be looking for a major higher education initiative to build on its politically successful Leave No Child Behind initiative. Accountability measures could play a significant part in this initiative.
- Participants generally concluded that the best strategy would be to generate a list of incremental changes on specific issues that could be made to HEA. These included:
 - changing the “12-Hour Rule” to allow more distance learning;
 - altering the definition of “independent student” to better meet the needs of younger students who are non-traditional;
 - changing the definition of “satisfactory progress” so as not to penalize working adult students who may need more time to complete programs;
 - modifying the requirements for the minimum numbers of hours students must take to receive student aid in order to include more working adults students;
 - adjusting the student budget calculations in order to better consider the costs working adults bear to attend school, *i.e.*, child care;
 - allowing colleges access to UI wage data in order to assess the employment and earnings outcomes of graduates;
 - funding more research into the challenges of needs of working adult students; and,
 - using federal funds to leverage state efforts, such as the LEAP student aid program (federal funds matched with state education dollars).
- Participants also discussed other federal and state avenues to help working adults in post-secondary education, including WIA reauthorization, Perkins Act, TANF reauthorization, and Adult Basic Education/English for Speakers of Other Languages. The need to think about policy across these fragmented systems was affirmed by the group.
- Participants identified important stakeholders that should be interested and involved in this discussion, including:

- the higher education community;
- workforce and welfare reform advocates;
- employers; and
- State governments.

In July, Brian Bosworth had a series of telephone conversations with ***Phyllis Eisen, Executive Director of the Center for Workforce Success***, the education and training arm of the National Association of Manufacturers (NAM) and vice-president of the Manufacturing Institute of NAM. The purpose of these conversations was to explore the feasibility of establishing a coalition of employer groups to explore new approaches to the Higher Education Act that might better support the skill development needs of working adults. Eisen agreed to facilitate a series of discussions with other major employer associations and groups to determine interest and willingness to support such a coalition. (NB: Some contacts with other employer groups have been made but the idea of a formal coalition of employer groups remains to be developed.)

On July 18, Brian Bosworth met with ***Congressman John Boehner***, Chairman of the House Committee on Education and Workforce (R. OH). In addition to being Chairman of the over-all committee with oversight of HEA, Congressman Boehner sits on the Sub-Committee on 21st Century Competitiveness with direct responsibility for the HEA. Congressman Boehner thus will have great influence over the HEA re-authorization process.

Bosworth provided the Congressman with two one-pager documents: a summary of "Key Points" from the *Held Back* report and "Some Preliminary Ideas for New Federal Strategies to Help Working Adults Gain Post-Secondary Credentials" (both are attached to this report as Appendix 2).

The Congressman had read and quickly understood the research report *Held Back*. He expressed strong interest in at least considering policy implications of the research as part of the re-authorization process. He suggested that a moderate to strong policy response in the re-authorization debate would be hampered by the absence of an organized constituency group for working adults. He urged that FutureWorks work on identifying and organizing this "interest group."

Congressman Boehner also noted the obvious lack of new resources for federal aid to higher education. He agreed that Title IV is somewhat of a "zero sum game," but he did not think that should preclude consideration of new strategies for the HEA. The Congressman volunteered the possibility of a special hearing focused on working adults and suggested FutureWorks begin to develop recommendations about who might be invited to testify at such a hearing. (Subsequently, the Congressman's staff made clear that if there were to be such a hearing, it would be in early 2003 rather than 2002 and they would organize it.)

The meeting with Congressman Boehner was positive and encouraging. Subsequently, FutureWorks learned that Congressman Boehner and Congressman Buck McKeon,

Chairman of the sub-committee on 21st Century Competitiveness, have jointly requested the Government Accounting Office (GAO) to carry out a study of how working adults are served by the Higher Education Act. This indicates their interest in considering new legislation in this area. A draft of this report should be finished in the spring of 2003, with a final report projected to be released sometime in the summer.

Brian Bosworth also met on July 18 with **Congressman John F. Tierney** (D-MA) who is a member of the minority on the sub-committee on a 21st Century Competitiveness. With the death last September of Congresswoman Patsy Mink (D-HA), Tierney may be in line to become ranking minority member of the Sub-Committee.

Congressman Tierney was given the same briefing papers as those delivered to Congressman Boehner (Appendix 1). He was not as optimistic as Congressman Boehner about the chances of any changes in the HEA that would better support the needs of working adults, at least to the extent they would cost money. However, he went quickly to the ideas in the briefing papers of offering some incentives to states and higher education institutions to strengthen their program support for working adults. He expressed interest in these ideas and asked to be kept informed of our efforts to discuss these ideas with various higher education interest groups.

On July 23, 2002, FutureWorks participated in a conference call with **Richard Kazis of JFF and Julie Strawn of CLASP** to discuss the research agenda of the three organizations and to consider how best to develop formal legislative ideas for amending Title IV of the HEA.

On August 16, Brian Bosworth met with **John Engman, director of JOBS +, the workforce development division of the Computing Technology Industry Association (CompTIA)** to discuss the interest of CompTIA in testifying before the Congress on the importance of new strategies for working adults in the HEA. The idea of a coalition of employer associations was explored, as well. Engman suggested that CompTIA would be very interested in workable strategies that would strengthen federal and state support for working adults seeking to gain industry-recognized certifications for occupations in information technology and telecommunications. CompTIA would be interested in both the idea of an employer coalition and in direct testimony to the Congress.

On August 22, Vickie Choitz attended the **New England Higher Education Symposium**. The purpose of this Symposium was to brief staff members of New England area members of Congress on significant issues important to the higher education community likely to surface in the reauthorization of HEA. She attended this meeting in order to assess these issues in light of the needs of working adults and to meet important congressional staffers for future work. Important insights from the meeting included the following:

- Overall, none of the issues outlined by the higher education presenters focused directly or indirectly on working adults. The vast majority of the information was about very specific and narrow changes to various sections of Title IV that affect

traditional students, their aid awards, and their higher education experience. These issues are briefly presented here.

- *Student Access*: The main recommendation was to preserve the TRIO programs and make a few administrative changes to ease institutions' participation in the program. (This program started in the early 1970s with education centers and now includes 6 different programs that fall under Title IV of the Higher Education Act. In 2002, TRIO funding consisted of \$802.5 million.) The only part of TRIO that affects working adults is the Educational Opportunity Centers, which are designed primarily to serve displaced or underemployed workers and adults seeking to enter the workforce. In terms of numbers of students served in these programs, EOCs served the third largest number of students of any TRIO program. None of the issues for reauthorization covered in this meeting included EOCs, and it was implied that these centers work fine.
- *Application Process*. Many financial aid administrators are still concerned with the Free Application for Federal Student Aid (FAFSA) application process that seems to be overly burdensome. Again, issues raised in this area concerned very minute changes to the process that would primarily benefit traditional students
- *Needs analysis*. Unlike some aspects of Title IV, the "needs analysis" (Title IV, Section F) is determined statutorily by Congress; the Secretary of Education's regulatory authority is restricted. Issues raised around this topic focused on altering the formula to allow students to keep more of their non-federal aid; introducing a multi-year application process; and reducing the age of "independent student" from the current age of 24 to a lower age. Also, it was interesting to note the antiquated formula used to calculate expected family contribution. This formula was written into statute in 1986 and is based on an "Uniform Methodology" formula that was created in 1975. Additionally, allowances within the formula around income protection and earnings are based on the CPI market basket as defined in the 1960s. And finally, the family size equivalencies were defined in 1969.
- *Student eligibility*. The new requirement since the last re-authorization that a student cannot receive federal student financial aid if he or she has a drug conviction is controversial and may be questioned during this re-authorization.
- *Institutional eligibility*. Issues under the re-authorization for institutions include the burden of reporting to the Department of Education on various student and institutional rule requirements. Additionally, appropriate measures of institutional accountability will likely be an important issue in this reauthorization. This was a theme throughout nearly every conversation FutureWorks staff had with interested parties.
- *Pell and SEOG Grant Programs*. The biggest issue with these programs raised by this group was the limited funding.

- *Perkins Loans*. Important issues under this topic included increasing the authorization levels to provide more funds for loans and increasing the loan limits on how much money students can borrow. As this is a more complex and burdensome program for institutions (technically, the educational institutions are the lenders), some schools might push to eliminate the program and transfer the funds to an endowment.
- *Federal Student Loans*. Important issues under this topic included the possibility of extending the 10-year loan repayment term; increasing loan limits; maintaining the current subsidy amounts; maintaining the fixed interest rate for consolidation loans; maintaining existing voluntary flexible agreements (experimental initiatives designed to reduce default rates); and reducing the differences between the federal direct loan program and the federal family education loan program.
- Although none of the issues outlined in this symposium were directly related to working adults, Choitz was able to meet several congressional staff who will be working on the reauthorization. These relationships helped in setting up congressional briefings in Washington, D.C. in October.

Later in August, Brian Bosworth had a series of conversations with *Nancy Mills, Executive Director of the AFL/CIO Working for America Institute*. Mills agreed that organized labor generally would support new HEA strategies that might augment federal and state support to post-secondary education and skill development of working adults. She suggested that it would be more feasible and productive to meet directly with several national unions rather than asking the AFL/CIO to "speak for them." She had several suggestions about specific contacts at specific unions and agreed to provide counsel and advice about meeting with these various labor organizations.

On September 24, Brian Bosworth presented to *the National College Access Network (NCAN) annual conference in Cleveland, OH*, on student aid and working adults. The presentation reviewed the findings from the *Held Back* report and FutureWorks' recommendations for the reauthorization of HEA, as well as for federal tax policy and state higher education policy (see the conference presentation in Appendix 2).

The NCAN conference provided an opportunity for several discussions about the reauthorization of the HEA with several individuals who have special knowledge of issues in the re-authorization process. This included the following:

- *John Dean*, whose Washington D.C. law practice focused around higher education issues, expressed interest in the concept of "semi-subsidized student loans." Such loans for working adults with a credit history and a full-time job might be partially guaranteed (say 50%) by the federal government at a cost well below that of the current federal guaranteed loan program. Dean also expressed a willingness to help states explore such an approach using state authority rather than relying on a federal guaranty. Dean further agreed to assist in the process of engaging the "One DuPont Circle" higher education organizations in discussions about new strategies for adult workers pursuing post-secondary credentials.

- **Betsey Brand**, who as a former Assistant Secretary of Education and a staff director with the Senate Education Committee is knowledgeable about the HEA re-authorization process, also provided important insights. She suggested that the organization of which she is co-director, the **American Youth Policy Forum**, might be able to play an important role in helping members of the Congress and their staff understand the issues that surround the post-secondary aspirations of working adults.
- **Tina Milano, President of NCAN**, described the growing interest of NCAN affiliates throughout the US in focusing more of their advocacy, support, and scholarship resources on adults.

Also in September, FutureWorks began a series of meetings with **Manpower Demonstration Research Corporation (MDRC)** about how to cooperate in the dissemination of findings from FutureWorks' *Held Back* and similar studies and MDRC's *Opening Doors: Students' Perspectives on Juggling Work, Family, and College*. The two organizations agreed to work together on several dissemination activities and to cooperate in the development of federal policy recommendations. They began development of a joint briefing document summarizing their research findings and offering a policy context within which to view those findings.

On October 7, FutureWorks staff, jointly with MDRC, conducted a **series of briefings for congressional staff on the House Education and Workforce committee and the Senate HELP committee**. In these briefings, MDRC and FutureWorks staff presented each organization's findings on college access and student aid for working adult students and discussed our ideas for recommendations for HEA reauthorization. Kathleen Smith invited education staffers on the committee, as well as a select group of interested parties, *i.e.*, Tom Weko from the GAO, who is conducting research for a report on student aid and working adults. Jane Oates invited all staffers on the Senate HELP committee. The MDRC-FutureWorks presentation for those briefing sessions is attached as Appendix 3 to this report.

This was a great opportunity to work with MDRC, and staff from both organizations discussed follow-on activities, including:

- another round of Congressional staff briefings in the new Congress;
- briefings for other stakeholders and organizations, including employer groups and associations;
- authoring a policy brief outlining issues, challenges, barriers, and recommendations for better assisting working adults in accessing and succeeding in higher education; and
- FutureWorks' assistance in designing the demonstration phase of MDRC's Opening Doors project, especially around student financial aid.

Important insights from this presentation:

- There is some interest in helping adults gain post-secondary skills, especially as a "next step" in TANF legislation. However, many members of Congress do not make the connection between working adults and the Higher Education Act.

- Republicans are pushing to have draft legislation for HEA finalized no later than the end of 2003.
- The Congress is very interested in tax credits as part of the financing package work working adult students.

On November 7-9, Vickie Choitz attended and presented at *the Council for Adult and Experiential Learning (CAEL) annual conference* in Washington, D.C. The presentation outlined the *Held Back* report and offered FutureWorks' evolving recommendations for the federal HEA reauthorization, federal tax policy, and state higher education policy in order to garner feedback from the audience (mostly four-year college representatives). Choitz attended other policy workshops at the conference in order to learn more about other innovation policies and programs serving working adult students, how these programs may or may be leveraged in the HEA reauthorization, and what other organizations are interested in this issue.

Insights from this conference:

- Most of the attendees were from four-year colleges and seemed to be aware of the barriers faced by working adult students.
- CAEL's Lifetime Learning Accounts (LiLAs) program may be a good market-based compliment to both the education tax credits and the student financial aid under HEA. An interesting coalition of groups focused on the financing of post-secondary education for working adults – including student financial aid under HEA, the education tax credits, LiLAs, Section 127 (employer tax credits), and Individual Training Accounts under WIA – could be formed based on the mutual work around this issue.
- Developing relationships with CAEL staff will be important to on-going work in this topic.

On November 12, Brian Bosworth participated on *a panel discussion on Adult Basic Education, sponsored by the Office of Vocational and Adult Education*. The purpose of the meeting was to assist the Office of Vocational and Adult Education to develop a stronger "vision" of their adult basic education and ESL training programs. It provided a valuable opportunity to discuss and consider how the federal and state authorities might re-structure adult basic education so that it better supports adults who seek post-secondary credentials and use ABE and ESL to strengthen their foundation skills as they launch their credentialed program.

On November 20, Brian Bosworth met with *the senior staff of the National Council for Education and the Economy (NCEE)* in Washington D.C., and made a presentation to NCEE's Cities Network of the primary findings and suggested new strategies from the *Held Back* report. The conversations with the NCEE staff focused chiefly on FutureWorks' evolving recommendations for the federal HEA reauthorization, federal tax policy, and related state and federal higher education policy. The NCEE staff was generally supportive of the concept of a new Title in the HEA focused on the states and leveraging their resources for adult post-secondary education. They expressed concern that the Congress and the Administration would resist a "price tag" for this new idea that

went much above a "few hundred million" over the six years of the new HEA re-authorization. The NCEE staff offered to broker additional meetings with key higher education officials in the Administration and the Congress.

In early December, Brian Bosworth and Vickie Choitz attended a variety of meetings with interested stakeholders in Washington, D.C., as follows:

On December 9, Bosworth and Choitz met with ***Andy Van Klunan and Robin Spence of The Workforce Alliance (TWA)***. TWA has focused most of their attention and energy generally on the TANF and WIA reauthorizations, but has recently become interested in HEA. TWA developed a briefing book with recommendations for all three pieces of legislation. The section on HEA borrowed heavily from FutureWorks' research and recommendations as presented in the *Held Back* report.

TWA has created a community college working group that includes presidents of community colleges and vice-presidents of workforce development within community colleges to provide a voice from the field for members of Congress to understand concerns faced by community colleges as they try to meet employers' and workers' educational demands. FutureWorks staff was invited to participate in this working group and provide assistance in understanding the federal legislative barriers for their working adult students.

Van Klunan expressed the concern that FutureWorks' proposal for a new title to the HEA might not fare well because it may still appear to represent competition for limited funding within HEA. Still, he thought that it may, in the end, be the appropriate direction for including working adults in HEA rather than through the expansion of Pell Grants.

TWA is very interested in bringing together the most active organizations on this topic to put together an agenda that can "win in Congress."

Also on December 9, Bosworth and Choitz met with ***David Baime, legislative director, American Association of Community Colleges (AACC)***. The AACC's legislative priorities for the reauthorization of the Higher Education Act focus strongly on younger and full-time students. This organization maintains that the Pell Grant program works very well for this population and should not be changed, except, perhaps, to increase the maximum grant. The AACC staunchly views Title IV as a "zero sum game," in that, the more students that become eligible for Pell Grants, the less significant the support per student. As the typical current low-income student already faces significant unmet need, the AACC is not interested in further reducing their grant amounts.

Baime expressed some cautious support for the idea of a new title of the HEA that would focus on the states and leverage their support for working adult students. However, he suggested that the budgetary constraints might preclude any careful consideration by the Congress.

Baime believes that accountability for higher education institutions will most certainly be a part of this reauthorization, although no specific systems or measures have been proposed. The community colleges are very concerned about the apparent absence in the Congressional discussion of this issue of a sophisticated understanding of how adults (and young people) use community college curricula to "sample" career alternatives and do not necessarily plan to complete credentials in these sample fields. They worry that a push toward tracking persistence and completion may make the colleges "look bad" and could encourage them to discourage these career-samplers from enrollment.

On December 10, Vickie Choitz presented on the opening panel *of The Workforce Alliance national conference*, providing an overview of issues focused on working adults in the upcoming HEA reauthorization. She also served on a breakout panel that provided more information on this reauthorization. Insights from audience feedback included:

- Compared to the slashing of funds in the TANF programs and the miniscule funds available for training in the WIA programs, the Higher Education Act seemed to represent a refreshing opportunity for audience members interested in helping working adults gain education and training.
- At least among some of the community colleges in attendance, there was some dissatisfaction with the central focus on traditional students by national organizations representing these schools.

Also on December 10, Brian Bosworth co-moderated a panel at *the National Governors' Association's annual workforce policy forum*. He also presented the findings of the *Held Back* research and summarized the current thinking of FutureWorks regarding the HEA re-authorization process and strategies. A copy of that presentation is attached as Appendix 4.

Conversations with a co-panelist, Dr. Ken Breeden of the Georgia Department of Adult and Technical Education, offered some important insights into how states can develop creative credentialing pathways and how federal legislation such as that proposed by FutureWorks might facilitate such state action.

Also on December 10, *Brian Bosworth met with James Kvaal, higher education staff person for Representative George Miller (D-CA)*, who is the ranking minority member on the House Committee on Education and the Workforce. Bosworth discussed FutureWorks' emerging ideas about a new title to the HEA. Kvaal offered generally positive feedback on the ideas. He suggested that this kind of approach – leveraging state action – might have real opportunity within the House committee and would need strong bi-partisan support. He had several suggestions of other committee members with whom to discuss this matter.

On December 11, Vickie Choitz attended a lunch of TWA community college working group with *James Bergeron, legislative director for Representative McKeon (chairman of the House subcommittee on 21st Century Competitiveness and R-CA)*. Bergeron was very well versed in the issues. He suggested that limited budgetary possibilities would

prevent any major increases in student funding. He also believes accountability will be a key issue. He allowed that new, bold ideas that do not cost a significant amount of money would be welcomed. He specifically asked for suggestions for streamlining reporting and interaction between TANF, WIA, and HEA programs. On the other hand, Bergeron is sensitive to making changes to Title IV to benefit working adults that may negatively affect traditional students. He further pointed out that Congressional Republicans do not yet know what types of recommendations will come from the Bush Administration.

Bergeron had attended the joint FutureWorks-MDRC briefing in October and appreciated what he saw as new information and perspective from FutureWorks' more recent work. He anticipates inviting FutureWorks staff back for another briefing when HEA reauthorization is in full swing.

Vickie Choitz met on December 11 with ***Catherine Brown, the higher education staff person for Senator Clinton (D-NY)***, who serves on the Senate HELP committee. Brown reported that Senator Clinton is very interested in issues of higher education as they affect both working adults and minority non-traditional students. As the Senator sees it, many of these students are one in the same. She has been meeting with representatives from higher education institutions in New York and plans to be active on the HELP committee.

The Senator and her staff are very interested in the education tax credits and the impacts of a variety of alternatives to the current rules. Their ideas include allowing more educational expenses to be counted toward the credits (currently limited to only tuition and fees) and increasing the percentage of qualified educational expenses under the Lifetime Learning Tax Credit from 20% to a significantly higher level.

This meeting represents the final "outreach" activity to research opportunities for working adults in the re-authorization of the HEA. However, internal and cooperative work continues in this area. For example, FutureWorks' staff maintained consistent communication with MDRC staff on both their demonstration effort and future congressional briefings on these issues. FutureWorks continues to have regular telephone and e-mail contact with many of those interviewed in the course of this project.

V. Recommendations

FutureWorks proposes three primary recommendations that emerge from its exploration of issues and opportunities under the re-authorization of the HEA that will affect the post-secondary education and skill development of working adults. These recommendations are aimed specifically at the three foundations that have been underwriting our work in this field — the Ford Foundation, the Heinz Endowments, and the KnowledgeWorks Foundation. However, they are also aimed more generally at the "field" — organizations concerned about strategies to advance the skills and earnings potential of low-income adults. The recommendations are as follows:

1. Build an ***informal national coalition*** of organizations and individuals who will raise the visibility of issues and opportunities for adult workers and articulate these opportunities in the re-authorization process;
2. Encourage support for the strategy represented in the attached paper, ***Helping Working Adults Gain Post-Secondary Credentials: A Federal-State Partnership to Promote Access and Success for Working Adults Pursuing Higher Education***;
3. Encourage and support ***additional highly focused and action oriented research*** around specific issues critical to promoting post-secondary access and success for working adults. For example, the significant interest in education tax credits evidenced by stakeholders in the above-outlined meetings indicates a need for further research on how working adults may or may not benefit from the Hope Scholarship and the Lifetime Learning Tax Credit.

Building A National Coalition: In many of the interviews and meetings of the FutureWorks staff over the past several months, many individuals voiced concern that there is no "organized constituency" for working adults. In fact, of course, the organizations who care about post-secondary access and success for working adults are among the most powerful in Washington D.C., but they have had no history of coalescing around this specific issue. This includes the organized business constituency — national industry associations and trade groups such as the National Association of Manufacturers (NAM), the US Chamber of Commerce, the Computing Technology Industry Association (CompTIA), the Committee for Economic Development (CED), the Conference Board, and many others. These business groups are very sensitive to the importance of skill development for workers, especially those without post-secondary credentials.

Labor organizations are also strongly interested in issues of post-secondary access for their members and for working people generally. Many of these have expressed interest in strengthening federal and state support for non-traditional adult students. Professional associations, especially those representing non-baccalaureate level occupations, should be interested in fostering greater post-secondary opportunity for their members

The higher education establishment itself would be generally supportive of broader access for working adults, after all this group represents a huge and still largely untapped market. Over the next two to three years, there will be little growth in the pool of

traditional students coming directly out of high school. However, as has been noted above, the higher education establishment probably will support new measures for adult access and success only when they do not threaten the existing support they get for traditional students.

A partial analogue for the informal coalition recommended here was the ***Section 127 Coalition*** — a group of business, labor and higher education organizations working toward permanent extension of Employer-provided Educational Assistance in Section 127 of the Tax Code. This group included such diverse organizations as:

- National Association of Independent Colleges and Universities
- National Association of Manufacturers
- International Personnel Management Association
- American Council on Education
- United Auto Workers
- American Federation of State, County and Municipal Employees
- American Society for Payroll Management
- American Society for Training and Development
- American Federation of Teachers
- Association of Community College Trustees
- National Association of State Universities and Land Grant Colleges

The 127 Coalition was in existence for several years as its members sought to make permanent the benefits of section 127 of the Internal Revenue Code — the tax provision that allows an employer to provide up to \$5,250 per year in tax-free, non-job-related educational assistance to its employees. Since its creation in 1978, the provision had expired and had been extended for one to three years ten different times. The Coalition was established several years ago to promote making the measure permanent so that both employers and employees could make long term plans for education and training. On June 7, 2001, President Bush signed into law the Economic Growth and Tax Relief Reconciliation Act of 2001. Contained within that measure was a provision to permanently extend section 127 for both undergraduate and graduate courses beginning after December 31, 2001. (Of course, as with all the other provisions in the Congressional Budget Act, the entire tax bill expires on January 1, 2011.)

The Section 127 Coalition is not a perfect analogy in that was focused around a "known" issue. That is, the provisions of section 127 were widely known and, because it had been in existence for many years, its operating impact on the members of the coalition was well understood. Moreover, it was a relatively isolated measure in the tax bill and was not related to other matters of importance for the higher education community. Instructively, however, the business community that was a major force within the 127 Coalition had several other concerns at issue in the 2001 tax act and various segments of the business community had differing and sometimes conflicting positions of those matters. And of course, the labor interests on the 127 Coalition differed significantly from the business interests on those other issues in the 2001 tax act.

The adult workers and post-secondary education issue differs from the Section 127 issue in that it does not focus around a particular policy measure with experience and history. Moreover, making permanent section 127 did not play out in the context of a re-authorization, in which the education establishment is not supportive of any measure that threatens to draw resources away from Pell grants or in any way diminish the prospect of securing more funding for the Pell grants for more traditional students.

It is therefore suggested that the proposed coalition be seen as an informal group and that initial participation not require or in any way presume support for a particular set of policies. Jobs For The Future has already established a partial basis for such an informal coalition with its Washington D.C. meeting on June 18, 2002. As the hearings on the HEA begin in the spring of 2003, many of the participants in that meeting and a few others might be invited to a second, more sharply focused meeting. On this occasion, they would be asked to explore just what new measures for working adults would enjoy support from which of the organizations.

Of course the purpose of the June 18 meeting was primarily to explore the policy environment and develop a broader understanding of research efforts now underway by the several policy development and research organizations that were invited. The objective of the second session recommended here would be to determine the extent of consensus around policy options that may be addressed in the HEA re-authorization. That suggests that more advance preparation is required to put various policy options forward well in advance of the meeting.

In particular, it seems smart to invest substantial time and energy up-front in working directly with the business and labor groups that might participate in such an informal coalition. These groups have focused primary attention on the Workforce Investment Act and, as noted above, have not been major actors in the HEA debates. There are some indications, however, that this may change, especially as there grows more awareness of the sharp increase in the numbers of adults seeking post-secondary credentials.

Supporting A New Strategy Focused around a Federal-State Partnership: FutureWorks has encountered a generally positive reception to its preliminary formulation of ideas about a new title to the Higher Education Act (see Appendix 1). We believe this concept has merit in that it goes directly to the issues of how the states manage their higher education responsibilities and seeks real changes in the availability, structure, and content of courses and credentials for working adults. We also believe it will find appeal in the Congress as a way to help working adults while avoiding the complexities of interaction with other components of Title IV of the HEA. We think it is something that business and labor can rally around and that the higher education establishment will not oppose.

This is not meant to discourage other work now underway to identify how changes in eligibility for and benefit calculation of Title IV aid might help achieve wider access to Pell grants for working adults attending school less-than-half-time. We are concerned only that this Title IV-focused approach is both more limited in its potential impact and more likely to incur opposition from the higher education community.

The ideas summarized in Appendix 1 to this report have another important advantage. They do not constitute an "all or nothing" approach and there is no required funding amount. If the Congress were to enact something like this measure as proposed, but at a lower funding level, it could still have significant impact. More funds could be added later if the budgetary constraints ease. Even if the Congress decides not to enact these ideas as a new Title in the HEA, it is still feasible to encourage a "demonstration program" and to press for modest funding for a demonstration project of any of the ideas outlined in the attached brief. In fact, this program could be implemented through the Fund for the Improvement of Post-Secondary Education (FIPSE) without any authorization language.

Highly Focused and Action Oriented Research: In this process of identifying issues and opportunities for working adults in the re-authorization of the HEA, the dearth of research and information available on working adults and post-secondary education has become clear. The *Held Back* report focuses explicitly on student financial aid for working adults, especially federal aid through Title IV programs. However, there are many other avenues for improving working adults' opportunities for access and success in post-secondary education that federal student financial aid. In fact, amending Title IV aid requirements may be one of the least productive policy strategies for better providing working adults with the post-secondary educational credentials they need.

One oft-mentioned policy option has been the education tax credits. Although the Hope Scholarship and the Lifetime Learning tax credits will not be part of the HEA re-authorization, many in Congress and beyond have expressed interest in how these policy tools might aid working adults seeking post-secondary education. Additionally, the House sub-committee on 21st Century Competitiveness may encourage testimony on the relationship between the tax credits and the Title IV programs during the HEA hearings. In fact, the upcoming debates over the President's tax and economic stimulus proposals may offer a special window of opportunity to consider such options as the following:

- for both Hope and the Lifetime Learning Tax Credit, extending the qualified expenses from tuition and fees only to the full (direct and indirect) costs of attendance;
- for both Hope and the Lifetime Learning Tax Credit, making the credit refundable for the lowest earners;
- removing the half-time or more requirement for the Hope and keeping all else constant; and,
- increasing the percentage of qualified expenses under the Lifetime Learning Tax Credit from 20% to 40 or 50% and keeping all else constant.

The *Held Back* report included very preliminary findings and recommendations on the potential of education tax credits – and came to the conclusion that, as currently structured, the tax credits do not help working adults much. The GAO report on this topic came to a similar conclusion. A Congressional Research Service report released in July 2002, found that the Hope Credit provided substantial benefit to the middle- and upper middle-income full-time students for which it was designed and some benefit to

low-come students. However, the Lifetime Learning Tax Credit provided relatively little benefit to students other than those attending higher priced institutions full-time.¹⁰

The tax credit policy option seems to be “on the radar screen” of policy makers. It therefore may be helpful to inventory and synthesize the limited current research on this topic, supplement it with as much original research as current data allows, and provide a short report specifically focused on this issue, providing both research findings to date and appropriate policy recommendations. In fact, FutureWorks itself has gathered information from special IRS data runs that we are eager to analyze and report.

Other areas deserving additional, policy-focused, action research include the following:

- higher education accountability measures and systems and how they might be used to direct greater attention to working adults;
- alternative national and state financing mechanisms (lifetime learning accounts, Section 127, WIA ITA's, private loan funds, etc.) for working adults' pursuit of post-secondary education;
- the needs for language training, basic education, skill development, and post-secondary credentials for new waves of immigrant workers;
- linkages between remedial and developmental education and courses and programs leading to traditional credentials;
- the potential for "credentialing pathways" in which non-traditional students are able to earn and build upon mini-credentials toward associate and baccalaureate degrees;¹¹
- the enrollment patterns of working adults seeking their first post-secondary credential;
- an examination of how accreditation requirements affect such issues as
 - enrollment choice among working adults,
 - course and program offerings at post-secondary institutions, and
 - credentials; and,
- the role of proprietary colleges in meeting the credentialed skill development needs of working adults.

Some of these topics are included in a more specific research agenda outlined in a forthcoming FutureWorks' Proposal for Additional Support.

VI. Next Steps for FutureWorks and a Proposal for Additional Support

(To be submitted separately)

¹⁰ Stoll, Adam and James B. Stedman. 2002. “Higher Education Tax Credits: Targeting, Value, and Interaction with Other Federal Student Aid.” A report for Congress by the Congressional Research Service, The Library of Congress (Washington, D.C.) Order Code RL31484. July.

¹¹ For example, the Georgia Department of Technical and Adult Education has developed a way to sequence "technical certificates of competence" into Associates of Applied Sciences and even into Bachelors of Applied Sciences.

Appendix 1:
Helping Working Adults Gain Post-Secondary Credentials:
A Federal-State Partnership to Promote Access and Success for
Working Adults Pursuing Higher Education

Quick Summary

This short policy brief outlines a new federal strategy for helping working adults gain the post-secondary educational credentials they need for success in the 21st century economy, and which America needs to strengthen our global competitiveness. This brief suggests embodying this strategy in a new Title X of the Higher Education Act that would be focused explicitly on working adults and aimed at helping the states make those changes in their higher education governance, financing, and programs that would promote access and success for working adults.

Problem Statement

The 2000 census revealed that of 110.5 million adults in the U.S. workforce, only about 40 percent of them had any post-secondary degree (associate's, bachelor's, or advanced). About 10 percent of all adult workers had not even finished high school and 31 percent had not attempted college after high school graduation. An additional 19 percent had "some college, but no degree." Some of these may hold certificates from programs shorter than two years (or hold industry recognized credentials), but most probably attended college briefly after high school and dropped out before achieving any credential.¹²

We can conclude that about 60-65 million working Americans have no post-secondary educational credential. Without it, they are at risk of slipping into the bottom ranks of the economy, or never climbing out of them. Just a few decades ago, a high school degree, a strong back, and a good attitude may have been adequate to guaranty entry to middle class occupations. But no longer is this true. Average earnings for associate degree recipients are nearly 1/3 higher than are earnings for workers with merely a high school degree; earnings for those with a four-year degree are nearly 2/3 higher. Moreover, the income and wealth gap between those with college credentials and those without is growing at an accelerating pace.

The next few decades will see growing skill gaps that cannot be closed with just the small increases in the numbers of college educated that will result from higher college-going behavior of high school graduates. First, the percent of high school graduates gaining post-secondary credentials is not growing very rapidly. Second, the size of the high school graduating cohorts is smaller than the baby boomer cohorts now making their way through older age segments of the work force and, even if larger proportions of the high school graduates attend college, there will be only small net gains in college credentials. Finally, the skill-based economy continues to shift inexorably toward occupations requiring post-secondary skills. For example, the BLS projects that between now and the year 2010, over

¹² The college completion rate is changing only very slowly. Over the past decade, more high school graduates (almost 75 percent) are going on to college but a third fail to return after their first year and only one-half of the rest earn any degree.

70% of the fastest growing jobs will require at least some post-secondary education. For the sake of adult workers themselves and the national economy, we need new policies to help adult workers gain post-secondary credentials.

Millions of working Americans have figured out for themselves that they need these additional skills and that the economy will produce good jobs for those with good skills. According to the National Household Education Survey, 90 million adults were in some form of adult education in 1999, a stunning increase from just 58 million in 1991. Almost half of these were enrolled in work-related education and 18 million were seeking a post-secondary credential. About 3.5 million were seeking their first post-secondary credential.

Unfortunately, their efforts to gain those credentials are not well supported by their federal or state governments or by the institutions of higher education that ought to be encouraging them. Notwithstanding the rhetoric of "lifelong learning," higher education financing, credentialing, and governance policies still are skewed narrowly toward traditional students coming directly out of high school into higher education. Working adults, because they have full-time job and family responsibilities, often lack the time, money, and flexibility of schedule to fit into the mode of higher education.

Recent studies by FutureWorks and MDRC discovered that working adults get very little financial aid from federal or state sources. First, those that hold full-time jobs are typically able to attend school only on a less-than-half-time basis, which renders them ineligible for most aid. Loans guaranteed by Title IV of the Higher Education Act are available only for those attending accredited institutions at least half time. Eligibility guidelines and institutional practices preclude Pell grants to all but a tiny group of less-than-half-time working adult students.¹³ Most state financial aid programs follow federal eligibility guidelines.

Education tax credits are not helping. The more generous credit — the Hope Scholarship Credit — demands half time or more attendance and goes mostly to the middle income parents of traditional students who are in their first two years of college. The Lifetime Learning Tax Credits available to less-than-half-time students are far less generous than Hope, they are poorly marketed, and they are not effectively targeted to modest income families.

The *average* annual earnings for full-time, full-year workers with only a high school degree were only \$30,400 in 2000. Even if a family has a second wage earner (probably not full-time, full-year), that family is hard pressed just to cover its basic living expenses. Educational expenses of \$1,500 to \$2,000 per year¹⁴ for a family struggling to cover these basic expenses can easily make post-secondary study seem out of reach.

¹³ FutureWorks discovered that of 270,000 working adults with children and with family income of less than 200% of the poverty level who were enrolled at Title IV eligible institutions in Title IV eligible programs, only 7.7% got any form of aid – federal, state, private, institutional, grant or loan. Only 3.5% of these, 34,000 families, got any Pell grant aid.

¹⁴ FutureWorks found no reliable summary data of college costs for less-than-half-time working adult students and estimates that tuition and fees might average in the range of \$750-1,000 (much higher for those pursuing highly targeted, certification-focused programs at proprietary institutions) with other expenses of a similar magnitude.

But the problem is not just the absence of financing. Few institutions of higher education have developed programs and schedules that work for working adults. Programs that will lead to degrees and academically recognized credentials are frequently campus-bound; even if not, they often they have prerequisites that are tough to fit in the schedule of adults with full-time work and family responsibilities.

Degree and other credential requirements often seem too daunting for a working adult attending part-time. Associate degrees that require 60 to 75 credit hours can seem an almost insurmountable barrier to a student who can take only three or four credits at a time. Adults who have been out of school for several years often require developmental or remedial courses and few colleges have integrated such basic skill building curricula into their for-credit, credential or degree-oriented courses. Many programs continue to require seat time in lieu of competency demonstration as a chief criterion of credentialing. Extended use of evening and weekend programs often requires adjunct or part-time faculty that can raise accreditation problems for the programs and institutions.

Few public colleges have successfully integrated preparation for industry-based certification into their for-credit, academically credentialed programs. Students who choose to pursue such credentials (as in information technology fields) are often required to pursue these programs in more flexible but also more expensive proprietary training schools where they sometimes sacrifice future ability to articulate their study into higher level programs in favor of short-term credentials.

There are important exceptions in the higher education system. Notwithstanding a decade of increases in tuition and fees that exceed the rate of inflation, some institutions, especially two-year community colleges, are more financially accessible for limited income families. There are several colleges, four-year as well as two-year, that have worked hard to develop programs that work well for working adults and are affordable. They have organized credentialed programs that generally require one or two years of full time study into shorter modules, each with distinct credentials that can be "stacked" together over time into more conventional degrees and certificates. These schools are making more extensive use of "career ladders" in high-growth occupations that enable students to earn basic, industry - recognized certification quickly to gain entry to higher wage occupations with the option to continue training for more advanced credentials. Some program offerings include open-entry/open-exit classes that allow students to progress at their own pace, classes that meet on weekends, and course offerings that combine distance-learning and on-campus support. Some colleges have created short-term intensive programs with curricula and scheduling formats that can better accommodate the schedule limitations of working adults. Regrettably, however, these are exceptions – best practice, not common practice. In terms of cost and programs structure most institutions of higher education institutions are not easily accessible to working adults and they do not promote success.

Searching for Solutions

There is little enthusiasm in the Congress or the Administration — or for that matter among post-secondary institutions — for changes in Pell grant or student loan eligibility that might better accommodate the financing needs of working adults. Concerns about the deficit probably will preclude any authorization changes that would lead to big increases in available

funding. Groups representing the higher education institutions see Title IV of the HEA as a zero sum game and will oppose any efforts to "divert" federal support from traditional to non-traditional students.

Even more importantly, we are increasingly convinced that squeezing a little more money out of Title IV will not help much. The problems that discourage access and success for working adults seeking post-secondary credentials go very deep into the governance and financing of higher education. Solutions must come through reforms in how the states manage their higher education responsibilities.

For these reasons we have shifted our strategy toward the concept of a new title in the HEA aimed explicitly and exclusively at working adults. This new "Title X" would provide formula driven grants (with incentive kickers) to states. These grants would help develop and implement a plan to change systems of governance, formula financing, student aid, curricula and program development, accreditation, credentialing, and faculty development in ways that would promote access and success for working adults seeking post-secondary credentials.

The proposed Title X of the HEA would not create new federal student financing programs. Nor would it seek to divert existing program like the Pell Grants and the direct and guaranteed student loans away from traditional students toward working adults. Rather, this new approach would be focused on helping the states – the biggest financial stakeholder in higher education – explore how changes in the way they govern and finance higher education can create better opportunities for access and success for working adults. Title X would provide modest formula-based grants and incentive funding to support states who choose to make these changes.

Basic Features of a New "Title X"

The federal initiative embodied in Title X would be time-limited (the six years of the new re-authorization). Under this program, each state would receive a planning grant in year one followed by annual, formula-based implementation grants in years 2 through 6. There would be monitoring, assessment, and enforcement mechanisms to keep states on track of the plans they develop. In addition to the state grants, there might be some resources set aside for competitively awarded research grants and some demonstration grants directly to colleges and universities. We would recommend that there be a reserve for additional allocations to high performance states, providing incentives for outstanding work as well as sanctions for poor performance.

The Department of Education would administer this program. Both the Office of Vocational and Adult Education and the Office of Post-Secondary Education should be directly involved in its design and management.

This concept is loosely modeled after the "State Systemic Initiative" for math and science education carried out in the 1990s by the National Science Foundation, a program that was viewed favorably by the Congress, by the states, and by the state K-12 education establishments that were its beneficiary. First, it was explicitly "systemic" in its orientation. It gave the state grantees wide authority and discretion to deal comprehensively with all aspects of the multiple challenges of improving the student performance in math and

science. Second, it was not financially open-ended. It had a fixed duration and the budget was planned in advance and known to all the key organizations in the process. Third, it had a mechanism to hold states accountable to their own performance objectives. It was not heavy-handed but it did monitor performance, assess results, and enforce corrective action as necessary.

Use of the grants would vary, of course, from state to state depending on their diagnosis of problems and opportunities. Some states might place a special emphasis on developing new financial aid instruments aimed at working adults. Others might choose to focus their efforts around the development of new program and credentials that fit the scheduling barriers facing many working adults

**Appendix 2:
Memoranda Presented to Congressman John Boehner on July 18, 2002**

***Held Back: How Student Aid Programs
Fail Working Adults***

Summary of Key Points

- This study was undertaken by FutureWorks, a private consulting and public policy R&D firm in Massachusetts, with financial support from the Ford Foundation.
- In 2000 there were 110.5 million workers from age 25 to 64. Only 40% of them had a college degree (associate's, bachelor's, or advanced). Another 19% went to college, but never got a degree. We can conclude that there are at least 60 million adult workers who have no post-secondary credential. Without it, they may never make enough money to get to or stay in the middle class and they hold back America's productivity gains.
- Most of these working adults have figured this out. There have been huge increases in adult education enrollment, especially among those seeking their first post-secondary degree or credential. More telling is survey evidence that even larger numbers of adult workers know they need post-secondary credentials but see insurmountable barriers of time, program availability, schedule, and cost.
- The evidence suggests that working adults are able to take intensive courses outside of working hours for a short time – four to six weeks or so. Alternatively, they can take one course at a time for a whole 15-week semester. However, especially if they have a family (and of course most do), they very seldom are able to sustain education and training at what colleges and universities consider a half-time pace.
- These less-than-half-time students get little public support. Government guaranteed loans (subsidized and unsubsidized) require half time or more attendance. Working adults who must pursue college on a less-than-half-time basis receive almost no Pell grant money because several eligibility criteria involving income and cost calculations, eligible program and institutions, and the pace of attendance effectively eliminate them from consideration. State programs generally mirror federal limits (although the report profiles some innovative state-based practices).
- The recently enacted federal education tax credits don't work for most working adults. The Hope Scholarship Credit requires half time or more attendance and the Lifetime Learning Tax Credit seems to go chiefly to parents of dependent youngsters, independent full-time students, and graduate students.
- The lack of student aid for working adults squashes demand for accessible programs and stifles experimentation and innovation, such as creating more digestible modularized programs and sequencing credentials. It increases the skepticism of working adults and their employers about the support they can get from their government or the higher education system.
- FutureWorks will continue to work on these issues by identifying opportunities for reform and improvement in federal programs (i.e., the re-authorization of the Higher Education Act, changes in the Education Tax Credits, etc.). FutureWorks will also work with states to explore how they can better help working adults gain post-secondary credentials and encourage their colleges and universities to offer more useful and accessible programs.

New Federal Strategies to Help Working Adults Gain Post-Secondary Credentials

Some Preliminary Ideas

The Ambitious Agenda: Develop a new Title in the next re-authorization of the Higher Education Act aimed specifically at working adults going to school part-time. Such legislation might include the following measures:

- Providing financial aid to independent students with jobs and families
 - who are working over 35 hours per week,
 - who have no post-secondary degree,
 - who attend school less than six credit hours per semester,
 - who do not receive Pell Grants, and
 - who are enrolled to gain an academic degree or industry recognized certification in eligible programs, in eligible institutions (less restrictively defined than current criteria);
- Offering financial aid to these individuals in a new form of grant or loan or even refundable tax credit, or a combination of all three;
- Offering employers tax credits for their financial assistance to these individuals;
- Encouraging educational institutions to offer shorter term, "stackable" programs leading toward degrees and industry recognized credentials that are more accessible to working adults; and,
- Encouraging states to expand their financial support to these credential-seeking working adults.

The Incremental Approach: Make a few specific and low-cost adjustments to current HEA aid programs and initiate some pilot efforts to better help working adults. These incremental actions might include:

- Modifying the 12 hour/one day rule that limits distance learning and computer-based training;
- Loosening constraints on "eligible program" and "eligible institution;"
- Adjusting the DOE standard for the pace at which one must complete a program;
- Offering large (\$5-10 million) competitive grants to five or six states that would agree to help their colleges and universities develop and support modularized programs with "mini-credentials" leading to academic degrees and industry recognized credentials; and,
- Establishing a pilot program to allow Direct Loans and Federal Family Education Loans to working adults attending college less -than-half-time in a group of states that agree to establish and enforce rigorous standards and accountability measures for participating institutions.

A "Simple" Big Idea – Make the Hope Scholarship Credit available to less-than-half-time students: While not part of the HEA, the Hope Scholarship Credit could make a huge impact on helping working adults gain post-secondary credentials, if it were available to less-than-half-time students. Under Hope, taxpayers may claim a credit of 100% of the first \$1000 and 50% of the second \$1000 of educational expenses for eligible family members in their first two years of post-secondary education. Its companion for part-time students offers only a 20% credit. They can claim that credit for the first \$5,000 of expenditures (due to increase to \$10,000 in 2003), but of course working adults don't spend anything near that amount for their part-time study (the average claimed has been around \$400). If working adults could gain the Hope Scholarship Credit for their part-time study, the increased demand for educational services would likely trigger a big increase in useful educational offerings. Alternatively, increase the LLTC to 50% of first \$5000 and make it refundable.

In Any Event, More Research: The largest area of uncertainty is who actually benefits from the Lifetime Learning Tax Credit. We know that, in 1999, 2.6 million tax filers claimed about \$1.2 million in LLTC for expenses incurred by themselves or their spouse. We don't know how many of these are working adults struggling to go to school part-time and how many are independent full-time students who work part-time and have enough income to take the credit (i.e., graduate students).

We also need to know much more about the number of that working adults gaining industry recognized credentials and how these credentials might be better integrated into academic programs and degrees. Finally, we need an in-depth study of non-financial barriers facing working adults seeking post-secondary credentials.

Appendix 3: Presentation to NCAN Conference

Held Back: How Student Aid Programs Fail Working Adults

Background of the Study

- Carried out by FutureWorks, a private consulting and public policy R&D firm in Massachusetts.
- Objective was to explore how federal and state post-secondary aid programs meet the needs of working adults.
- The Ford Foundation commissioned research.

Our Conclusion

- Federal and state student aid programs usually fail to meet the education and skill advancement needs of working adults.
- These working adults know they need more education, but their job and family obligations prevent them from taking career-enhancing courses on anything other than a part-time basis.
- Aid programs rarely help less than half-time students.

Moreover,

- The structure of higher education discourages many working adults from pursuing post-secondary credentials. It's too daunting.
- There are few modular programs with "mini-credentials" that might stack up over time to a generally recognized, portable credential.
- That is in part the result of financial incentives that skew aid toward traditional, full-time students.

Reviewing the Need

- In 2000, there were 110.5 million adult workers (ages 25 to 64).
- 40% of these had a post-secondary degree (2 year, 4 year, or advanced).
- Another 19% had attempted college but obtained no academically recognized degree or certificate. Some may have an industry-recognized credential.
- We estimate that about 65 million American workers have no post-secondary credential of any kind.

Rules for Economic Success Have Changed

- High school degree, strong back, and good attitude might have been enough just a few decades ago.
- Today, without post-secondary credentials, workers may never make enough money to get to or stay in the middle class.
- These low skilled workers hold back America's productivity gains

Working Adults Know This

- NHES shows huge increase in number of adults participating in some form of adult education (90 million in 1999, up from 58 million in 1991).
- About half of those were enrolled in work-related courses and 12 million of these had only a high school degree.
- 18 million adults were seeking a post-secondary credential — 3.5 million were seeking their first post-secondary credential.

But Millions More Find Post-Secondary Study Too Daunting

- NHES estimated (in 1999) that 27 million adult workers with only a high school degree were interested in post-secondary credentials but did not pursue it.
- These non-participants cite as barriers:
 - lack of time,
 - family responsibilities,
 - cost, and
 - course meeting time and place.

Mis-Match of Need and Availability

- NHES analysis highlights that working adults with families prefer short intensive programs – 50 to 100 hours over four to six weeks.
- Difficult to sustain even one 3 or 4 hour course over a conventional 15-week semester.
- Working adults are often forced into non-credit courses that don't add up to a recognized credential.

Enrollment Status of Working Adults in Title IV Eligible Institutions and Programs

- Were only about 2 million students who worked full-time and considered themselves “employees who study” (as opposed to “students who work”).
- 46% were exclusively enrolled less-than-half-time (took less than 6 credit hours per semester).
- About 30% took courses on a half-time basis (at least 6 credit hours but less than 12 per semester).
- Only 15% were able to work full-time and study full-time.

Even Part-Time Study is Costly

- Two years ago, average tuition and fees for “employees who studied,” worked full-time, and took courses less than half-time was about \$500 annually.
- Estimates for other expenses (books, clothing, transportation, childcare, and associated costs) vary widely from about \$400 to \$1,500.

Too Costly for Low-Income Families

- 1999 survey reported that 87% of the working poor adults (earnings at 200% of poverty or less – about \$35,000 for a family of four) were concerned about earning enough money just to support their family.
- Nearly 75% were “very or extremely” concerned.
- Families struggling just to support themselves probably will not find extra income to finance their skill development.

Those Few Who Enroll Part-Time Get Almost No Aid

- In 1999-2000, only 959,740 students who worked full-time, considered themselves employees rather than students, and were independent with dependents were enrolled less-than-half-time.
- 28% of them (270,000) earned less than 200% of the federal poverty level for a family of four, about \$35,000. However, only 7.7% received any federal, state, private, or institutional aid. Just 3.5% got Pell grants (34,000 people, with average grant of \$813.)

Why Don't They Get Aid?

- For all government loans, students must be enrolled at least halftime, which rules out almost all working adults.
- Eligibility for Pell grants for working adults is severely restricted due to formulas for calculating financial need and income for adults.
- Faced with scheduling constraints, many working adults can only take short-term, non-traditional programs not eligible for the federal aid.
- Sometimes these constraints force reliance on institutions not eligible to participate in aid programs.
- Most states follow federal eligibility guidelines.

The Hope Scholarship Credit Doesn't Help Working Adults

- Hope Scholarship Credit generously provides credit of 100% of first \$1000 of tuition and fees and 50% of next \$1000, for each student.
- But, Hope Credit requires half time or more attendance.
- Therefore, Hope credits typically go to middle class parents of college kids, not to working adults.

The Lifetime Learning Tax Credit Helps, But Very Little

- Not well marketed
 - In 1999, just over 3 million tax filers received the LLTC.
- Not well targeted
 - One-third of recipients were traditional students or their parents
 - 42% had incomes over \$40,000.
- Not very generous (especially as compared to Hope)
 - Credit limited to 20% of \$5000 *per family* (and will increase to \$10,000) but working adults don't spend anywhere near this much.
 - Average credit was \$435.
- Not designed for low income families (as for example EITC)
 - Not refundable, and
 - Cash flow is a problem for many working families.

Restating Our Conclusion

- Federal and state student aid programs usually fail to meet the education and skill advancement needs of working adults.
- These working adults know they need more education, but their job and family obligations prevent them from taking career-enhancing courses on anything other than a part-time basis.
- Aid programs rarely help less than half-time students.

Other Impacts

- The lack of student aid for working adults squashes demand for accessible programs.
- It stifles experimentation and innovation that might create more digestible modularized programs and sequenced or “layered” credentials.
- It increases the skepticism of working adults and their employers about the support they can get from their government or their higher education system.

Some States Are Demonstrating Better Approaches

- Most states follow the federal program lead in terms of eligibility standards.
- 15 states have some form of aid for less-than half time students. Unfortunately, not much money.
- Illinois, Ohio, Georgia are among those states with grants for less than half-time students.
- Georgia, Vermont, Virginia, Washington, and West Virginia are among those that grant awards to students in *non-degree* programs.

New Federal Strategies?

Amend the Education Tax Credits

- Make the Hope Scholarship Credit available to less-than-half-time students.
- Increase % of qualified expenses allowed for LLTC instead of increasing the maximum amount on which the % can be calculated.
- Make LLTC refundable (like EITC).
- Strengthen marketing of programs.
- But, Education Tax Credits are not part of HEA.

New Federal Strategies?

Loan Eligibility for Part-Timers

- Establish a state-based, federally funded pilot program to allow Direct Loans and Federal Family Education Loans to working adults attending college less-than-half-time.
- Participating states would agree to establish and enforce rigorous standards and accountability measures for eligible institutions.

New Federal Strategies?

Change Pell Grant Eligibility

Eligible education expenses could be calculated more generously by allowing some portion of living expenses to be treated as education-related.

Family income could be calculated more narrowly through exemptions for “cost of employment” and other expenses.

• *New Federal Strategies?*

Change Rules for Program and Institution Eligibility

- Modify the 12 hour/one day rule that limits distance learning and computer-based training;
- Loosen constraints on "eligible program" and "eligible institution;"
- Adjust the DOE standard for the pace at which one must complete a program;
- Encourage educational institutions to offer shorter term, "stackable" programs leading toward degrees and industry recognized credentials.

New Federal Strategies?

Leverage State Resources

- **Encourage states (with financial incentives) to expand their financial aid to credential-seeking working adults.**
- **Offer large (\$5-10 million) competitive grants to five or six states agreeing to help their colleges and universities develop and support modularized programs with "mini-credentials" leading to academic degrees and industry recognized credentials.**

Next Steps for FutureWorks

- **At the federal level, FutureWorks is working to find opportunities in the re-authorization of the Higher Education Act to improve the prospects of aid for working adults.**
- **At the state level, FutureWorks is partnering with the NGA to launch a new program that will help selected states analyze the post-secondary educational needs of their working adults and explore new strategies.**

Appendix 4:

Joint FutureWorks-MDRC Presentation to Congressional Staff on the House Education and Workforce Committee and the Senate HELP Committee

Objectives of this Briefing

- Summarize and present findings from both reports
- Propose ideas that could make a difference in the short-term
- Consider implications for future policy, especially the reauthorizations of Higher Education Act, and:
 - ♦ Temporary Assistance to Needy Families Act
 - ♦ Workforce Investment Act
 - ♦ Carl Perkins Vocational Education Act

Context: Economic Change

- BLS projections for 2010 - 70% of the fastest growing jobs will require at least some post-secondary education
- 65 million working adults lack post-secondary credentials
- The economic payoff of post-secondary credentials is significant
- Today, without post-secondary credentials, workers may never earn enough to get to or stay in the middle class

Context: Credentialed Education for Working Adults

- Adults realize the importance of education: in 1999, 90 million were participating in some form of adult education, up from 58 million in 1991
- But, they find it difficult to access and succeed in college: only 25% of low-income students who enroll graduate with a credential in 5 years
- Fully 40% of community college students nationally need to take at least one remedial course when they begin their programs. In urban colleges, this percentage can rise to 75%.

Opening Doors to Earning Credentials: OBJECTIVES

- To test innovative strategies designed to help low-income students earn college credentials as a pathway to better jobs and further education.
 - ♦ Increase access
 - ♦ Increase persistence and graduation rates
 - ♦ Improve academic achievement
- To spur institutional change both within the community colleges and in their relationship with public and private partners (adult education, workforce, and welfare systems) to more effectively work with low-income populations.
- To use evidence from the evaluation to inform public policy and improve practice in the field.

Opening Doors Overview

- Goal: To test innovative strategies designed to help low-income students earn college credentials as the pathway to better jobs and further education (a BA degree).
 - ♦ Increase access
 - ♦ Improve persistence and graduation rates
 - ♦ Reduce the achievement gap for adults

- **Target Groups**
 - ♦ Low-wage working students
 - ♦ At-risk youth
 - ♦ Welfare recipients
- **Prospective Sites:** 8-10 Community Colleges will participate – candidates include colleges in California, Colorado, Kentucky, Louisiana, New York, Ohio, Oregon, and Washington.
- **Research Plan:** Build evidence on what works through a multifaceted evaluation featuring a random assignment design to measure short and long term effects on education, labor market, and personal development outcomes

Focus Group Themes

Lack of Time

- ♦ Not enough hours in the day to combine parenting, school, and work
- ♦ Completion of programs takes longer for low-wage working students

Financial Needs

- ♦ Financial aid needed to cover tuition and books and not all are eligible due to income, less than part-time status, past defaults or past poor academic performance
- ♦ Additional aid needed to offset income gap from reducing work hours to attend school
- ♦ Restrictions on financial aid for students enrolled less than half time

Value of Support

- ♦ Counseling support on campus and family support at home critically important to persistence and success in college
- ♦ Employers and faculty cited as enablers and inhibitors
- ♦ Importance of work-based safety net including availability of childcare

Solutions Based on Themes

- ♦ Student Support Services
- ♦ Curricular Reform/Class Formatting/Instructional Practice
- ♦ Efforts to Increase Opportunities to Transfer to 4-year Institutions
- ♦ Financial Aid

Solutions: On-Campus Support

- **Provide on-campus student supports to provide academic and personal counseling; follow-up to prevent drop out, stop out or drifting; financial aid assistance; job placement help; and access to the work-based safety net.**
 - ♦ **Portland Community College -Prep Alternative Program-** offers at-risk high school students college courses leading to H.S. diploma AND apply to a college certificate or degree. Perkins \$ fund counselors for adult students in 42 technical training programs.
 - ♦ **California CC System -CalWORKs program-** offers campus-based counseling, work study, financial aid assistance, child care support, job placement, & assistance with county TANF case workers for those enrolled in college as their TANF work participation activity
 - ♦ **Ohio CC System -provides a range of services for low-wage workers**
 - ♦ **Kentucky System -Ready to Work program-** provides counseling and financial advisement to TANF recipients

Solutions: Curricular Reform/Class Formatting/Instructional Practice

- Design course formats that allow for flexible scheduling self-paced, open entry/open exit, and create career ladders
 - ♦ Louisiana Technical Schools offer vocational certificates with multiple exit points providing interim credentials while advancing in local high growth occupations
 - ♦ Community College of Denver -the Essential Skills Program- offers intensive 4-month certificate program in four occupational clusters
 - ♦ Washington State created career ladders in high growth occupations and integrated ESL and technical training curricula to better serve limited English speakers
- Improve credit / non-credit articulation and quality of instruction in remedial / developmental classes
 - ♦ Kentucky provides credit for developmental classes
 - ♦ Portland CC has strong articulation between remedial and occupational classes

Solutions: Increase Transfer Opportunities to Four-Year Colleges

- Improved articulation between 2- and 4-year colleges, especially in high-growth occupations such as nursing and teacher preparation (Louisiana)
- Some colleges experimenting with a Bachelor of Sciences degree which enable students to transfer some credits from technical classes at community colleges
- Explore the role that community colleges can play to help students meet the rising entry requirements for 4-year universities; especially increased responsibility for remediation at community colleges

Solutions: Financial Aid

- Identify new forms of financial aid that address both the direct cost of going to school (tuition, books, and supplies) and the opportunity costs of lost wages by having to reduce work hours to attend school
- Offer financial incentives
 - ♦ Onondaga CC in Syracuse, NY offers current and former welfare recipients who are working a scholarship to return to school, which compensates for reduced work hours
- Offer innovative financial aid
 - ♦ Illinois has incorporated financial grants to less-than half-time students as part of the State's range of need-based financial aid
- Test recommendations suggested by FutureWorks
 - ♦ Offer aid to less-than-half-time students by broadening or expanding eligibility for Pell Grants, Hope Scholarships or Lifetime Learning tax credits

Research Questions OD Demo Will Answer

- How does the program affect access and completion of community college degree and certificates?
- How does the program affect education, labor market, and personal development outcomes over a 3-5 year follow-up period?
 - ♦ Educational attainment
 - ♦ Employment outcomes – better quality job placements, more hours, higher wages, benefits
 - ♦ Family income
 - ♦ Well-being of children

♦Self-esteem, aspirations

- Which subgroups of students benefit most?
- What can colleges do to make post-secondary education more accessible (marketing and outreach)?
- What are the factors (program components, staffing, etc.) that account for program impacts (both success and failure)?

Held Back: How Student Financial Aid Fails Working Adults: Overview

- **Objective:** Explore how the federal and state post-secondary student aid programs meet the needs of working adults
- **Conclusion:** These programs usually fail to meet the education and skill advancement needs of working adults
- **Moreover:** Education Tax Credits help very little

Related Impacts: The Structure of Higher Education

- The structure of higher education – which is significantly shaped by federal student aid programs - discourages many working adults from pursuing post-secondary education
- Institutional eligibility requirements for Title IV discourage creation of modular programs that offer “stackable” credentials
- These requirements also discourage shorter, more flexible courses that would benefit working adults

Related Impacts: The Structure of Student Financial Aid

- Title IV student financial aid programs are aimed at traditional students and their needs
- But, a US Department of Education report estimates that only 27% of students in 1999-2000 were “traditional”
- Reliance on Title IV aid programs discourages institutions from better meeting the needs of working adult students (“non-traditional students”)

Reviewing the Need

- In 2000, there were 110.5 million adult workers
- 60% of these lacked post-secondary degree (although 19% had “some college”)
- We estimate that 60-65 million adults have no education or training credential beyond a high school diploma

Adults Know This, But They Face Significant Barriers

- Nearly half of the 90 million adults in adult education in 1999 were in *work-related* courses (43.2 million)
- 18 million adults were seeking a post-secondary credential; for 3.5 million this would be their first credential
- About 2 million *working parents* were in Title IV-eligible institutions in the 1999-2000 school year; half were enrolled less-than-half-time
- Critical barriers are time, scheduling, and cost

Cost too High and Aid too Low

- 1999 survey - 87% of working poor were concerned about earning enough just to support their families; 75% were “very or extremely” concerned
- These families cannot afford average tuition and fees of \$500/year for less-than-half-time working parent students plus the estimated \$400 to \$1,500 in living expenses
- In 1999-2000, almost 1 million students were working adult students with children enrolled less-than-half-time
 - ♦ 28% earned less than 200% of poverty (working poor)
 - ♦ 7.7% received *any* federal, state, private, or institutional aid
 - ♦ 3.5% received Pell grants; that’s only 34,000 students

What’s the Problem?

- Title IV loans - must be half-time or more
- Pell grants – financial need formulas are designed for traditional students; estimated “cost of attendance” is too low and incomes are too high for most working adult students to qualify
- Time and scheduling constraints discourage working adults from enrolling in Title IV-eligible programs and institutions
- Most state programs follow Title IV requirements

What About the Education Tax Credits?

- Hope Scholarship requires at least half-time enrollment
- Lifetime Learning Tax Credit:
 - ♦ Not well marketed
 - ♦ Not well-targeted
 - ♦ Not very generous (compared to Hope)
 - ♦ Not designed for low-income families

Framing Principles

MDRC and FutureWorks Projects Suggest These Principles for Change:

1. Avoid playing a zero-sum game in Title IV
2. Leverage State spending on higher education
3. Test new approaches, from two perspectives:
 - ♦ Assisting better those who are enrolled less-than-half-time
 - ♦ Finding innovative ways to help other working adults attend school half-time or more

4. Make education tax credits work for working adults

Our Findings Indicate These Directions for Change

- **What can be done now: Create a state or institution innovation fund through line item funding to address issues of access and success**
- **What can be done through upcoming policy reauthorization: Consider embodying these principles into a new title in HEA that includes:**
 - ♦ **A sharp focus on working adults**
 - ♦ **Incentives for states and their educational institutions**
 - ♦ **Modest federal \$ for state-managed demonstrations to test new ideas**
 - ♦ **Waiver authority for institutions, modeled after the distance learning waiver demonstrations**
- **What can be done through tax policy: Remove the half-time or more enrollment limit of Hope, make LLTC refundable, and increase the LLTC percentage for credit**

A Demonstration Program Might Include:

- **Testing new approaches to state financial aid programs**
- **Changing FTE-based reimbursement policies**
- **Encouraging new modular, “stacked” programming**
- **Establishing new kinds of credentials**
- **Piloting living stipends to allow half-time+ enrollment**
- **Developing and improving academic courses and programs to better meet working adult student needs**
- **Sponsoring faculty development to encourage a better understanding of working adult students’ learning and social support needs**
- **Developing academic tutoring, counseling, and student support services programs focused on working adult students**
- **Creating partnerships among colleges to better serve working adults, e.g., for remediation and transfer policies**

Appendix 5:

Presentation to NGA Annual Workforce Development Forum

New Perspectives on Workforce Development
Post-Secondary Education Opportunity for Working Adults

Post-secondary Credentials Are More Important than Ever

- More education (with credentials) = more earnings, more assets, more wealth.
- Increased education and skill content in new jobs.
- Demographic trends suggest potential serious shortages of educated adults.
- Better-educated workforce = greater productivity.

***This Is a Higher Education Problem,
Requiring a Higher Education Response***

- Not a "workforce development" problem that can be solved by reliance on short-term, job specific training financed by employers or the second chance job training and placement systems of poorly funded workforce development agencies.
- Requires a comprehensive response by federal and state policy-makers and higher education officials.

***More Federal \$ for Higher Education
Than for Workforce Development***

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Working Adults Beginning To Figure This Out

- 90 million adults were in some form of adult education in 1999, up from 58 million in 1991.
- Almost half of these were enrolled in work-related education and 18 million were seeking a post-secondary credential.
- About 3.5 million were seeking their first post-secondary credential.

But They Are Not Getting Much Help

- Higher ed financing, credentialing, and governance still skewed toward traditional students coming from high school.
- Working adults, with full-time job and family responsibilities, lack the time, money, and flexibility to fit mode.
- Adults can often sustain intensive short-term programs of evening and weekend study for perhaps six to eight weeks.
- But, on a 15-week semester basis, they can rarely take more than a single three to four credit hour course at a time.
- In absence of modular, incremental programs and credentials, “success” takes forever.

Higher Education Act Not Helping Very Much

- Title IV is not designed for working adults.
- In 1999-2000, only 7.7% of working parents enrolled less-than-half-time received any federal, state, or institutional aid.
- 3.5% of all working parents received Pell Grants.
- We estimate that 12.5% of apparently Pell-eligible working parents actually got a grant, compared to 78% of eligible younger traditional students.

What’s the Problem?

- Title IV loans - must enroll half time or more.
- Pell grants - financial need formulas are designed for traditional students and their budgets; for working adult students, cost of attendance is too low and incomes too high to qualify for aid.
- Time and scheduling constraints discourage working adults from enrolling in traditional Title IV-eligible programs and institutions. Non-traditional programs and institutions not eligible.
- Most state programs follow Title IV requirements.
- Hope & Lifetime Learning Tax Credits not helping.

What are Some Solutions? One Approach:

Change Title IV eligibility requirements that limit aid to working adults

- Allow less-than-half-time students to take federal student loans
- Change Pell grant formulas to expand cost of attendance estimates
- Change institutional eligibility requirements

Limitations of This Approach

- Not enough Title IV aid for traditional students.
- Budget restrictions during this cycle of HEA reauthorization translate to “no new aid.”
- Higher Ed establishment will oppose “diversion” from traditional to non-traditional students
- Does not involve state governments or leverage their funds.
- Does not encourage a hard look at the numerous policy and practice barriers to higher education faced by working adults.

Another Approach:

Create a new federal-state partnership under HEA that includes:

- Explicit focus on working adults and credentials.
- Incentives for state governments to assess need & opportunities and to modify higher education policies.
- Modest federal money for time-limited, state-managed demonstrations to test new ideas and approaches (no new student entitlements).
- Expanded waiver authority for institutions to experiment with new strategies for working adults.

Conclusion

- There is potential to better support working adults under HEA.
- It is very important to do so.
- We need to think through the best and most feasible solutions and policies.
- The feds can help; but the real innovation will have to come from the states.
- Requires new strategy for state workforce development leaders.