



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

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TABLE OF CONTENTS

TABLE OF CONTENTS	2
CHAPTER 1: INTRODUCTION	3
CHAPTER 2: POTENTIAL NEED: WORKING ADULTS WITHOUT POST-SECONDARY EDUCATION	5
SECTION A: THE UNDER-PREPARED WORKFORCE	5
SECTION B: FULL TIME WORKERS PURSUING EDUCATION AND TRAINING	12
CHAPTER 3: IMPEDIMENTS IN FEDERAL AID FOR WORKING ADULTS PURSUING POST-SECONDARY EDUCATION	24
SECTION A: WHY FOCUS ON STUDENT FINANCIAL AID?	24
SECTION B: FEDERAL TITLE IV PROGRAMS (STUDENT FINANCIAL AID)	26
SECTION C: THE LIFETIME LEARNING TAX CREDIT	40
SECTION D: SECTION 127 EMPLOYER TAX CREDIT	47
CHAPTER 4: STATE STUDENT FINANCIAL AID RESOURCES	50
SECTION A: ANALYSIS OF STATE PROGRAMS	51
SECTION B: STATE PROGRAM PROFILES	55
CHAPTER 5: NON-FINANCIAL AID BARRIERS	69
SECTION A: FLEXIBLE SCHEDULING	69
SECTION B: SHORT-TERM TRAINING	74
SECTION C: DISTANCE LEARNING	76
CHAPTER 6: RECOMMENDATIONS AND CONCLUSIONS	78
SECTION A: FEDERAL LEVEL PRIORITIES	80
SECTION B: STATE LEVEL PRIORITIES	83
OVERALL	84
A NOTE ON POTENTIAL BARRIERS TO CHANGE	85

CHAPTER 1: INTRODUCTION

This is the final report of a project investigating how state and federal post-secondary student aid programs might better support the education and training needs of working adults whose family and job responsibilities often limit their eligibility for conventional student aid. The project focuses especially, but not exclusively, on those working adults who have no post-secondary credentials and who are working in low wage, unskilled or semi-skilled occupations.

The significance of this work is four-fold:

1. Employers in the modern American economy require skilled workers. Many jobs require increased skill development, and the fastest growing jobs in this country are in higher-skilled occupations. Millions of working adults who did not prepare for these jobs by pursuing post-secondary credentials when they finished their high school now realize that they must go back to school in order to gain the skills they need for career advancement.
2. These working adults represent a significant potential student market. The number of working adults pursuing any sort of training or education already outnumbers traditional college students 6 to 1.¹ However, much of this adult education and training is focused on non-degree continuing education or occupational training that does not result in formal credentials. In the current employment market, recognized portable credentials are key; it is important that national policies encourage and support working adults to gain them.
3. Working adults without post-secondary credentials often need financial and other support to gain them. The fact that they have no education beyond high school puts the majority of these adults in low-wage jobs that often barely support their families. If they are to gain credentialed skill development to move up the economic ladder, they will need financial support to do it.
4. Some federal and state “pockets” of support for working adults do exist. However, they are not systemic. Broad-based, established systems such as federal or state student financial aid programs are required in an era of lifelong learning for working adults to access a continuum of credential skill development.

Our principle finding is that conventional student aid programs usually fail to meet the occupational and technical skill development needs of employed adults with full-time job and family responsibilities. Federal and state student aid programs were developed in the 1950s and 1960s to serve primarily recent high school graduates not encumbered by the demands of full-time work and family responsibilities. These aid programs typically require attendance on at least a half-time basis (six credit hours per semester) in academically credentialed programs.

¹ US Department of Education, National Center for Education Statistics, *Participation in Adult Education in the United States: 1998-99*, Statistics in Brief No. 2000-027, by Kwang Kim and Sean Creighton. Project Officer: Peter Stowe. Washington, DC: 2000.

But, working adults often cannot pursue their education and training objectives at this pace (half-time or more) within the demands of work and family. Moreover, they frequently are looking to enhance career opportunities with discrete and particular occupational/technical skills (e.g. information technology) best gained through non-traditional providers or through instructional programs which may not culminate in an academic degree or certificate, and therefore, may not be eligible for financial aid. In addition, even when they are able to participate at least half-time in academically credentialed programs at traditional accredited institutions programs, their incomes – even if below middle-class wages – limit their eligibility for need-based assistance.

In part because of these limitations, the Congress enacted the Lifetime Learning Tax Credit in 1997, providing for a tax credit of up to \$1,000 for post-secondary education and training expenses (the ceiling increases to \$2,000 in 2003). This program does not require half-time or more attendance. However, our analysis suggests that this program will be used chiefly by moderate-income families to support the education of their college-aged children or by graduate or professional school students whose temporary low-income status allows them to benefit from the credit. Our research indicates that use of this tax credit has been minimal, and its structure precludes part-time working parent students from realizing much benefit. We conclude that this tax credit as presently structured is unlikely to encourage or aid many working adults in their credentialed skill development.

This issue will grow in importance. The economic bias toward post-secondary education and training is steadily increasing. The widening disparity in earnings and wealth is primarily a result of differences in education and training. In addition, the past few years have seen an explosion of unconventional and often innovative education and training programs. Advances in information and telecommunications technology have led to dramatic increases and improvements in distance learning and asynchronous, Internet-based education. This results in more need and opportunity for innovative and flexible training and education programs.

Current discussions in Congress and within the US Department of Education on the “12-hour rule” and demonstration programs for distance learning begin to set the context for rethinking the very structure of higher education finance in America. Instead of merely tweaking at the edges, the upcoming 2004 reauthorization of the Higher Education Act provides an opportunity to make bold changes in support of working adults engaging in lifelong learning. We think it is time to start laying the foundation for a new generation of post-secondary financial aid that will embrace every student willing and able to learn, no matter their age, income, schedule constraints, or enrollment level.

CHAPTER 2: POTENTIAL NEED: WORKING ADULTS WITHOUT POST-SECONDARY EDUCATION

SECTION A: THE UNDER-PREPARED WORKFORCE

In 2000, 110.5 million workers or 78 percent of the U.S. population of prime working age (age 25 – 64) were in the US workforce.² According to the Bureau of Labor Statistics, the highest level of education attained by 31 percent of those employed was a high school diploma. A full 60 bpercent of US working adults lacked a college degree.³

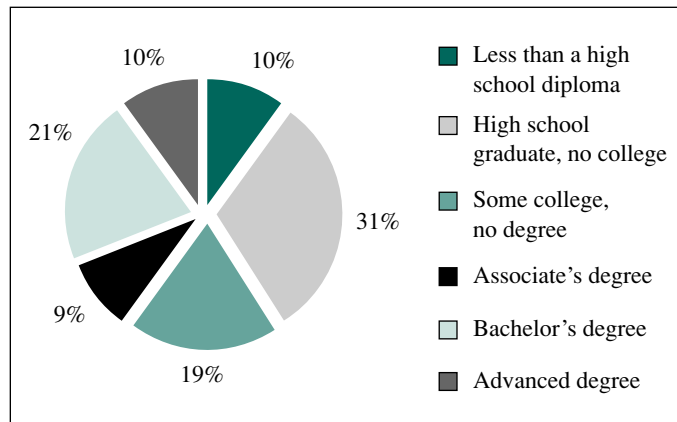
Some of the 19 percent of working adults who have some college but no degree may have earned short-term credentials. However, the larger share of this category may be individuals who at least briefly attempted college but dropped out before completing any degree or certification. This report is especially concerned with these “non-completers” and with the other 31 percent of adult workers who ceased their formal education upon high school graduation.

As recently as 10 to 15 years ago, these workers made fairly reasonable economic decisions to enter the US labor force immediately after high school graduation. Employment in jobs such as well-paying, stable manufacturing positions could support a family, and a high school education provided most of the skills required for decent jobs.

However, recently and rapidly, the economic situation in which these workers found themselves changed. Today’s economy demands skilled labor and continual learning. The rules governing economic success changed, and these workers are not now adequately equipped to succeed or thrive on the job.

Those 10.5 million American workers who dropped out of high school — 10 percent of the US workforce in 2000 – are at even greater risk. Saddled with low basic skills, no high school credential, and other significant barriers, this population faces complex challenges in the quest for education and skill attainment. However, the challenge is not merely to help them gain their diploma or GED, but rather to propel them past that threshold into post-secondary study.

Figure 1: U.S. Adults in the Workforce, by Education Level



Source: BLS, 2000

² There were 142.5 million total non-institutional adults in the US between the ages of 25 and 64.

³ Bureau of Labor Statistics. 2000 Unpublished data, table10 “Employment status of the civilian non-institutional population by educational attainment, age, sex, race, and Hispanic origin, Annual Average 2000 (based on CPS).”

The issue of how to aid working adults in pursuing credentialed skill development is important from both macro- and microeconomic perspectives and will continue to grow in importance. Those concerned with economic health, especially employers, are paying attention to these issues for many reasons.

Skill Demand

The modern economy is demanding. A 2001 report by the Educational Testing Service (ETS) on increasing educational requirements for employment indicates that, at all levels, the percentage of skilled workers is increasing. Skill demands within the same jobs are increasing. In 1998, 23 percent of all less-skilled blue-collar workers had at least some college education (perhaps a certificate) versus only 7 percent in 1973. The growth in clerical and related positions, so-called “pink collar” jobs, experienced even greater growth, as did more skilled blue-collar jobs.⁴ Today, just to maintain employment in lower-skilled jobs, workers must acquire some post-secondary education. Advancing to more skilled blue-collar and pink-collar jobs requires even more.

Macro- and Microeconomic Importance of Skill Development:

- Skill demand is increasing
- Skill enhancement increases productivity
- Labor markets are tighter
- Income inequality is growing and economic mobility is stagnating
- Upward mobility requires skill development, and earnings increase with education and training
- Technology brings opportunity

In addition to the increasing skill demand within the same jobs over time, the number of jobs that require specialized skills is growing faster than those that do not. For example, the number of jobs requiring at least an associate’s degree will grow faster than the average job growth. In the late 1990s, 85 percent of *all* jobs required education beyond high school, up from 65 percent in 1991. ETS reports that nearly 70 percent of the *new* jobs from 1998 to 2008 will require at least some post-secondary education (*Help Wanted...College Required*).

Finally, the shortage of skilled workers is not a distant problem that can be dealt with in the future. Employers are facing this skills vacuum today. The number of companies reporting skilled worker shortages more than doubled between 1995 and 1998, from 27 percent to over 47 percent.⁵ Clearly, there is a significant need for skilled workers in the current labor market.

⁴ Carnevale, Anthony P. 2001. *Help Wanted...College Required*. Report from the 2001 Business-Education Partnerships Conference, Chicago, Illinois, January 8-9, 2001.
<http://www.ets.org/research/dload/HelpWanted.pdf>

⁵ The National Institute for Literacy fact sheet, <http://www.nifl.gov/newworld/WORKFORC.HTM> cited August 6, 2001.

Productivity

Economic studies have shown the link between education and worker productivity. Various factors affect worker productivity, including education and training, capital investment, technological innovations, foreign trade, and government regulation. In a review of several studies that used either growth-accounting methods or the meta-production function approach⁶ to estimate the effects of education on economic productivity, Decker, et al, found that “Increases in educational attainment were responsible for an estimated 11 to 20 percent of growth in worker productivity in the United States in recent decades.”⁷ These estimates capture the historic impact of education on productivity and may or may not reflect future impacts. However, we know that, over time, education has proven to be a significant factor in increasing worker, and thus, economic productivity in the United States.

Additionally, the American Society for Training and Development (ASTD) and Saba Software have found that training investments can yield “favorable financial returns for firms and their investors.”⁸ Through regression analysis, researchers found that “an increase of \$680 in a firm’s training expenditures per employee generates, on average, a six percentage point improvement in TSR [total shareholder return] in the following year” after controlling for variables such as industry type, company size, prior financial performance and earnings, and other financial factors. Firms in the top half of the study sample out-performed the average market return by 45 percent, and firms in the top quarter had higher profit margins and higher income per employee and those in the bottom quarter.

⁶ The growth-accounting method attributes growth in output to changes in factor inputs. Worker earnings at various educational levels determine the relative value of educational attainment for growth in productivity. Although frequently criticized, this method has produced the best estimates of educational impact on productivity. The meta-production function is an alternative growth accounting procedure.

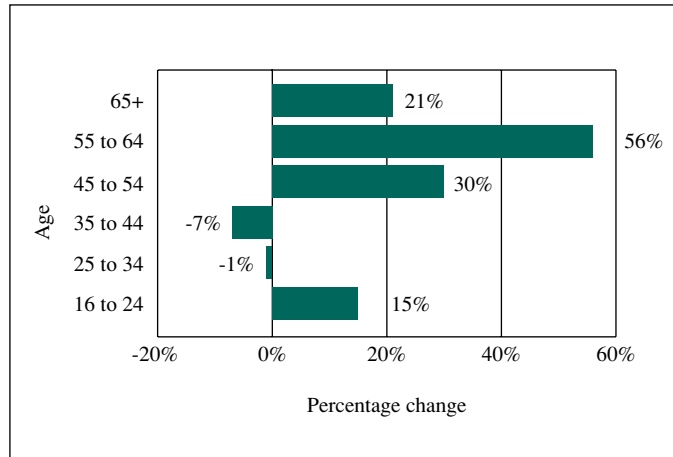
⁷ US Department of Education, National Center for Education Statistics, *Education and the Economy: An Indicators Report*, NCES 97-269, by Paul T. Decker, Jennifer King Rice, Mary T. Moore, and Mary R. Rollefson, project officer. Washington, DC: 1997.

⁸ Bassi, Lauriw J., Jens Ludwig, Danial P. McMurrer, and Mark Van Buren. 2000. “Profiting From Learning: Do Firms’ Investments in Education and Training Pay Off?” ASTD and Saba. <http://www.astd.org>.

Tight Labor Markets

Recent historic low unemployment rates foreshadow the tight labor markets of the coming decades. Simple demographics indicate that the “Baby Boomers” are making their way through the workforce timeline. As figure 2 shows, the age group of workers 55 to 64 years old will grow dramatically within this decade. The share of workers aged 25 to 44 will actually shrink. Although the youngest worker group will increase (the “echo” of the baby boom), it is by a much smaller amount than that of the oldest workers.⁹

Figure 2: Predicted change in composition of US labor force by age of workers 2000–2010



Source: *Occupational Outlook Quarterly*, Winter 1999–2000

As the older cohort of the workforce ages, there is a much smaller cohort of workers to follow. This demographic reality means that no worker can be left behind. Employers will find it more difficult to “hire skill.” Instead, employers must invest in their current workers, and today’s workers must invest in themselves if we are to meet today’s labor needs.

Growing Income Inequality

There is stark evidence of a wage gap based on education levels widening over the past two to three decades. There is little hope that economic growth alone will enable intergenerational economic mobility. Using Bureau of Labor Statistics Current Population Study data from 1973 and 1996, Ellwood calculates that the average wages of adult men (ages 18 and over) with less than a high school degree fell by 24 percent, adjusted for inflation. In contrast, the average wages for adult men with more than a college education rose by 25 percent. Ellwood notes, “starting around 1980, patterns began to diverge sharply. Wages for those [men] at the top began to grow, while pay for those at the bottom fell quite precipitously. The 80s and 90s it seems was a time of *divergent prosperity and decline*” (emphasis in original).¹⁰

⁹ US Department of Labor, Bureau of Labor Statistics, *Occupational Outlook Quarterly Online*. Winter 1999-2000. Charts: Labor Force. <http://www.bls.gov/opub/ooq/ooqindex.htm> cited July 2001.

¹⁰ Ellwood, David T. “Winners and Losers in America: Taking the Measure of the New Economic Realities.” in *A Working Nation. Workers, Work and Government in the New Economy*, edited by David T. Ellwood, Rebecca Blank, Joseph Blasi, Douglas Kruse, William Niskanen, and Karen Lynn Dyson. New York: Russell Sage, 2000.

Although the average wages for women of all education levels never decreased, table 2 indicates that those with lower education levels experienced dramatically lower wage growth from 1973 to 1996 than those with higher levels of education. High school graduates experienced 10 percent growth in average wages, while those with more than a college degree enjoyed almost three times that. These across-the-board increases may be due to the increased work experience of women in the labor force and the increase in service jobs in the last two decades that tend to favor women workers (Ellwood, 2000). It is important to note that women still earn less than men.

Table 1: Men’s Wages, by education from 1973 to 1996

Median Wage by Education Level	1973	1996	percentage change in wages
Less than high school	\$10.40	\$7.93	-24%
High school graduate	\$12.66	\$11.54	-9%
Some post high school	\$12.79	\$12.50	-2%
College graduate	\$16.46	\$17.31	5%
More than college	\$19.32	\$24.23	25%

Source: Ellwood, 2000.

Figure 3: Change in Men’s Wages, by education level, 1973–1996

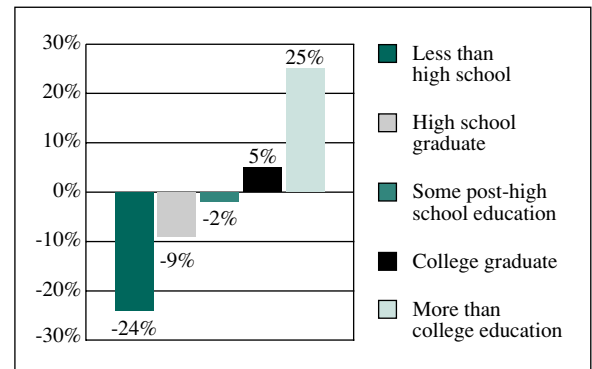
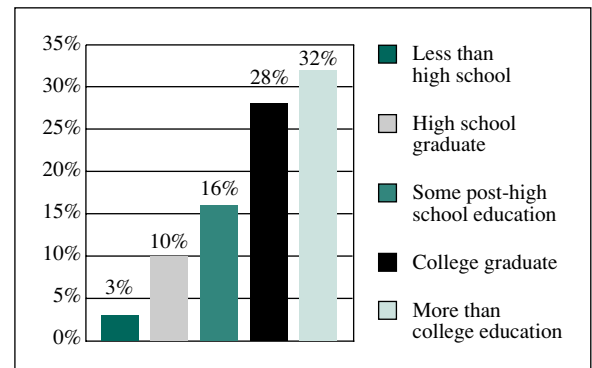


Table 2: Women’s Wages, by education from 1973 to 1996

Median Wage by Education Level	1973	1996	percentage change in wages
Less than high school	\$5.95	\$6.12	3%
High school graduate	\$7.45	\$8.17	10%
Some post high school	\$8.26	\$9.62	16%
College graduate	\$10.50	\$13.46	28%
More than college	\$13.87	\$18.33	32%

Source: Ellwood, 2000.

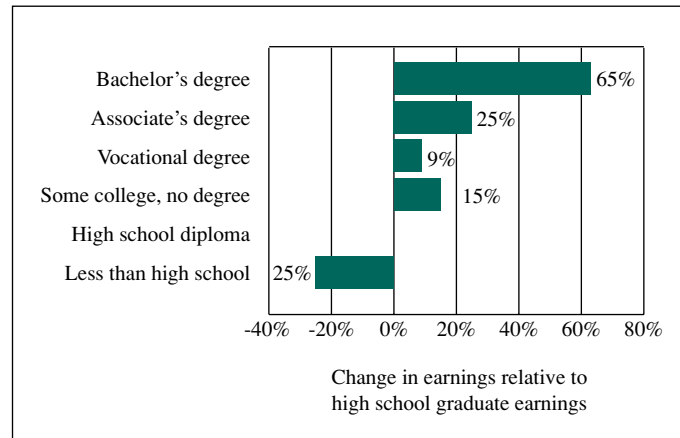
Figure 4: Change in Woman’s Wages, by education level, 1973–1996



Upward Mobility Requires Skills Development

The economic bias toward post-secondary education and training is steadily increasing as income gaps are correlated with differences in educational attainment. Census Bureau data shows that monthly earnings increase significantly with increased education levels. While attending college without earning a degree increases earnings by 15 percent over high school-level earnings, attaining a bachelor's degree increases earnings by 65 percent.¹¹

Figure 5: Approximate percentage change in earnings by education level



Source: *Occupational Outlook Quarterly*, Winter 1999–2000

Even a few years of post-secondary education increase earnings. In a review of national studies on the economic benefits of sub-baccalaureate education and credentials, Grubb found that, “controlling for other differences, associate degree holders enjoyed average earnings 20-30 percent higher than those of high school graduates; in comparison, baccalaureate degree holders had average earnings 30-40 percent higher than high school graduates.”¹²

Additionally, workers who have participated in training at their current job earn more than workers who have not participated in training. This holds true for workers at all education levels. Using data from the 1991 Current Population Survey, Eck found that workers in jobs not requiring any qualifying training who have 1 to 3 years of college and participated in training since they started the job earn, on average, 33 percent more than the same workers who did not participate in training.¹³

Finally, increasing worker mobility and labor market volatility necessitate workers taking responsibility for their education and skill development. No longer can workers rely on lifetime employment with one employer. Today's worker and the worker of the future must invest in his or her own skill development in order to remain marketable.

¹¹ Bauman, K. J. and C. L. Ryan. “What’s It Worth? Field of Training and Economic Status.” Current Population Reports. U.S. Census Bureau. P70-72. 1996. April 2001. <http://www.census.gov/prod/2001pubs/p70-72.pdf>.

¹² Grubb, W. N. 1999. “Learning and Earning in the Middle: The Economic Benefits of Sub-Baccalaureate Education.” New York: Community College Research Center, Columbia University. (ED 431 459) <http://www.tc.columbia.edu/~iee/CCRC/PAPERS/grubb1.pdf> in Wonacott, M. E. 2001. “CTE Contributions to Learning and Earning.” *In Brief: Fast Facts for Policy and Practice*. National Dissemination Center for Career and Technical Education. Vol. 11.

¹³ Eck, Alan. “Job-Related Education and Training: Their Impact on Earnings.” *Monthly Labor Review* (October 1993): 21–38 in US Department of Education, National Center for Education Statistics, *Education and the Economy: An Indicators Report*, NCEs 97-269, by Paul T. Decker, Jennifer King Rice, Mary T. Moore, and Mary R. Rollefson, project officer. Washington, DC: 1997.

Opportunities brought by technology

An explosion of unconventional education and training programs in recent years has created a context full of opportunities for increased learning – and increased earning. From vendor education in computer software and hardware to distance education, technological progress is paving the way for increased educational needs and opportunities.

All the major software and hardware vendors – including Microsoft, Cisco, Oracle, and Sun – as well as their industry associations, e.g. CompTIA, have developed application-specific training programs and licensed training and education companies to deliver them.

Current US Department of Education demonstration projects around distance learning education programs point to the importance of this promising educational delivery method. A recently-released study from the bipartisan, congressional Web-based Education Commission, co-chaired by Senator Bob Kerrey of Nebraska and Representative Johnny Isakson of Georgia, made the following observations:

“New designs are needed to create the ‘knowledge workers’ who will define the Information Age...The market is there. Business is poised to support education with powerful Internet solutions...The global economy is there. If this era of globalization has proven anything, it is that a growing world economy can create a strong and lasting demand for skilled knowledge workers and a technologically savvy workforce.”¹⁴

This commission found that the Internet has the promise “to make lifelong learning a practical reality.”

Studies show that use of distance learning will grow. “Students enrolled in distance education as a percentage of total post-secondary enrollments are projected to triple to almost 15 percent in 2002 from just 5 percent in 1998.”¹⁵ Additionally, the “number of distance courses offered by post-secondary institutions and the number of enrollments nearly doubled between 1994-95 and 1997-98.”¹⁶ Technology is dramatically increasing access to learning.

From an Open Letter to the Higher Education Community:

“The concept of lifelong learning has been talked about before, but, for the first time, we now have the technological means to make it a reality...the establishment of a true learning society lies within our grasp.”

*- Returning to Our Roots: A Learning Society,
Kellogg Commission on the Future of
State and Land Grant Universities*

¹⁴ Web-Based Education Commission. 2000. “The Power of the Internet for Learning: Moving from Promise to Practice.” Washington, DC December.

<http://www.ed.gov/offices/AC/WBEC/FinalReport/WBECReport.pdf> cited August 2001.

¹⁵ Capelli, Gregory, Credit Suisse First Boston Corporation. Testimony to the Web-based Education Commission, September 15, 2000, <http://www.webcommission.org/directory> in “The Power of the Internet for Learning: Moving from Promise to Practice.”

¹⁶ US Department of Education, Office of Post-secondary Education. *Agenda Project*. Report in press. Washington, DC, 2000. <http://www.ed.gov/OPEAgenda/index.html> in “The Power of the Internet for Learning: Moving from Promise to Practice.” Washington.

All of these reasons support a strong case for employer and employee, private and public investments in worker education and training. In fact, many workers are already attempting to make this investment.

SECTION B: FULL TIME WORKERS PURSUING EDUCATION AND TRAINING

Working Adults are Attempting Skill Development

In the last decade, the number of adults seeking education and training of any kind has steadily increased. The National Household Education Survey (NHES) conducted for the US Department of Education's National Center for Education Statistics, included an Adult Education component in the 1991, 1995, and 1999 surveys (this component also was included in the 2001 National Household Education Survey although results were not available for this study). These surveys are nationally representative household telephone surveys using random digit dialing. Civilian, non-institutionalized adults over the age of 16 in the United States and the District of Columbia who were not enrolled in secondary or primary school were interviewed. The surveys include at least 10,000 samples of adult education interviews and sometimes up to 20,000. The National Center for Education Statistics is careful to ensure that the NHES databases meet rigorous quality standards, including careful review and cleaning the data sets, as well as statistically adjusting for sample bias, i.e. the samples were statistically adjusted to correct for the bias of telephone under-coverage.¹⁷

The NHES inquires about any type of education in which adults (age 16 and over) may be participating, from hobby classes at local community centers to graduate school courses at a university. Findings from a review of NHES reports indicate that the number of adults participating in any form of adult education¹⁸ increased from 58 million in 1991 to 90 million in 1999. This represents an stunning increase of over 50 percent in less than a decade.

Two of the six adult education categories include questions on credential seeking and participation in work-related training. From 1995 to 1999, the number of adults seeking credentials and taking work-related courses increased. This increase was evident among the sub-population of adults with only a high school education, as well.¹⁹ In 1999, the survey projected that 18 million adults – 9 percent of the entire adult population (age 16 and over) were seeking a credential. This was up from 11.6 million just four years earlier. Looking at two key subgroups for this report – those whose highest level of education is high school and employed adults – the survey reveals similar gains in the numbers seeking work-related and career-enhancing education.

¹⁷ In this section, we have relied on published reports using NHES data instead of conducting original analysis of the data. Because these reports vary on the NHES data they report, findings in this section are derived from all three survey years.

¹⁸ In this report, the term *adult education* is used to mean any form of education taken by an adult outside of primary and secondary school enrollment; it is not limited to the activity of *adult basic education*.

Table 3: Adults participating in Adult Education: 1991, 1995, and 1999²⁰

	1991		1995		1999	
	# (millions)	%	# (millions)	%	# (millions)	%
Of all adults in the United States						
Total adults in <i>any</i> adult education activity	58	32%	76	40%	90	46%
• Total adults seeking a credential			11.6	6%	18	9%
• Total adults in work-related courses			39.6	21%	43.2	22%
• Total adults in other courses			24.8	13%	28.8	15%
Of adults whose highest level of education is a high school diploma or equivalent						
Total adults in <i>any</i> adult education activity	15	23%	19.3	31%	19.7	37%
• Total adults seeking a credential			2.2	4%	3.5	7%
• Total adults in work-related courses			8.9	14%	8.9	17%
• Total adults in other courses			8.2	13%	7.3	13%
Of all employed adults						
Total adults in <i>any</i> adult education activity	43	41%	59.7	51%	70.8	54%
• Total adults seeking a credential			9.7	8%	15.7	12%
• Total adults in work-related courses			36.6	31%	41.7	32%
• Total adults in other courses			13.4	12%	13.4	10%

Source: NHES:91, NHES:95, and NHES:99 Adult Education component

One potential drawback to this survey is that it relies on self-reporting, which may not produce the most accurate accounting of participation in adult education. Additionally, the survey relied on respondents to use their own definition of “credential.” There are several types of credentials in the education and training field, each with different requirements. Individual employers may have specific credentials related to their firms and not recognized by any other firms. Industry groups may have industry-specific credentials, such as A+ Technician, which is certified by the CompTIA computer industry group. Such credentials vary considerably in training intensity, completion time, and portability.

The US Department of Education recognizes certain credential programs and approves them for student financial aid eligibility. They include well-known two- and four-year degrees, as well as graduate and professional degrees. Shorter-term credentials recognized by the Department of Education are *certificates* that require a certain amount of training time to earn (usually the equivalent of one year, attending full-time). All of these credentials must be awarded by a Department-approved educational institution. Because these credentials are recognized by a national-level body, they often are more portable and valuable than employer-based and industry credentials.

The 1995 National Household Education Survey revealed that 87 percent of adults claiming participation in *credentialed* programs were indeed enrolled in a 4-year college or university, a 2-year community or junior college, a 2-year vocational or technical school, or a private vocational or technical school and were earning Department of Education-approved certificates or degrees. These students were enrolled in programs eligible for student financial aid distribution. The remaining students were enrolled in credential programs provided by businesses or industries, professional associations,

²⁰ Due to differences in survey questions and reporting, details of the types of adult education are not comparable between 1991 and 1995/1999.

primary or secondary schools, or other providers that are probably not eligible for student aid.²¹

In the National Household Education Survey, *work-related programs* cover topics that are more specific, taught in concentrated courses, and usually are not offered in accredited post-secondary programs. Examples of these types of courses are computer software applications, time management or sales training courses. In the 1995 National Household Education Survey, participation in work-related programs increased steadily with education level, from 5.1 percent of adults with less than a high school diploma to 40.4 percent of adults with a graduate degree (*Employer Aid for Postsecondary Education*).

Not only has participation in adult education grown, it dwarfs traditional enrollment in higher education. In 1991, there were an estimated 14 million students enrolled in US institutions of higher education – compared to 58 million adult education participants. In 1999, there was an estimated 15 million higher education students – compared to 90 million adult education participants. Adult education participants outnumbered higher education enrollees by 6 to 1.²²

²¹ US Department of Education. National Center for Education Statistics. *Employer Aid for Postsecondary Education*, NCES 1999-181 by John B. Lee and Suzanne B. Clery. Project Officer: C. Dennis Carroll. Washington, DC: 1999.

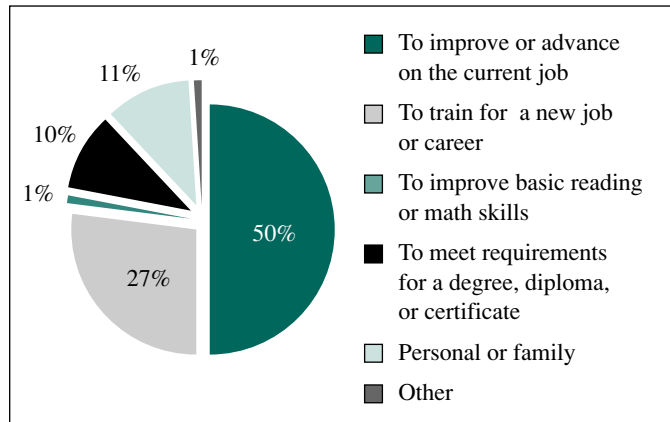
²² US Department of Education, National Center for Education Statistics, *Participation in Adult Education in the United States: 1998-99*, Statistics in Brief No. 2000-027, by Kwang Kim and Sean Creighton. Project Officer: Peter Stowe. Washington, DC: 2000.

Reasons for Participation in Adult Education and Course Taking Behavior

Both the 1991 and 1995 National Household Education Surveys, adult education components indicate that the main reason for taking any adult education courses is “work-related.” According to the latest NHES (1999), nearly 80 percent of part-time *credential seekers* are interested in improving their skills either for a current or new job. Likewise, of those adults taking courses outside

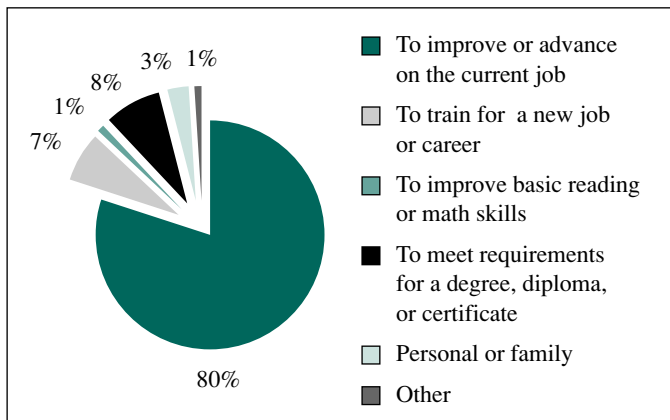
of a full-time credential but *work-related*, 87 percent were to improve their skills for either a current or new job.²³ According to Brazziel, increasing educational requirements for jobs is thought to be “the single most powerful factor,” for adults pursuing post-secondary education.²⁴

Figure 6: Reasons for Seeking a Credential



Source: NHES: 99

Figure 7: Reasons for Taking Work-Related Courses



Source: NHES: 99

²³ US Department of Education. National Center for Education Statistics. Unpublished data based on NHES:99. Cited July 2001.

²⁴ Brazziel, W. F. “Older Students” in Arthur Levine and Associates, *Shaping Higher Education’s Future: Demographic Realities and Opportunities 1990-2000*. San Francisco: Jossey-Bass, 1989 in *Life After Forty: A New Portrait of Today’s – and Tomorrow’s – Postsecondary Students*.

Interested Non-Participants

Many working adults are attempting credentialed and work-related skill development; however, many are still left behind. A report on the 1995 National Household Education Survey adult education component indicated that there could be as many as 37 million adults who are interested in work-related adult education but are unable to participate. In this survey, adults who had not participated in any work-related courses in the past year were asked if they were interested in taking any career or work-related courses in the last year. About 139 million adults in the survey had not taken any work-related courses in the past twelve months. Out of this 139 million, 37 million— 27 percent – indicated that they were interested in taking work-related courses. From table 3 above, we know that almost 40 million Americans took work-related courses in the survey year 1995. These two facts suggest that that there were just as many adults interested in taking work-related courses as were actually taking them.²⁵

Table 4: Interested Non-Participants in Work-Related Adult Education

	Total non-participants	Interested non-participants	
	# (in millions)	# (in millions)	% of non-participants
TOTAL	139	37	27%
<i>By educational attainment</i>			
High school diploma or equivalent	80	21	27%
Some college, AA or voc/tech degree	7	2	37%
Bachelor's degree or higher	27	9	33 %
<i>By labor force status</i>			
Employed	81	26	32%

Source: NHES:95

In 1995, as many as 77 million adults wanted to enhance their work-related skills, but only half were able to act on this desire. Research shows that numerous barriers explain why some adults may not be able to access work-related education and training.

Barriers to Participation in Education and Training

Generally, the two greatest barriers to working adults seeking adult education are time and cost. In 1998, Mathematica Policy Research undertook an examination of barriers to participation in adult education. Its investigation found four important and consistent barriers:

- (1) the (lack of) time people have available to pursue [adult education];
- (2) family responsibilities;
- (3) the time and place the courses are scheduled; and
- (4) the cost of the courses.”²⁶

²⁵ US Department of Education. National Center for Education Statistics. *Adults' Participation in Work-Related Courses: 1994-95*. Statistics in Brief No. 98-309, by Gordon Darkenwald, Kwang Kim, and Peter Stowe. Project Officer: Peter Stowe. Washington, DC: 1998.

²⁶ US Department of Education. National Center for Education Statistics. *Adult Education Participation Decisions and Barriers: Review of Conceptual Frameworks and Empirical Studies*. By Tim Silva, Margaret Cahalan, and Natalie Lacireno-Paquet of Mathematica Policy Research, Inc. August 1998.

The authors termed the first two barriers “situational constraints” and the last two “institutional barriers.”

Situational constraints are certainly key barriers. A report on the 1995 NHES adult education component found that 47 percent of non-participants who were interested in work-related courses and knew of any they could take cited “time” as an obstacle to participation in adult education (*Adults’ Participation in Work-Related Courses: 1994-95*). Thirty-four percent of adult education participants and 27 percent of interested non-participants in the 1991 NHES Adult Education component cited “family responsibilities” as a barrier to participation.²⁷

<p>Barriers to Adult Education Participation:</p> <p><u>Situational</u></p> <ul style="list-style-type: none"> • Lack of time • Family Responsibilities <p><u>Institutional</u></p> <ul style="list-style-type: none"> • Cost • Course time and place
--

In 2000, the average work week for workers age 25 and over was 43.6 hours. The average number of hours for those in occupations requiring no more than a high school diploma, i.e. service, operators, fabricators, and laborers, were approximately the same.²⁸ Workers trying to balance work, family responsibilities, and other time-consuming aspects of daily life simply cannot engage in classes without additional supports.

Likewise, *institutional barriers* are important. In the 1995 NHES adult education component, 30 percent of participants who were interested in work-related courses and knew of any they could take cited money or cost as an obstacle to participation (*Adults’ Participation in Work-Related Courses: 1994-95*). In the 1991 survey, 34 percent of participants and 27 percent of interested non-participants indicted costs were a barrier. Additionally, 36 percent and 24 percent of the 1991 participants and interested non-participants respectively, indicated that course “meeting time” posed a barrier to participation (*Adult Education in the 1990s: A Report on the 1991 National Household Education Survey*).

Working Adults Prefer Fewer Courses per Term

In Any Adult Education Courses

Because they have to balance their work and family responsibilities, a majority of working adults in adult education are enrolled on a part-time basis. Of the adult education participants surveyed in the 1991 National Household Education Survey, the average number of adult education courses taken in the last 12 months was 2.8. Two-thirds of participants took only one or two courses in

<i>Average adult education course taking (NHES:1991)</i>	
Average # of course In last 12 months:	2.8
Average # of hours per week:	11.2
Average # of weeks:	4.9

²⁷ US Department of Education. National Center for Education Statistics. *Adult Education in the 1990s: A Report on the 1991 National Household Education Survey*, Working Paper No. 98-03, by Teresita L. Chan Kopka, Nancy Borkow Schantz, and Roslyn Abrevaya Korb. Project Officer, Peter Stowe. Washington, DC: 1998.

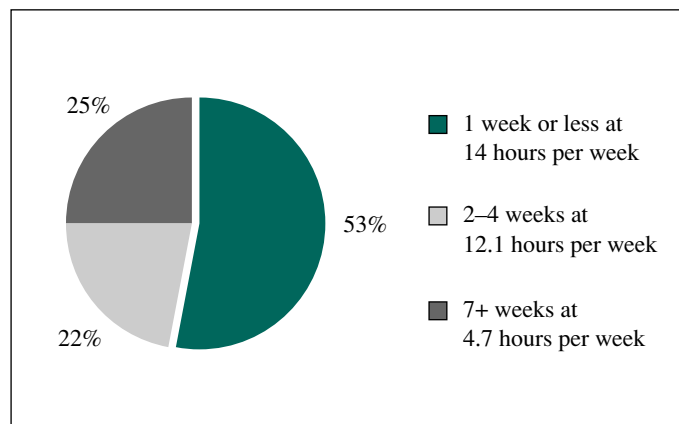
²⁸ US Department of Labor. Bureau of Labor Statistics. 2000. Data, from the Office of Employment and Unemployment Statistics, tables 22 and 23, based on CPS data.

the past year. Those with only a high school education took slightly fewer courses than those with higher educational attainment.

The average number of hours per week in adult education courses was 11.2, which held fairly consistently at most education levels. The average number of weeks in adult education courses was 4.9. Over half of participants (53 percent) participated for one week or less, at an average rate of 14 hours per week. Another 22 percent participated for two to six weeks at 12.1 hours per week and 25 percent for seven or more weeks at 4.7 hours per week (*Adult Education in the 1990s: A Report on the 1991 National Household Education Survey*).

Data from the 1991 National Household Education Survey clearly demonstrate that adult education participants (many of whom are likely to be employed full-time) overwhelmingly participate in short, intense education activities. The structure of their participation is skewed toward *work-related* training (non-degree) rather than *credentialed* education (certificate, two- or four-year degree, etc.). Work-related training may be more desirable and achievable because it is delivered in shorter duration, at more convenient times and locations, and at the *employers'* expense. Of course, the major drawback to this training is that it rarely results in a portable credential that workers can use to advance their careers outside of their current firm.

Figure 8: Average Weeks and Hours per Week in Adult Education Activities



Source: NHES: 91

Post-secondary Educational Institutions Offering Credentialed Skill Development

Still, the National Household Education Survey does report increasing numbers of adults seeking credentialed education. In 1999, there were 18 million adults seeking a credential and most were enrolled in Department of Education-approved institutions. In such institutions, students are classified according to their enrollment status in the following two ways:

- Full-time – usually 12 or more credit hours per semester
- Part-time – less than full-time
 - Half-time – usually 6 to 11 credit hours per semester
 - Less-than-half-time – less than 6 credit hours per semester

Full-time and half-time students enjoy full access to all forms of federal student financial aid, including all loans and grants. Less-than-half-time students do not qualify for student loans but may receive some grant funding. Many working adults take courses on a less-than-half-time basis.

The 18 million adults who were taking credentialed skill development courses in 1999 could have been enrolled full-time, half-time, or less-than-full-time. In order to understand how many of these adults were enrolled less-than-half-time – and, therefore, were ineligible for most forms of federal student financial aid – we turned to the National Post-Secondary Student Aid Study (NPSAS). This is a comprehensive survey conducted by the National Center for Education Statistics in the U.S. Department of Education. It examines how students and their families pay for post-secondary education and includes nationally representative samples of undergraduate, graduate, and first-professional students; students attending less-than-2-year, 2-year, 4-year, and doctorate-granting institutions; students who receive student financial aid and those who do not. We used the undergraduate data set for the 1999-2000 school year, which includes a sample of 50,000 undergraduates and represents about 16.5 million undergraduate students.

In order to focus only on those students who appeared to be working adult parents, we analyzed a sub-set of the student population in this data set. Looking only at the 2 million students who worked full-time, had dependents, *and* considered themselves “employees who study” (as opposed to “students who work”), we found that 47 percent were exclusively enrolled less-than-half-time (took less than 6 credit hours per semester).²⁹ This means that nearly half of working parents who were students in credentialed post-secondary education were less-than-half-time – almost 1 million. An additional 29 percent took courses on a half-time basis (at least 6 credit hours but less than 12 per semester). And 15 percent were able to work full-time and study full-time.³⁰

Another way to understand the enrollment status of working adults is to look at a sub-sample of 820,000 students who were working full-time *and* who had delayed post-secondary education for 10 or more years after high school. Results of this analysis show that 48 percent – again, nearly half – were taking courses on a less-than-half-time basis. Of those students who worked full-time and had delayed their post-secondary education for 5 to 10 years (about 600,000), one-third were enrolled less-than-half-time. It may be the case that these sub-sets of student-workers, in addition to facing potential cost, time, and scheduling constraints, need to “ease their way” back into academic study after having been out of school for five or more years.

About half of students who were working parents enrolled less-than-half-time. The other half were able to manage a more intense course load or varied their enrollment each semester. Additionally, full-time working parents were one-third of the 3 million less-than-half-time students in the 1999-2000 academic year (18.1% of 16.5 million students were enrolled less-than-half-time).

The number of less-than-half-time students is likely to grow. The *Lifelong Learning Trends Survey* by the University Continuing Education Association reports that “part-

²⁹ Original analysis of the National Postsecondary Student Aid Study: 2000. National Center for Education Statistics, U.S. Department of Education.

³⁰ The remaining 9% of students had a “combined enrollment status,” which means that they may have been full-time one semester, half-time another, and less-than-half-time in another.

time adult students are projected to be 55 percent of the college population by 2005.”³¹ Analysis of NPSAS data for the 1999-2000 school year indicates that half of all *part-time* undergraduates were *less-than-half-time* students. If less-than-half-time students continue to make up this percentage of all part-time undergraduates, we might guesstimate that they will make up at least one-quarter of college enrollments in the next few years.

Working Adults Choose Shorter Educational Experiences

Of those adults seeking a credential, many are looking to vocational or technical certificates and associate degrees instead of traditional bachelor’s degrees. The Census Bureau’s 1996 Survey of Income and Program Participation (SIPP) Education and Training component,³² reveals significant increases in adult attainment of shorter-term degrees:

- From 1984 to 1996, the number of adults with vocational certificates doubled from 1.8 percent of the population to 4.2 percent
- In the same 12 year period, the number of adults with associate degrees nearly doubled from 3.4 percent to 6.1 percent
- This growth in vocational and associate degrees from 1984 to 1996 easily outpaced the growth in all other post-secondary education degrees (33 percent increase in bachelor’s degrees, 41 percent growth in master’s degrees, 20 percent in professional degrees, and 60 percent in doctoral degrees).³³

Although their numbers are still small, the growth in shorter term credential attainment is striking. Reports on the US Department of Education’s National Post-Secondary Student Aid Survey (NPSAS) of Beginning Post-Secondary Students (BPS) supports this claim. The 1996 BPS is a longitudinal study of students beginning post-secondary education in 2-and 4-year institutions in the 1995-96 school year. Based on the larger NPSAS sample, the 1996 BPS followed about 12,000 NPSAS beginning post-secondary students.

Of those beginning students enrolled in *certificate* programs, half considered themselves *employees enrolled in school* (vs. students who work). Similarly, 65 percent of beginning students in *non-degree* programs considered themselves *employees enrolled in school*. On the other hand, only 11 percent of beginning students in bachelor’s degree programs self-classified in this manner. A significant percentage of those students enrolled in shorter-term degree and non-degree programs are working adults seeking higher education.

³¹ Ryan, J. H. 2000. “Our Imperative: Create a Learning Society,” *Penn State Outreach*. Vol. 3, No. 2, Spring/Summer.

³² The SIPP is a longitudinal study of people at least 15 years old conducted in four-month intervals by the US Census Bureau. The Education and Training component is a topical module in this study conducted on a rotating basis. The Bureau is careful to adjust for sampling error and control for non-sampling error in this sample.

³³ Bauman, K. J. and C. L. Ryan. “What’s It Worth? Field of Training and Economic Status.” Current Population Reports. U.S. Census Bureau. P70-72. 1996. April 2001.
<http://www.census.gov/prod/2001pubs/p70-72.pdf>.

Table 5: How Students in Various Programs Defined Their Role – Student or Worker: 1995-1996

<i>Student's primary role?</i>	<i>Educational Program</i>			
	Certificate Program	Associate's Degree	Bachelor's Degree	Non-degree Program
• Student working to meet expenses	49.6%	68.5%	89.5%	34.8%
• Employee enrolled in school	50.4%	31.6%	10.6%	65.2%

Source: NPSAS, 1998.

Average Education Costs and Student Aid for Less-Than-Half-Time Working Adult Students

Cost

Cost estimates for less-than-half-time students can be difficult to estimate. There are two main sources for this data. First, the NPSAS includes data on tuition and fees, as well as student budgets for non-tuition and fee costs (such as books and supplies, room and board, transportation and personal expenses). The limitation of this data source is that the figures are estimates provided by educational institutions. Tuition and fee amounts are reported based on what institutions charge students at various enrollment levels, not an average of what each student actually paid. According to NPSAS data, during the 1999-2000 school year, the average tuition and fees *charged* to students who considered themselves “employees who studied,” worked full-time, had dependents, and took courses less than half-time was \$496.

The NPSAS also includes data on the average student budget for non-tuition and fee costs by student enrollment level. Again, these budget figures are based on estimates provided by the schools, not actual figures reported by students. The estimated total student budget in the NPSAS for working adult parents (as defined above) enrolled less-than-half-time was \$2,150. However, this figure must be viewed with caution. It is calculated by taking the average budget of a full-time, full-year student and multiplying it by 25 percent (theoretically to represent the non-tuition and fees costs taken on by a less-than-half-time student).

The National Postsecondary Student Aid Study reported the following approximate average costs for working parent students enrolled less-than-half-time in the 1999-2000 school year:

Tuition and Fees: \$500.

Living Expenses: \$2,200

A more accurate source of tuition and fee and student budget information may be the US Census Bureau’s Survey of Income and Program Participation (SIPP) data. The SIPP is a longitudinal survey conducted at four-month intervals by the Census Bureau. Information on post-secondary education is collected through interviews as part of a rotating set of topical modules. Data is reported directly by the interviewee. Reported tabulations on data from 1992 and 1993 panels suggests that the average cost of tuition and fees for full-time workers who attended any post-secondary education on a *part-time* basis was \$1,177. The average total cost (including tuition and fees) was \$1,524.

Subtracting tuition and fees from the total reported educational costs results in a non-tuition and fee cost of \$347 (“Financing the Future: Postsecondary Students, Costs, and Financial Aid”).

Unfortunately, this data set is not perfect for reporting the average educational costs for working adults pursuing post-secondary education on a less-than-half-time basis for two reasons. First, interviewees provide information on *any* type of post-secondary education, not just education at US Department of Education-approved institutions providing *credentialed* skill development. Second, the data is reported according to “full-time” and “part-time” enrollment categories. Exact definitions of these categories may not always be clear to the respondents. Although costs reported by “part-time” students comes close to what may be paid by “less-than-half-time” students, they are not an exact match and are likely to be more than those for less-than-half-time students. In order to better understand the exact costs for less-than-half-time students who are working parents, national datasets must be revised to include specific reporting of these costs as incurred by students and reported by more specific enrollment categories.

In summary, the average tuition and fee cost charges for credentialed education at a typical college or university for working adults taking courses on a less-than-half-time basis is almost \$500. However, the average tuition and fee costs for all types of post-secondary education may be twice this. Cost estimates for living expenses of less-than-half-time students varies considerably, from over \$2,000 as estimated by educational institutions to under \$400 as reported by Census Bureau survey participants.

Although it would seem that many working adults should be able to afford the cost of credentialed skill development at a minimal pace, this is often not the case. For a family earning less than \$35,000 annually, the NPSAS 1999-2000 student budget of just over \$2,000 can be unaffordable. In fact, a quarterly Work Trends survey by the John J. Heldrich Center at Rutgers University and the Center for Survey Research and Analysis at the University of Connecticut in 1999 reported that 87 percent of the working poor adults surveyed (those with earnings at 200 percent of poverty or less, about \$35,000 for a family of four) were concerned about earning enough money just to support their family. Nearly three-quarters were “very or extremely” concerned.³⁴ If these families are struggling just to support themselves and their children, they are unlikely to find the extra income to finance their skill development.

Additionally, many state public community colleges do have affordable tuition and fees; however, others rely on these income streams for much of their operational costs and, therefore, charge considerably more. According to the American Association of Community Colleges’ “National Profile of Community Colleges: Trends and Statistics” report, the average in-state tuition for public community colleges in the 1997-1998 school

³⁴ “Can the Working Poor Move Ahead?” *Working Hard, Staying Poor: A National Survey of the Working Poor and Unemployed*. Work Trends Series by the John J. Heldrich Center at Rutgers University and the Center for Survey Research and Analysis at the University of Connecticut. October 1999. <http://www.heldrich.rutgers.edu>.

year (full-time, full-year) was \$1,318.³⁵ Sixteen states charged over \$1,800 and 13 over \$2,000. These 1997-1998 rates were 17.2 percent higher than the 1993-1994 rates, indicating a significant increase in tuition and fees at the most affordable education institutions for credentialed skill development.³⁶ Because tuition and fee rates vary by state and by educational institution, working parents in one state may be able to easily afford credentialed skill development while working parents in a more expensive state struggle to afford higher tuition and fees.

The continuing increase in tuition and fees costs further erodes working parents' ability to afford skill development. The American Association of Community Colleges reported in October 2001, that tuition rose 5.8 percent from the previous year at public two-year colleges and 7.7 percent at public four-year colleges.³⁷ Without corresponding increases in wages – especially for those workers without post-secondary education in the lowest-waged jobs – the prospect of affording credentialed skill development is becoming dimmer and dimmer.

Additionally, many working adults may seek skill development at private educational institutions that do not receive state support. Private institutions may provide the skills training these adults seek or they may be more quick to meet the scheduling and location needs of working adult students. Fifteen percent of undergraduate students reported in the 1999-2000 NPSAS data attended private not-for-profit institutions and 5 percent attended private, for-profit or proprietary schools. Because private institutions typically rely on a combination of tuition, contracting, and/or private donations, tuition is usually higher at these educational institutions. NPSAS data indicates that, although the average undergraduate tuition and fees at public institutions in 1999-2000 was \$1,752, the average at private not-for-profit institutions was \$10,804 and at private for-profit institutions was \$6,569. Many of these private institutions accredited by one of the half dozen national accrediting bodies are eligible to distribute student financial assistance.

Student Aid for Working Adults Enrolled Less-Than-Half-Time

Although estimates of how much working parent students pay for their post-secondary education vary, it is clear that very few receive any aid to off-set these costs. Analysis of the 1999-2000 NPSAS data indicates that about 28 percent – around 280,000 out of 1 million – of working adult parents (students who worked full-time, considered themselves employees rather than students, and were independent with dependents) who were enrolled less-than-half-time earned less than 200% of the federal poverty level for a

³⁵ It must be noted that these figures represent tuition costs for full-time study. Because community colleges vary in how many credit hours they consider “full time” and how many terms are in a year, it is difficult to derive a specific overall cost for tuition per credit hour. However, estimating that 12 credit hours represents full-time and two semesters represents a full year, the average per credit tuition cost is about \$55. The tuition for one three-credit course would be \$165 per semester.

³⁶ American Association of Community Colleges. *National Profile of Community Colleges: Trends and Statistics*. 3rd ed. Kent A Phillippe, ed. Washington, DC: Community College Press. 2000.

³⁷ Kent, Evelyn. “College Costs More, Loan Increase Fails to Keep Pace.” *Community College Times*. October 31, 2001. American Association of Community Colleges. <http://www.aacc.nche.edu>.

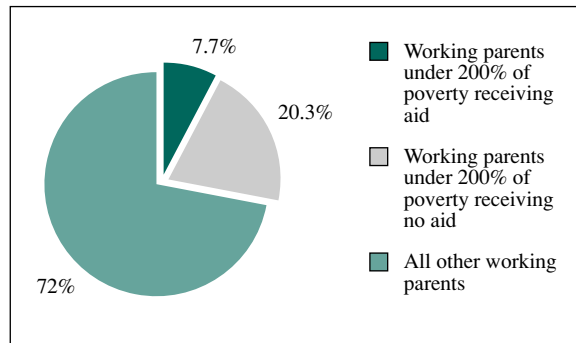
family of four, about \$35,000. However, only 7.7 percent received *any* federal, state, or institutional aid.

Pell Grants are commonly known sources of student aid; however, only three and a half percent of working adult parents (as defined above) received such aid. This represents 34,000 students and their average award was \$813. Less than one-half of one percent received Perkins Loans or Supplemental Educational

Opportunity Grants. Less than three percent received some sort of institutional aid, 1.7 percent received State aid, less than 2 percent received grants from private sources, less than 1 percent received private loans, 3.7 percent received veterans' benefits, and 1.8 percent received tuition waivers.³⁸ For those few working parent students who did receive aid, the average award was about \$1,800, which falls short of the estimated \$2,200 student budget described above.

Those working poor adults who need post-secondary credentials the most to earn family-sustaining wages get caught in a Catch 22: They earn too much money or do not take enough credits to qualify for student financial aid, and they do not have enough expendable cash to pay for courses out of pocket. For working adults living pay check to pay check, even an inexpensive community college course is unaffordable after paying rent and utilities, buying food and clothing, making car and insurance payments, and generally raising a family.

Figure 9: Working Parents and Student Aid



Source: Analysis of NPSAS 1999–2000 data

CHAPTER 3: IMPEDIMENTS IN FEDERAL AID FOR WORKING ADULTS PURSUING POST-SECONDARY EDUCATION

This chapter outlines federal resources available for working adult students and the formal and informal barriers to benefiting from these sources. Major federal student financial assistance resources include federal Title IV student financial aid programs, the Lifetime Learning Tax Credit, and employer tax credits (especially Section 127).

SECTION A: WHY FOCUS ON STUDENT FINANCIAL AID?

In a perhaps apocryphal but oft-repeated story, notorious criminal Willie Sutton had a simple answer to the question of why he robbed banks. He said, "That's where the money is." This report focuses on the student financial aid system as a potential resource for

³⁸ Because these aid sources are not mutually exclusive, they do not add up to the total percentage of students who received aid.

working adults seeking higher education for the same simple reason – that's where the money is.

Federal spending on post-secondary education is significant. Major federal student financial assistance programs financed through Title IV of the Higher Education Act, including Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Perkins Loans, Direct Student Loans, and Federal Family Education Loans (FFEL) total to nearly \$50 billion.³⁹

Table 6: Major Sources of Student Financial Aid Available to Student in Fiscal Year 2001

Programs	Fiscal Year 2001 Funding (in millions)
Grants	
• Pell Grants	\$9,581
• Supplemental Educational Opportunity Grants	\$875
Loans	
• Perkins Loans	\$1,195
• Direct Loans	\$10,635
• Federal Family Education Loans	\$24,694
Total	\$46,980

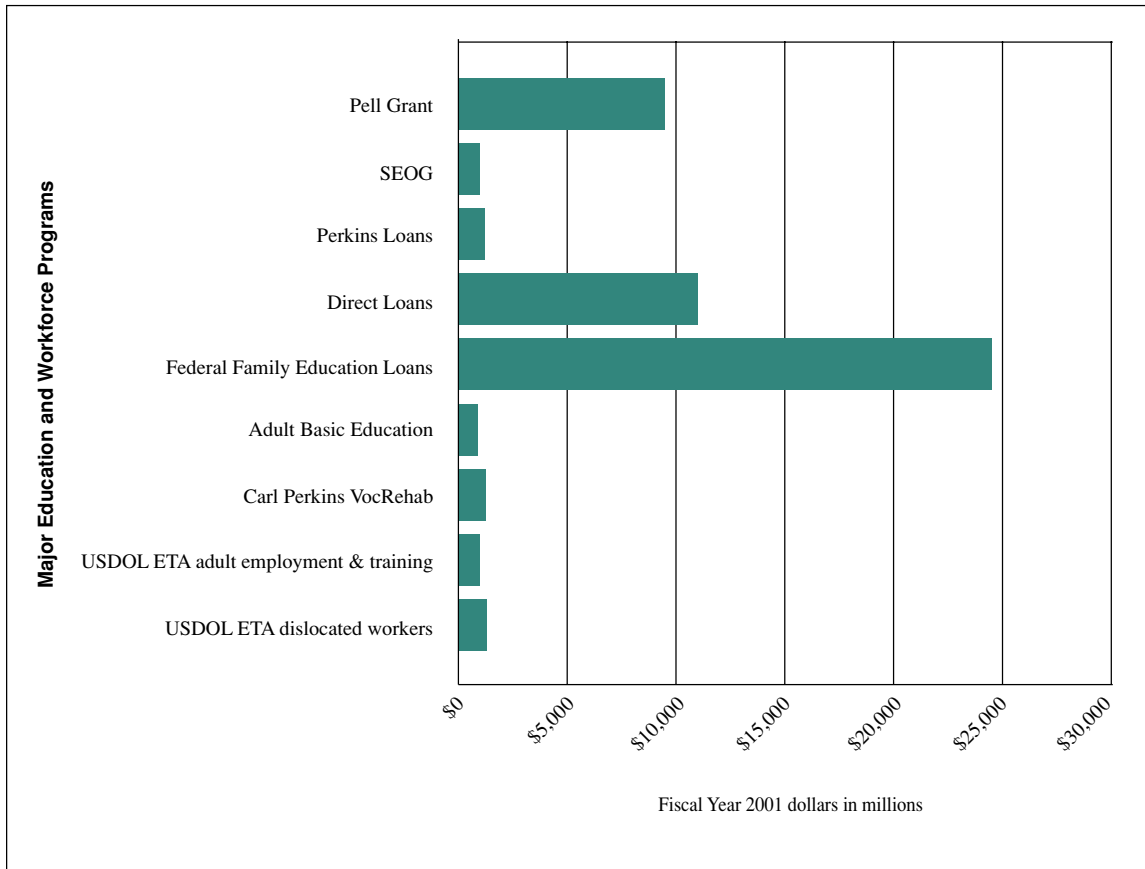
These figures do not include the variety of demonstration programs and smaller aid programs for post-secondary education, which could add another \$1 billion. Additionally, state post-secondary student aid programs to supplement these federal resources add at least another \$5 billion.

Funding for "workforce development programs" is very small by comparison. Only \$950 million was appropriated in fiscal year 2001 for Workforce Investment Act (WIA) adult employment and training programs, \$1.6 billion for WIA dislocated workers,⁴⁰ \$561 million for Adult Basic Education, and \$1.2 billion for the Perkins Vocational Rehabilitation program. This is a total of \$3.75 billion, and much of this funding (especially under WIA) is reserved for employment services, such as job search, resume writing, and other *non*-training activities. Moreover, low-skilled working adults often do not qualify for public training programs, such as those under the Workforce Investment Act. These public funds generally are reserved for the most at-risk workers in the labor force.

³⁹ Budget figures for US Department of Education programs, including all student aid, adult basic education, and Perkins vocational education are from this department's Fiscal Year 2003 budget summary, appendix 2: Detailed Budget Tables by Program, which can be found at <http://www.ed.gov/offices/OUS/Budget03/Summary/App2/Index.html> cited March 2002.

⁴⁰ US Office of Management and Budget. *Budget of the United States Government – Appendix*. <http://www.whitehouse.gov/omb/budget/fy2002/appendix.html>. Cited January 28, 2002.

Figure 10: Funding for Major Education and Workforce Programs (Fiscal Year 2001)



Source: US Department of Education budgets and OMB

SECTION B: FEDERAL TITLE IV PROGRAMS (STUDENT FINANCIAL AID)

Overview

The main federal student financial assistance programs are administered by the US Department of Education’s Office of Student Financial Assistance and are known as “Title IV programs,” after the original 1965 legislation. They include eight grant, loan, and work-study assistance programs for needy students:

- The Federal Pell Grant Program for undergraduate students;
- The Federal Supplemental Educational Opportunity Grant (SEOG) Program for exceptionally needy undergraduate students;
- The Federal Perkins Loan Program for exceptionally needy students;
- The Federal Work-Study (FWS) Program for financially needy students;
- The Federal Direct Loan Program for students and the parents of dependent students;

- The Federal Family Education Loan (FFEL) for students and the parents of dependent students;
- The Leveraging Educational Assistance Partnership Program for dollar-to-dollar matching to States for investment in need-based grant and work-study programs;
- The Loan Forgiveness For Child Care Providers demonstration loan-forgiveness program for students earning degrees in childhood studies and working for two years as a child care provider in low-income communities.

The table below outlines the major student aid programs and indicates whether less-than-half-time students are eligible.

Table 7: Student Aid Available in Major Federal Title IV Student Aid Programs

Programs	Fiscal Year 2001 Funding (in millions)	Are <1/2 time students eligible?
Grants		
• Pell Grants	\$9,581	Yes
• SEOG	\$875	Yes
Loans		
• Perkins Loans	\$1,195	Yes
• Direct Loans	\$10,635	No
• Federal Family Education Loans	\$24,694	No

The Federal Work Study Program is not included in this analysis because full-time working adult students are unlikely to take advantage of this program because they are already working full time. According to analysis of the NPSAS data for the 1999-2000 school year, less than one-half of one-percent of working adult students enrolled less than half-time benefited from this source of aid. The Leveraging Educational Assistance Partnership (LEAP) Program is not included for two reasons. First, the federal contributions to this program are minimal – \$25 million total to all educational institution applicants. Second, individual schools determine student eligibility for these funds. Understanding how working adult students enrolled less-than-half-time might benefit from this program would be a daunting task. As students taking classes on a less-than-half-time basis are not on the student financial aid radar screen, it is unlikely that LEAP is a significant source of aid for these students

Federal Aid Programs for Students – Grants and Loans

Grants

There are two main federal grant programs for which full-time working adult students who are taking classes on less-than-half-time basis can qualify: the Pell Grant program and the Supplemental Education Opportunity Grant (SEOG) program. According to NPSAS data, almost 3.8 million post-secondary undergraduate students received Pell Grants in the 1999-2000 school year, which represents just over 20 percent of all undergraduate students. Although the maximum allowable award was \$3,125, the average Pell Grant was \$1,915.

However, only 3.5 percent of less-than-half-time students who worked full-time, considered themselves employees rather than students, and were independent with dependents received a Pell Grant. This represents a total of 34,000 students out of about 1 million. Their average award was \$813.

Federal Pell Grant guidelines stipulate that, in addition to showing “exceptional need,” less-than-half-time students must have an estimated cost of attendance of at least \$800 per academic year to be eligible for a Pell Grant.⁴¹ According to our analysis of the 1999-2000 NPSAS data, working adult parents enrolled less-than-half-time face tuition and fee costs of about \$500 and living expenses of about \$2,150. Because the Pell Grant cost of attendance estimate for less-than-half-time students *can* include tuition and fees, allowances for books and supplies, transportation, and dependent care costs (but not room and board), all of the \$500 estimated cost of tuition and fees and at least some of the \$2,150 estimated living expenses should be included. However, individual educational institutions determine what is included in a less-than-half-time student’s cost of attendance budget, and, therefore, covered by the Pell Grant award.

If a school were interested in supporting less-than-half-time students with limited Pell Grant dollars, the standard budget for these students could include these additional costs to the point where the student could qualify for a Pell Grant. However, as limited Pell Grant dollars already do not stretch far enough to cover traditional students, it is unlikely that many schools choose to reallocate Pell Grant aid away from them to less-than-half-time students who are working and seemingly should be able to afford their course taking.

The Pell Grant is a tiny part of the financing for working adult students, and the SEOG program is even more so. In 1999-2000, only two-tenths of one percent of these working adults received one of these grants (less than 2,000 students nationally). The number of students receiving this type of grant was so small that their average grant amount could not be calculated from the NPSAS data set. The SEOG program requirements are so limited to very poor students – schools must direct aid to students with “exceptional financial need” – and is so modestly funded by Congress – less than 1 percent of the total Title IV budget – that it simply cannot provide funding for many students. Moreover, SEOG is a campus-based program, meaning that each school has tremendous flexibility in determining student eligibility for this program. Given that so few part-time students receive SEOG awards, it seems likely that schools favor full-time students over part-time for this form of student aid.

Loans

There are three main federal loan programs in which higher education students can participate: the Federal Perkins Loan program; the Federal Direct Loan program (DL); and the Federal Family Education Loan program (FFEL), the later two were formally under the Federal Stafford Loan programs.

⁴¹ The cost of attendance for less-than-half-time students can include tuition, fees, allowances for books and supplies, transportation, and dependent care costs; however, room and board cannot be included.

Perkins Loan Program

A Federal Perkins Loan is a low-interest (fixed 5 percent rate) loan for both undergraduate and graduate students with exceptional financial need. As this is a “campus-based program,” the school is the lender. The loan is made with federal government funds that are subsidized by the state. Students repay these loans to their schools. Students can borrow up to \$4,000 for each year of undergraduate study (the total amount a student can borrow as an undergraduate is \$20,000 if s/he has completed two years of undergraduate work; otherwise, the total s/he can borrow is \$8,000). They can borrow up to \$6,000 for each year of graduate or professional study (the total amount a student can borrow as a graduate/professional student is \$40,000, including any Federal Perkins Loans borrowed as an undergraduate).

Unlike other federal and private loans, a Perkins Loan borrower is not charged any “origination” fees for the loan. Additionally, students have a “grace period” of nine months after they graduate, leave school, or drop below half-time status before they must begin repayment (they may have longer than nine months if they are on active duty with the military). This nine-month grace period is for students attending at least half-time. If they are attending less-than-half-time, they are subject to the schools’ grace period guidelines. Students are allowed up to 10 years to repay their Perkins Loans.

Under certain circumstances, a student can receive a deferment or forbearance on his or her loan. During a *deferment*, s/he is allowed to temporarily postpone payments on the loan, and no interest accrues. The student may receive a deferment under certain conditions, such as unemployment. If the student is temporarily unable to meet his or her repayment schedule but is not eligible for a deferment, s/he can receive *forbearance* for a limited and specific period. During forbearance, payments are postponed or reduced. Interest continues to accrue and the student is responsible for paying it. Students can be granted forbearances in up to 12-month intervals for up to three years.

Although Perkins Loan students must meet the basic eligibility requirements described below, they are not required to be enrolled in a formal certificate or degree program. Schools who receive Perkins Loan funds are required to offer a “reasonable proportion” of these funds to independent or less-than-full-time students, including less-than-half-time students. However, this “reasonable proportion” is based on the amount of federal capital funds schools applied for to cover these students. If this amount is low, the reasonable proportion will be low. Additionally, schools determine additional eligibility requirements for these loan funds because this is another “campus-based program.”

Federal funding for this program is limited. The Federal Capital Contribution to the Perkins Loans fund in 1999-2000 was only \$100 million. According to our analysis of the NPSAS data for that school year, less than one-half of one percent of working parents taking classes on a less-than-half-time basis received Perkins Loans. Their numbers were too low to calculate an average student loan amount.

Direct Loan and Federal Family Education Loan (FFEL) Programs

Direct Loans and Federal Family Education Loans are not available to students taking courses on a less-than-half-time basis. To qualify for these programs, students must be enrolled at least half-time and must be enrolled or accepted for enrollment in a certificate or degree program. Although they are the largest source of federal student aid, Direct and Federal Family Education Loans are simply not available to the working adults who are the focus of this report. However, as a *potential* resource for these students in the future, it is important to understand the benefits and advantages of these loan programs.

Under the Direct Loan Program, funds are lent to students directly by the U.S. government. Under the FFEL Program, funds are lent from a bank, credit union, or other lender that participates in the FFEL Program and guaranteed by the federal government. Both Direct and FFEL Loans are either subsidized or unsubsidized. A *subsidized* loan is awarded on the basis of financial need. Students are not charged any interest before they begin repayment or during authorized periods of deferment; the federal government subsidizes the interest during these periods. An *unsubsidized* loan is not awarded on the basis of need. Students are charged interest from the time the loan is disbursed until it is paid in full. If they allow the interest to accumulate, it will be capitalized – that is, the interest will be added to the principal amount of the loan and additional interest will be based upon the higher amount.

Two of the biggest advantages of these student loans are the low interest rate and the grace period. Although the rate varies from year to year, by law, it can never exceed 8.25 percent. After students graduate, leave school, or drop below half-time enrollment, they have a six-month “grace period” before they have to begin repayment. During the grace period on a *subsidized* loan, students do not have to pay any principal, and no interest will be charged. During the grace period on an *unsubsidized* loan, they do not have to pay any principal, but interest will be charged. On these loans, students can either pay the interest or it will be capitalized.

Borrowing limits are the same for both loan programs. Dependent undergraduate students can borrow up to \$2,625 if they are first-year students enrolled in a program of study that is at least a full academic year. They can borrow \$3,500 if they have completed their first year of study, and the remainder of their program is at least a full academic year. They can borrow up to \$5,500 a year if they have completed two years of study and the remainder of the program is at least a full academic year.

Independent undergraduate students can borrow up to \$6,625 if they are first-year students enrolled in program of study that is at least a full academic year (only \$2,625 of this amount may be in subsidized loans). They can borrow \$7,500 if they have completed the first year of study and the remainder of their program is at least a full academic year (only \$3,500 of this amount may be in subsidized loans). They can borrow \$10,500 a year if they have completed two years of study and the remainder of their program is at least a full academic year (only \$5,500 of this amount may be in

subsidized loans). For periods of study that are less than an academic year, the amounts that students can borrow will be less than those listed above.

Generally, the total debt students can have outstanding from all Stafford Loans combined is \$23,000 for dependent undergraduate students; \$46,000 for independent undergraduate students (only \$23,000 of this amount may be in subsidized loans); and \$138,500 for graduate or professional students (only \$65,500 of this amount may be in subsidized loans). The graduate debt limit includes any Stafford Loans received for undergraduate study.

Another big advantage of the federal loan programs is the flexible repayment plans students can choose to fit their income patterns. Under the Direct Loan program, students can choose one of the following repayment plans:

- The Standard Repayment Plan requires students to pay a fixed amount each month (at least \$50) for up to 10 years. The length of the actual repayment period will depend on the loan amount.
- The Extended Repayment Plan allows students to extend loan repayment over a period that is generally 12 to 30 years, depending on their loan amounts. The monthly payment may be lower than it would be if the student repaid the same total loan amount under the Standard Repayment Plan, but s/he may repay a higher total amount of interest over the life of the loan because the repayment period may be longer. The minimum monthly payment is \$50.
- Under the Graduated Repayment Plan, a student's payments are lower at first and then increase generally every two years. The length of the repayment period generally ranges from 12 to 30 years, depending on the loan amount. The monthly payment may range from 50 percent to 150 percent of what it would be if the student were repaying the same total loan amount under the Standard Repayment Plan. However, s/he repays a higher total amount of interest because the repayment period is longer than it is under the Standard Repayment Plan.
- The Income Contingent Repayment Plan bases the student's monthly payment on his or her yearly income, family size, and loan amount. As the student's income rises or falls, so do the payments. After 25 years, any remaining balance on the loan will be forgiven, but the student may have to pay taxes on the amount forgiven.

There are three repayment plans that are available to borrowers of FFEL Stafford Loans disbursed on or after July 1, 1993. All the repayment plans require repayment within 10 years.

- A Standard Repayment Plan requires the student to pay a fixed amount each month (at least \$50) or the interest that has accrued.

- A Graduated Repayment Plan includes payments that are lower at first and then increase over time. Each of the payments must at least equal the interest accrued on the loan between scheduled payments.
- An Income-Sensitive Repayment Plan bases the monthly payment on the student's yearly income and loan amount. As income rises or falls, so do the payments. Each of the payments must at least equal the interest accrued on the loan between scheduled payments.

Federal Family Education Loan borrowers participating in the program after October 7, 1998, with FFEL loans totaling more than \$30,000 can choose an Extended Repayment Plan. Under this plan, payments are fixed or graduated (lower at first and then increased over time) over a period of up to 25 years.

Like the Perkins Loans, under certain circumstances, students can receive deferments or forbearances on their federal student loans. A *deferment* allows the student to temporarily postpone loan payments. They are granted if a student returns to post-secondary education on at least a half-time basis; is in a graduate fellowship program or approved rehabilitation program for the disabled; is unable to find full-time employment; is experiencing economic hardship; or is engaged in certain service duties.

If a student is temporarily unable to meet his or her repayment schedule but is not eligible for a deferment, s/he may receive a *forbearance* for a limited and specified period. During forbearance, the payments are postponed or reduced. Whether the loans are subsidized or unsubsidized, the student is charged interest. If the student does not pay the interest as it accrues, it will be capitalized.

Students may be granted forbearance if they are unable to pay due to poor health or other unforeseen personal problems; serving in a medical or dental internship or residency; serving in a position under the National Community Service Trust Act of 1993; or obligated to make payments on certain federal student loans that are equal to or greater than 20 percent of their monthly gross income.

Basic eligibility requirements⁴²

Although they are technically eligible to receive some forms of student aid (such as the Pell Grant and the Perkins Loan), many working adult students taking classes less-than-half-time lose their eligibility through several program "basic eligibility requirements" outlined by the U.S. Department of Education. There are several criteria for student eligibility for any of the federally funded student financial assistance programs. Some are Department-based, meaning the federal Department of Education verifies that students meet these criteria, and some are campus-based, meaning that the school determines student eligibility for these criteria.

⁴² All of the technical information in this chapter on student financial aid requirements is taken from the US Department of Education's *Student Financial Aid Information for Financial Aid Professionals* handbook for the 2001-2002 academic year. It can be found at <http://www.ifap.ed.gov/IFAPWebApp/currentSFAHandbooksPag.jsp>

Department-based Eligibility Requirements

Eligibility requirements that the US Department of Education verifies include US citizenship or non-citizen eligibility; selective service registration for male applicants; and demonstration of financial need for Pell Grants, SEOG, Perkins Loans, or subsidized loans.

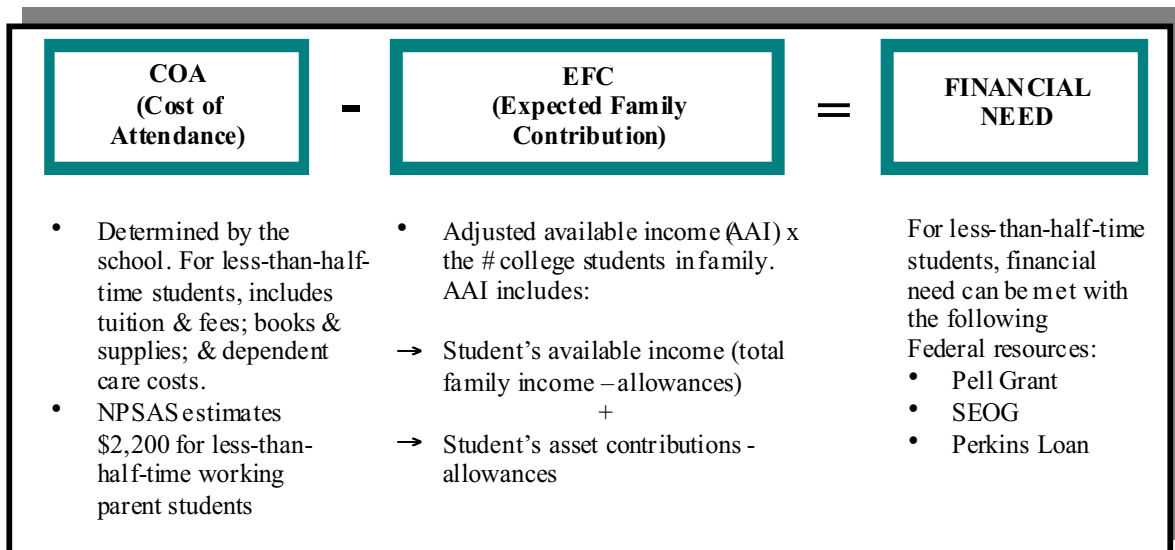
Department-based Eligibility Requirements

- Must be a US citizen or eligible non-citizen
- Must have registered for the selective service if male
- Must demonstrate financial need for Pell, SEOG, or subsidized loans

Most of the working adults on whom this report focuses are US citizens or eligible non-citizens. Although it is not certain how many of these potential students might be disqualified based on failure to register for the selective service requirement, it does not seem like it could be many.

The main “sticking point” within these eligibility requirements is the “demonstration of financial need.” Student financial need is determined using a simple concept: the student’s expected cost of school attendance *minus* that student’s expected financial contribution to his or her education *equals* that student’s financial need.

Figure 11: Federal Student Financial Assistance for Less-Than-Half-Time Students



Typically, less-than-half-time students who are employed full-time and possibly married with children have too low a COA (cost of attendance) because they overwhelmingly attend less-expensive community colleges on a limited part-time basis and cannot count room and board or other expenses outside those listed in figure 11 above in their cost of attendance calculations. Although they may not be even middle-income earners, these students also have too high expected family contributions because they have a full-time income and also may have a working spouse. Therefore, their financial need is likely to be zero, and they will not qualify for any federal or state student aid.

The US Department of Education has outlined separate expected family contribution formulas for three different groups of students: dependent students; independent students without dependents other than a spouse; and independent students with dependents other than a spouse (see the *Student Financial Aid Handbook* for formula worksheets and calculations, as well as examples). Working adult students in this report will use either the second or third formulas because they will have met at least one of the following 5 criteria for independent students:

**Title IV Student Financial Assistance
Formulas to Calculate Expected Family Contribution**

- Formula A for dependent students
- Formula B for independent students without dependents other than a spouse
- Formula C for independent students with dependents other than a spouse

- At least 24 years old
- Graduate or professional student
- A veteran
- An orphan or a ward of court
- Someone with legal dependents other than a spouse

The main difference between the formulas for dependent students and independent students is that dependent students must include their parents' income and asset information on their financial aid application form. The theory is that students who are dependent on their parents are likely to have access to some of their resources for schooling. The two formulas for independent students differ in that one includes additional costs for dependents.

Other special formulas may be used to calculate the EFC. These include the simplified formula; the automatic zero EFC; and the other than 9-month enrollment.

Table 8: Alternative EFC formulas

Special Formulas	Independent Student Eligibility
➤ Simplified: Same as regular formula, but asset information is not included in the calculation	➤ Can qualify if: - Neither student nor spouse was required to file an IRS Form 1040 and - Student and spouse combined AGI or income earned from work is less than \$50,000
➤ Automatic zero EFC: student has no expected family contribution	➤ Independent students with dependents other than a spouse qualify if: - Neither the student nor the spouse was required to file an IRS Form 1040 and - Student and spouse combined AGI or income earned from work is \$13,000 or less ➤ Independent students with no dependents other than a spouse do not qualify for this formula
➤ Alternative EFC for less than 9 month enrollment: modification of the EFC if student is enrolled for less than 9 months	➤ Students qualify if they are enrolled for less than 9 months at an eligible educational institution.

Source: *Student Financial Aid Handbook, 2001-2002*

Example: Elizabeth, Independent student without dependents

Total Income

Elizabeth is married, but has no other dependents. Her AGI is \$35,000; her income earned from work is \$10,000 and her husband's income earned from work is \$25,000. She reported no untaxed income on the FAFSA, so her total taxable and untaxed income is \$35,000. She reported \$6,000 in exclusions on the FAFSA in question 46; therefore, her total income is \$29,000.

Allowances and Contribution from Available Income

Elizabeth reported income tax paid of \$3,371. Her state of legal residence is Ohio, so her state and other tax allowance is $\$29,000 \times 5 \text{ percent} = \$1,450$. Her Social Security tax allowance is $\$10,000 \times 7.65 \text{ percent} = \765 , and her husband's Social Security tax allowance is $\$25,000 \times 7.65 \text{ percent} = \$1,913$. Her husband isn't enrolled at least half time, so her income protection allowance is \$8,180. Her employment expense allowance is \$2,900, because 35 percent of her income is \$3,500. Elizabeth's total allowances equal $\$18,579$. Her available income is $\$29,000 - \$18,579 = \$10,421$, and her contribution from income is $\$10,421 \times 50 \text{ percent} = \$5,211$.

Contribution from Assets Examples

Elizabeth reported \$900 for cash, savings, and checking on the FAFSA. Her husband also has a business with a negative net worth; following the instructions on the FAFSA, she reported this net worth as zero. The adjusted net worth of the business (the amount to be used in the EFC calculation) is also zero. Elizabeth is 24 years old, so her asset protection allowance is \$0. Her discretionary net worth is $\$900 - \$0 = \$900$. Multiplying this by the conversion rate of 35 percent, her contribution from assets is \$315. Because Elizabeth and her husband were required to complete a 1040, Elizabeth doesn't qualify for the simplified formula.

Final EFC Examples

Elizabeth's contribution from income and assets is $\$5,211 + \$315 = \$5,526$. Because there's only one person in college, her EFC is also 5526. If her husband were also enrolled in college, her income protection allowance would have been lower (\$5,110), so her available income would be higher. Her contribution from income would have been \$6,746, and her contribution from income and assets would have been \$7,061. Because there would be two household members in college, this amount would have been divided by 2 to determine Elizabeth's EFC, \$3,530.

Source: *Student Financial Aid Handbook, 2001-2002*

An example of the use of formula B (independent student without dependents other than a spouse) can be taken directly from the US Department of Education's 2001-2002 Student Financial Aid Handbook for financial aid officers. This example illustrates the difficulty low-income students have in obtaining financial assistance to pursue education and training on a less-than-half-time basis. Relatively low cost of attendance and relatively high expected family contributions are the culprits.

In this example, Elizabeth and her husband both earn less than the median annual income for high school graduates (in 1999 for male high school graduates was \$27,240 and for female graduates was \$14,695.⁴³). Using formula B for independent students without dependents other than a spouse, Elizabeth's expected family contribution is \$5,526.

If Elizabeth is taking classes on a less-than-half-time basis, she is probably paying about \$500 in tuition and fees and about \$2,150 in other costs.⁴⁴ With a total cost of attendance at \$2,650 and an expected family contribution of \$5,526, Elizabeth's financial need is

negative, which means, according to the Department of Education, she can more than afford to pay in full for her courses.

If Elizabeth were a full-time worker earning about the same about as her husband, her EFC would increase, further disqualifying her for any federal financial aid. If she had

⁴³ US Census Bureau. Income Statistics Branch, Historical Income Table P-16 "Educational Attainment – People 25 Years Old and Over by Median Income and Sex: 1991 to 1999." Based on the March CPS. <http://www.census.gov/hhes/income/histinc/p16.html> cited September 2001.

⁴⁴ Based on cost figures for less-than-half-time working adult students from analysis of the NPSAS 1999-2000 data

children, her income allowances would increase, reducing her EFC and making her eligible for some financial assistance.

One may ask, if the cost of attendance is so low – just over two thousand dollars per year – why can't Elizabeth and her husband simply pay directly? Remember that Elizabeth's total family income is \$35,000. At this earnings level, Elizabeth and her husband – after paying for rent, food, transportation, and other living expenses – are unlikely to have a few thousand dollars in cash to pay for tuition, fees, books, and supplies at the beginning of a semester.

School-based requirements

The U.S. Department of Education specifies four basic school-based student eligibility criteria for students seeking any federal student financial assistance including: student must be enrolled as a *regular* student in an *eligible program* at an *eligible institution*; elementary and secondary enrollment is precluded; student must have a high school diploma, equivalent, or pass an “ability to benefit” test; and student must make satisfactory progress.

School-based eligibility requirements:

1. Enrolled as a regular student in an eligible program at an eligible institution
2. Elementary or secondary school enrollment is precluded
3. Must have a high school diploma, equivalent, or pass an “ability to benefit” test
4. Must make satisfactory progress

Criterion 1– Regular Student in an Eligible Program at an Eligible Institution: A “regular student is someone who is enrolled or accepted for enrollment for the purpose of obtaining a degree or certificate offered by the school” (*Student Financial Aid Handbook*, 2001-2002). Simply, a student must “declare a major,” as it is commonly known, usually by signing a form stating which degree or certificate s/he is studying for and by meeting regularly with an academic advisor.

Many working adults may chose to take one or two classes at a local community college to enhance their job skills and may not declare a major. If they were not formally enrolled in a program, they are not be eligible for federal financial assistance to help fund the class(es).

An eligible program varies by the type of institution providing the program. Eligible programs at traditional two- and four-year colleges and universities include traditional associate, bachelor graduate, and professional degrees, as well as shorter-term programs leading to these degrees. These programs usually require full-time students to earn at least 12 credit hours worth of courses for a typical 16-week semester.

Eligible programs at proprietary schools and post-secondary vocational institutions provide a minimum number of credit hours or clock hours worth of training within a minimum number of weeks. “Clock hours” measure the actual time a student is in class, lab, or other program activity. This system is typically used for hands-on vocational programs. “Credit hours” measure the amount of academic credit a student earns for a

course. Typically, one *credit* hour is worth one hour in a classroom per week plus two hours of homework for the week. This measure is typically used in traditional college and university programs; however, some vocational programs may choose this system over the clock hour measure.

A typical training program at a proprietary school or vocational institution must provide at least 600 clock hours within a minimum of 15 weeks to be eligible to distribute student financial aid (*Student Financial Aid Handbook*, 2001-2002). Unfortunately, many working parent students cannot usually afford this time commitment. In chapter 2 of this report, data presented from the 1991 National Household Education Survey, Adult Education component, indicated that 75 percent of adult education students took courses that were less than 7 weeks long. The Department of Education-approved learning structure – 12 hours per week for 15 weeks – simply is not compatible with what full-time working parents can manage. These students are able to take either short-term intensive programs that fall below the 15-week Department standard or less-intensive longer-term programs that fail to meet the 6-course hours per week Department standard.

Although the definition of “eligible institution” varies somewhat by type of institution, i.e. non-profit institution of higher education, proprietary institution of higher education, and post-secondary vocational institution, the following three requirements are common across all three:

- 1) “Legal authorization by the state where the institution offers post secondary education to provide a post secondary education program”;
- 2) “Accreditation by a nationally recognized accrediting agency or has met the alternative requirements, if applicable,” and
- 3) “Admits as regular students only persons with a high school diploma or its recognized equivalent, or persons beyond the age of compulsory attendance in the state where the institution is located” (*Student Financial Aid Handbook*, 2001-2002)

All two- and four-year colleges and universities, as well as many not-for-profit and for-profit proprietary and trade schools have met these requirements. For example, 91 percent of the 718 schools accredited by the Accrediting Council for Continuing Education and Training (ACCSC) participate in federal Title IV student aid programs. Thirty-five percent of these schools have part-time students.⁴⁵ However, working adults may take courses from schools or institutions that do not meet these requirements. In 1999, 22 percents of adults participated in work-related training that was offered by an institution *other than* an accredited post-secondary institution. These programs could include training for computer software applications, time management or sales training courses.⁴⁶ Although they may be valuable post-secondary education courses, such programs are not eligible for participation in Title IV student financial aid programs.

⁴⁵ Personal Communication with Elise Scanlon (Executive Director) and Michael J. Zawisky at ACCSC in December 2001 and January 2002.

⁴⁶ U.S. Department of Education, National Center for Education Statistics, *The Condition of Education 2001*, NCES 2001-072, Washington, DC: U.S. Government Printing Office, 2001.

Some of these training programs or centers may not be prepared to become eligible for Title IV funding. As one trade school founder interviewed for this report suggested, going through the process of meeting the requirements for Title IV eligibility requirements is burdensome, time-consuming, and expensive. At a minimum, the process takes two years to complete and can cost up to \$10,000 for the staff time to complete and monitor all of the requirements. Schools must evaluate and may need to restructure their programs to meet minimum time and learning standards. They must apply for and receive accreditation from one of about 45 accreditation bodies approved by the Department of Education. Finally, they must provide “continuous post-secondary instruction...for at least two consecutive years” before they are eligible to participate in Title IV programs as a proprietary or post-secondary vocational institution (*Student Financial Aid Handbook*, 2001-2002).

1992 Amendments to the Higher Education Act

Changes to the Higher Education Act in the 1992 reauthorization established many tighter eligibility requirements to prevent fraud and abuse of the student financial aid system. These amendments may have been the cause of two subsequent situations. First, by making it harder for shorter-term, less traditional programs to provide student financial aid, these amendments may have caused part of the upsurge in the number of non-accredited, cash-only training centers. Second, they may have inadvertently stifled innovative program development and limited access to education and training programs for low-wage workers. Because student financial aid is generally not available for short-term credential programs or other short courses, colleges and universities have not been quick to develop these types of training programs that may benefit low-wage working adults attempting to enhance their skill development.

Members of the higher education community have begun to work with the Department of Education and some members of Congress to initiate rule changes to address these problems. Legislation to address limitations stemming from the “12-Hour Rule” (eligible programs must require at least 12 hours of “seat time” in a classroom per week) has been introduced in committee. The Office of Postsecondary Education in the US Department of Education and organizations like the Institute for Higher Education Policy have begun a dialogue to address these challenges.

Criterion 3 High school diploma, equivalent, or pass an “ability to benefit” test:

Although more and more adults have high school diplomas, this criterion may affect some of the working adults who are the focus of this report. Certainly students who enroll in post-secondary education should be qualified to study at the post-secondary level, and proof of this is likely to be a high school diploma, its equivalent, or the student’s passing one of the ten Department of Education-approved tests indicating that the student has the *ability to benefit* from post-secondary education. However, for students who have yet to overcome this barrier, federal student aid eligibility

requirements do not make it easy. Students cannot use Title IV aid to prepare for earning a GED and Adult Basic Education funds are severely limited.

Criterion 4 Satisfactory Progress:

The Department of Education specifies two standards for “satisfactory progress”: one qualitative and one quantitative. The qualitative standard focuses on grades. According to the *Financial Aid Officer Handbook*, “The law specifies that by the end of the second academic year, the student must, in general, have a C average or its equivalent, or have an academic standing consistent with the requirements for graduation from the program” (*Student Financial Aid Handbook*, 2001-2002).

The second standard outlined by the Department is a quantitative standard, which focuses on the pace at which a student completes a program. According to the *Financial Aid Officer Handbook*, schools must set a minimum pace by which a student must complete a program. As set by individual schools, students must *attempt* (even if they do not complete or pass) a certain percentage of the courses in a program within a certain time period. Students must also pass a certain percentage of the courses *attempted*. Because these policies are set by each school, there is no central standard for acceptable percentages. However, the Department of Education does stipulate that, for an undergraduate program, “the maximum time frame cannot exceed 150 percent of the *published* length of the program [as determined by the school for each enrollment level] measured in academic years, academic terms, credit hours attempted, or clock hours completed, as appropriate” (*Student Financial Aid Handbook*, 2001-2002).

This standard may act as a significant barrier for working adults pursuing education or training on a less-than-half-time basis. In order to receive federal aid, these students must keep an academic pace that many simply may not be able to sustain considering their family responsibilities and full-time work obligations.

In general, students enrolled in traditional programs are taking longer to complete their degrees. According to a recent Census Bureau report, 44 percent of associate or vocational degree holders (aged 25 and over) took longer than the scheduled time to complete their degrees. The report indicates that most people averaged more than two years to complete vocational programs, even though most programs are designed to take a year or less. Similarly, the report concluded that while associate degrees generally require a 2-year course of study, most people took an average of over 4 years to complete them.⁴⁷

⁴⁷ Bauman, K. J. and C. L. Ryan. “What’s It Worth? Field of Training and Economic Status.” Current Population Reports. U.S. Census Bureau. P70-72. 1996. April 2001. <http://www.census.gov/prod/2001pubs/p70-72.pdf>.

Summary

Table 10 below outlines the various “sticking points” within the federal Title IV student financial assistance programs for full-time working adults without post-secondary education in their quest for credentialed skill development.

Table 9: Barriers to financing within the student financial aid system for less-than-half-time students

Federal Student Aid sources	Barrier for less-than-half-time student
<ul style="list-style-type: none"> Direct loans and Federal Family Education Loans 	<ul style="list-style-type: none"> Student must be enrolled half-time or more (6 or more credit hours) to be eligible
<ul style="list-style-type: none"> Pell Grant, SEOG, Perkins loans, and need-based loans financial need formulas 	<ul style="list-style-type: none"> Working adult often has too high EFC for eligibility Less-than-half-time student often has too low COA for eligibility
<ul style="list-style-type: none"> For all aid, must be enrolled as a <i>regular student</i> in an <i>eligible program</i> at an <i>eligible institution</i> 	<ul style="list-style-type: none"> May not be a <i>regular student</i> because not officially seeking a degree May not be enrolled in an <i>eligible program</i> May not be enrolled at an <i>eligible institution</i>
<ul style="list-style-type: none"> For all aid, must have a high school diploma, equivalent, or pass an “ability to benefit” test 	<ul style="list-style-type: none"> May not have diploma and may not have resources to get equivalent If immigrant, may not have documentation of diploma from home country
<ul style="list-style-type: none"> Must make satisfactory progress → Minimum grade point average → Maximum time-frame for program completion 	<ul style="list-style-type: none"> May not be able to complete program within the school’s published length

In addition to the impediments outlined here and in the next chapters, one of the big reasons working adults do not receive aid could be that they do not apply for it. According to analysis of the NPSAS data, in the 1999-2000 school year, only 8.5 percent of less-than-half-time students who considered themselves employees and who worked full-time even applied for federal aid. In addition to increasing aid eligibility for working parent students, a marketing campaign to educate working adults about available aid seems necessary.

SECTION C: THE LIFETIME LEARNING TAX CREDIT

Background

The Taxpayer Relief Act of 1997 created the Hope Scholarship and the Lifetime Learning tax credits to help make college more affordable for millions of American students and families. These credits were designed to make college more affordable for students and families and to increase opportunities for working adults to improve their skills.

The Hope Scholarship Credit provides a tax credit up to \$1,500 for the first two years of post-secondary education. Tax filers can claim 100 percent of the first \$1,000 spent on qualified expenses (tuition and fees) and 50 percent of the second \$1,000 for themselves or their dependent(s). Students benefiting from this credit must attend school at least half-time. The Lifetime Learning Tax Credit (LLTC) allows students studying beyond

the first two years of undergraduate or those taking courses on a less-than-half-time basis to claim a credit of up to \$1,000 by claiming 20% of the first \$5,000 of qualified educational expenses. In 2003 this maximum increases to the first \$10,000, and the potential credit thus increases to \$2,000. Because working adults taking courses on a less-than-half-time basis are not eligible for the Hope Scholarship Credit, this chapter focuses on the Lifetime Learning Tax Credit.

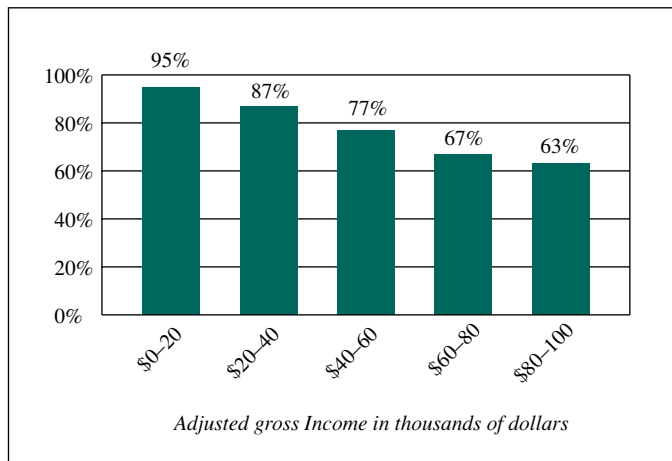
Impediments Within the Structure of the Lifetime Learning Tax Credit

Despite the general popularity of tax-based student aid, preliminary data for the 1999 and 2000 tax years indicate that only about 5 percent of all tax returns included either the Hope or Lifetime Learning Tax Credit.⁴⁸ In the tax year 2000, the Hope Scholarship Credit provided almost \$5 billion in education tax credits, and the Lifetime Learning Tax Credit provided approximately \$2.4 billion (*Budget of the United States Government, Fiscal Year 2001*).

In the tax year 1999 (the latest year for which detailed tax data are available from the IRS), 3.2 million tax filers received credits for the LLTC. They claimed credits amounting to \$1.5 billion. About 19 percent of these filers were parents receiving the credit on behalf of their children and the other 81 percent received the credits for their own educational expenses.⁴⁹

Our analysis of the 1999 tax data shows that the higher the tax filer’s income, the more likely they were to claim the LLTC for dependent children in college. Ninety-five percent of tax filers with adjusted gross incomes (AGI) between zero and \$20,000 who claimed a LLTC claimed it for their own educational expenses. However, about one-third of filers with AGIs over \$60,000 claimed the tax credit for someone else, presumably dependent children in college. This suggests that a significant portion of the LLTC benefits is going to middle and upper middle income families to help make their children’s college education more affordable.

Figure 12: Percent of Tax Filers Claiming the Lifetime Learning Tax Credit for Their Own Educational Expenses



Source: Analysis of data from IRS

Despite the fact that 81 percent of tax filers received the LLTC for their own educational expenses – which implies that the credit is working to boost skill development of independent adults – it is difficult to determine if these tax filers are chronically poor

⁴⁸ Taxpayer Usage Study, Tax Year 2000, Report 13 (data through May 4, 2001), IRS.

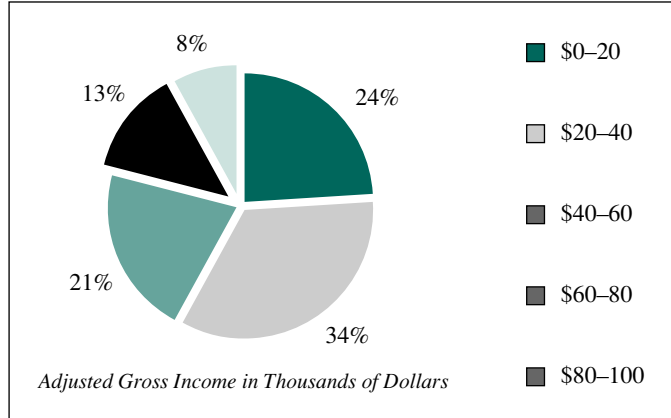
⁴⁹ Original analysis of data from the 1999 Individual Tax Files, Internal Revenue Service, Statistics of Income Division.

working adults without post-secondary education or temporarily poor independent undergraduates and graduate students with excellent prospects.

For example, 24 percent of all Lifetime Learning Tax Credits awarded in the 1999 tax year were to tax filers with adjusted gross incomes below \$20,000. Filers in this tax bracket could include single mothers struggling to move out of poverty. However, with tax exemptions for her child(ren) and the earned income tax credit, it is unlikely that she owed enough taxes to receive an education *credit* against her tax obligation. It seems more likely

that filers in this tax bracket are single independent undergraduate or graduate students who work while enrolled and who do not have other exemptions or credits that would reduce their tax liability, making them more likely to receive a LLTC.

Figure 13: Percentage of Returns Awarded Only a Lifetime Learning Tax Credit by Adjusted Gross Income

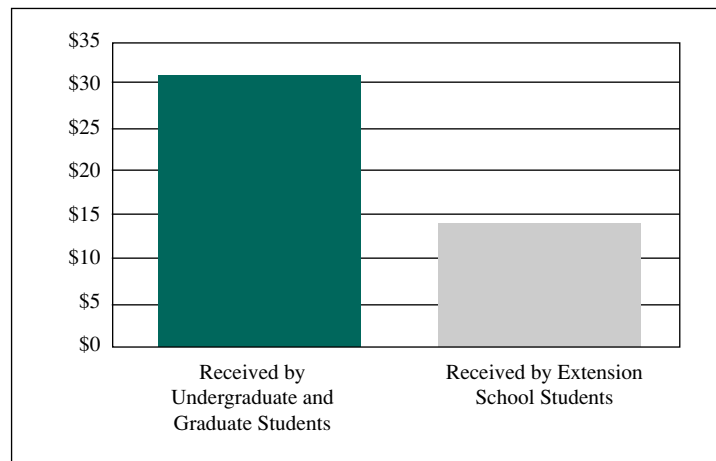


Source: Analysis of data from IRS

Student Use of Education Tax Credits – The University of California Study

In one of the few reports on the usage of education tax credits, analysis by the **University of California (UC)** provides some evidence that the Lifetime Learning Tax Credit benefits traditional students more than it benefits working adults.⁵⁰ During the 1999 tax year, UC sent surveys to 9,000 students randomly to determine their use of the education tax credits. Results of the survey were presented for three groups of students – undergraduates, graduate students, and UC Extension school students – and include data on credits *claimed*, not credits earned. In its report, UC estimated that the total value of the LLTC in 1999 was \$44.7 million. It further estimated that traditional undergraduate and graduate students from the “main campus” realized about \$31 million; whereas UC Extension school students – mostly working adults – realized only \$14 million.

Figure 14: University of California Estimated Value of Lifetime Learning Tax Credits, Tax Year 1999 (in millions of dollars)



Source: *Hoblitzell and Smith, 2001*

Additionally, graduate students had the highest claim rate for the education tax credits – 37 percent claimed a credit, versus 27 percent of undergraduates and 29 percent of UC Extension students.⁵¹ Graduate school students also were far more likely to claim the full amount of the LLTC – 43 percent who claimed the LLTC claimed the full amount, versus 26 percent of undergraduate students and only 15 percent of UC Extension school students.

UC found that many Extension school students did not know about the credit or were confused about its eligibility requirements, which seems to explain part of the disparity. Whatever the reasons, the Lifetime Learning Tax Credit seems to be making more progress toward its goal of helping traditional students afford college than that of assisting working adults develop career skills.

⁵⁰ Hoblitzell, Barbara A. and Tiffany L. Smith. 2001. University of California Office of the President. “Hope Works: Student Use of Education Tax Credits.” *New Agenda Series*, Vol. 4, No. 2. November 2001. Lumina Foundation.

⁵¹ Because graduate students are ineligible for the Hope Credit, their claims would be for the LLTC.

There are two main barriers within the structure of the Lifetime Learning Tax Credit that preclude working adults from benefiting from it: it is non-refundable, and it provides a very minimal credit for working adults students enrolled on a limited part-time basis.

Non-Refundability

Because the Lifetime Learning Tax Credit is not refundable, it only benefits families who *owe* taxes. As the typical family⁵² does not begin to owe taxes until their annual income reaches about \$19,000, families with earnings below this amount receive no benefit. As discussed above, working adults with such low incomes may not qualify for a Pell Grant, either. Therefore, they are caught in yet another Catch 22: they make too much to qualify for a Pell Grant (or are ineligible for a variety of other reasons), but they have no tax obligation to benefit from the Lifetime Learning Tax Credit for their credentialed skill development.

Minimal Tax Credit for Working Adult Students Enrolled Less-Than-Half-Time

For families who earn enough to owe taxes, the Lifetime Learning Tax Credit overwhelmingly benefits full-time students and students at high-cost institutions. Whereas the Hope Credit is worth 100 percent of the first \$1,000 and 50 percent of the next \$1,000 spent on qualified educational expenses, the Lifetime Learning Tax Credit is worth much less. It is worth only 20 percent of the first \$5,000 spent on qualified educational expenses. Under the Hope Credit, families need only spend \$2,000 to earn the maximum credit of \$1,500; whereas, families claiming the Lifetime Learning Tax Credit must spend \$5,000 – two and one-half times as much – to earn the maximum credit of \$1,000.

Table 10: Hope Scholarship Credit vs. Lifetime Learning Tax Credit

Hope Scholarship Credit (Hope)				Lifetime Learning Tax Credit (LLTC)			
	Amount spent on qualified educational expenses	percent claimed under Hope	Amount of Hope Credit		Amount spent on qualified educational expenses	percent claimed under LLTC	Amount of LLTC
	\$1,000	x 100%	\$1,000				
	\$1,000	x 50%	\$500		\$5,000	x 20%	\$1,000
Total spent on qualified educational expenses:	\$2,000	Total Hope Credit allowed:	\$1,500	Total spent on qualified educational expenses:	\$5,000	Total LLTC allowed:	\$1,000

The pending increase in the cap on qualified expenses from \$5,000 to \$10,000 in 2003 is a windfall for full-time students who have high tuition and fees costs, such as dependent undergraduates in middle-income families and independent graduate students. However,

⁵² For analysis in this section, the typical family consists of two parents with two minor children taking the standard tax deduction and exemptions for four. As the typical family is becoming less and less typical, we also include examples of other family types.

this increase does nothing to further support working parents' skill development because their spending on education is far below both caps. What would help this group of students more is an increase in the percentage of qualified educational expenses, which would help them realize more of a benefit under this program.

Low-income working adults who approach skill development on a less-than-half-time basis are especially affected by this limitation of the Lifetime Learning Tax Credit. Below are three examples that illustrate the built-in bias toward traditional students and their families.

Low-Income Working Adult Claiming Credit for Her Own Skill Development

Elizabeth, who was introduced in the previous chapter, exemplifies a low-income family. With a family adjusted gross income of \$35,000, Elizabeth and her husband owed \$3,371 in incomes taxes. If Elizabeth is enrolled less-than-half-time, she has about \$500 worth of eligible educational expenses (the average tuition and fees for a less-than-half-time working adult student, according to NPSAS data). When it comes time to file the family's taxes, Elizabeth will earn 20 percent of \$500, or a \$100 credit under the Lifetime Learning Tax Credit.

Middle Income Family Claiming Credit for Their Traditional College Student

On the other hand, we can consider the tax credit implications for a middle income family of four claiming a credit for a traditional student's education for one of their children. In the United States, the median earner makes \$32,155 annually, so this middle-income family with two earners has an adjusted gross income of \$64,310. With only standard deductions and exemptions, their taxable income is \$45,760 and their tax is \$7,117. Because their son attends a four-year institution full time, this family pays the national average of \$6,329 in tuition and fees for an academic year. If their son is a junior, he is no longer eligible for the Hope Scholarship credit. However, this family can claim a Lifetime Learning Tax Credit for his educational expenses. When tax time rolls around for this family, they will be able to claim 20 percent of the first \$5,000 in qualified educational expenses for their son (\$6,329) and will earn the full Lifetime Learning Tax Credit of \$1,000. Even if their son went to a public four-year university where the national average cost of tuition and fees is \$3,110, this family will still earn a credit of \$622.

Temporarily Poor Full-Time Graduate Student Claiming Credit for Herself

Finally, we can take an example of a single graduate student supporting herself while attending school full-time and working part-time. If this student works 10 hours per week during the school year and full time in the summer (at a rate of \$10 per hour), she will have an adjusted gross income of \$9,100. After the standard deduction and exemption, her taxable income will be \$1,900 and her tax will be \$287. As a full-time graduate student, she is likely paying at least \$5,000 per academic year for school. When

tax time comes, she will be able to claim 20 percent of this amount and claim the full Lifetime Learning Tax Credit of \$1,000, thus reducing her tax obligation to zero.

Table 11: Three Scenarios Under the Lifetime Learning Tax Credit

	Low-income family*	Median income family*	Graduate student (temporarily low-income)
<i>Type of student:</i>	Less-than-half-time self	Full-time child	Full-time self
<i>Family AGI:</i>	\$35,000	\$64,310	\$9,100
<i>Amount of qualified educational expenses:</i>	\$500	\$6,329	> \$5,000
<i>Amount of LLTC:</i>	\$100	\$1,000	\$1,000**

*assumes two earners

** although the actual credit is equal to her amount of taxes owed of \$287

It is clear from these examples that the Lifetime Learning Tax Credit is biased toward full-time students and does very little to benefit working adults who may attend school on a limited part-time basis.

There are other ways in which the Lifetime Learning Tax Credit fails to benefit the working poor. First, low-income families typically lack discretionary income to pay for classes at the beginning of a semester in anticipation of receiving a credit as much as 15 months later when taxes have been filed. Even if they owe taxes and can benefit from the credit, this is a cash flow problem for many workers living paycheck to paycheck.

Second, tax filers often do not know about the education credits or they are confused by them. The University of California study on tax credit usage reported that 20 percent of students who did not claim the LLTC did not know about it. Many of the written comments on the study provided evidence for student confusion about the credits – despite the fact that UC aggressively promoted the credits and provided informational materials beyond what was required by law (“Hope Works”). Third, the education credits can be used only at Title IV-eligible schools, which omits many kinds of proprietary short-term training programs.

Finally, the tax credit can be used for only tuition and fees. Books, supplies, room, board, transportation, child care, and other costs are not qualified educational expenses that can be claimed under the credit. For working adult students, these can be the highest cost of attending post-secondary education, representing a significant barrier to their credentialed skill development.

Education tax credits have been designed to reward middle-income families for sending their children to college. Toward this end, they have been successful. However, there are ways to extend this benefit to low-income working adults, as well as low-income students. We detail these options in the recommendations chapter at the end of this report.

SECTION D: SECTION 127 EMPLOYER TAX CREDIT

There are four main employer tax provisions in the Internal Revenue Code to aid employers in supporting their employees' education:

- *Section 127 – Educational Assistance Programs*
- *Section 117 – Qualified Scholarships*
- *Section 132 – Certain Fringe Benefits*
- *Section 62(a)(2)(A) – Reimbursed Expenses of Employers*

The first one, Section 127, is the credit most likely to benefit working adult students. The other three tax provisions often are unclear and burdensome for employers, discouraging their use. For example, a December 1996 US General Accounting Office report on employer tax provisions found that, “According to IRS and association representatives we interviewed, section 127 is straightforward and simple relative to the other sections....the requirements of sections 62 and 132 are burdensome because Treasury regulations require documentation such as accountable plan or other job-related information.”⁵³

First established by the Revenue Act of 1978, Section 127 “allows public or private employers to provide up to \$5,250 per year to each of their employees in tax-free reimbursement for tuition, books, and fees for job- or non-job related education.”⁵⁴ Having expired and been renewed ten times since 1978, this provision has never enjoyed certain continuation. However, the Economic Growth and Tax Relief Reconciliation Act of 2001, instituted Section 127 as a permanent part of the tax code (at least for the next 10 years before the tax code is reviewed again).

Because Section 127 was not an on-going tax credit, there has been limited and inconsistent data collected regarding its usage. However, the US GAO completed an analysis of the tax benefit and its usage between 1992 and 1994. Findings from this report include:

- Employers annually filed 3,200 returns that reported information about educational assistance they provided their employees;
- Employers spent \$691.3 million in educational assistance to employees in 1994, up from \$525.3 million in 1992;
- Large employers – those employing 250 or more – provided 99 percent of the dollar amount of reported assistance to 98 percent of the employees who received assistance;
- The 900,000 employees who received employer-provided educational assistance under Section 127 each year between 1992 and 1994

⁵³ US General Accounting Office. “Tax Expenditures – Information on Employer-Provided Educational Assistance.” GAO/GGD-97-28, Report to the Chairman, Committee on Ways and Means, US House of Representatives. December 1996.

⁵⁴ Section 127 Coalition. *Commonly Asked Questions and Answers on Section 127*. <http://www.cupahr.org/Sectn127/QA&FS.htm>. cited August 6, 2001.

represented only 8 to 9 percent of those employees eligible for educational assistance under this credit; and

- Three-quarters of employees receiving educational assistance in the academic year 1992-93 were undergraduates. On average, these students received \$1,027 each (“Tax Expenditures – Information on Employer-Provided Educational Assistance”).

Although Section 127 has great potential to assist employers and employees in investing in education and training, its actual use has been quite limited. Given its addition to the federal tax code, this provision may enjoy more widespread use and warrants future research.

Section 127 is only one way in which employers can offer financial assistance for employee education. Because only 8 or 9 percent of the eligible employees received assistance via Section 127 and because employers can deduct virtually all training expenses from their taxes with or without Section 127, it is important to look beyond the tax code for employer educational assistance information.

According to analysis of the NPSAS 1999-2000 data, 27 percent of less-than-half-time students who worked full-time and considered themselves employees received employer support for their education. However, the amount of this support varies by employee education and earnings levels.

Employer Support for Credential Programs

A 1997 National Center for Education Statistics report based on Bureau of Labor Statistics data found that employers are more likely to provide educational support for higher earning and more educated workers in credential programs.⁵⁵ For example, although on average 24 percent of adults in these programs received some form of employer-provided financial support, only 11 percent of those earning \$20,000 or less received support while a full 58 percent of those earning \$50,000 or more received such support. This report also indicated that only 4.1 percent of handlers, cleaners, helpers, or laborers received employer financial support, while 50 percent of executive, administrative, and managerial employees received employer-provided financial help.⁵⁶

⁵⁵ Programs in 4-year college or university, 2-year community or junior college, 2-year vocational or technical school or a private vocational or technical school leading toward a recognized certificate or degree.

⁵⁶ US Department of Education. National Center for Education Statistics. *Employer Aid for Postsecondary Education*, NCES 1999-181 by John B. Lee and Suzanne B. Clery. Project Officer: C. Dennis Carroll. Washington, DC: 1999.

Figure 15: Distributed of Adults in Credential Programs by Type of Employer Aid and by Employee Level of Education

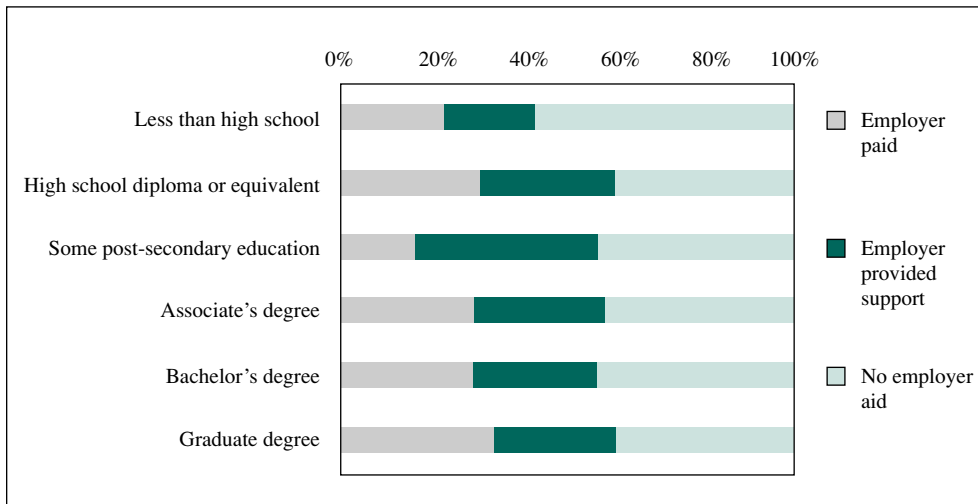
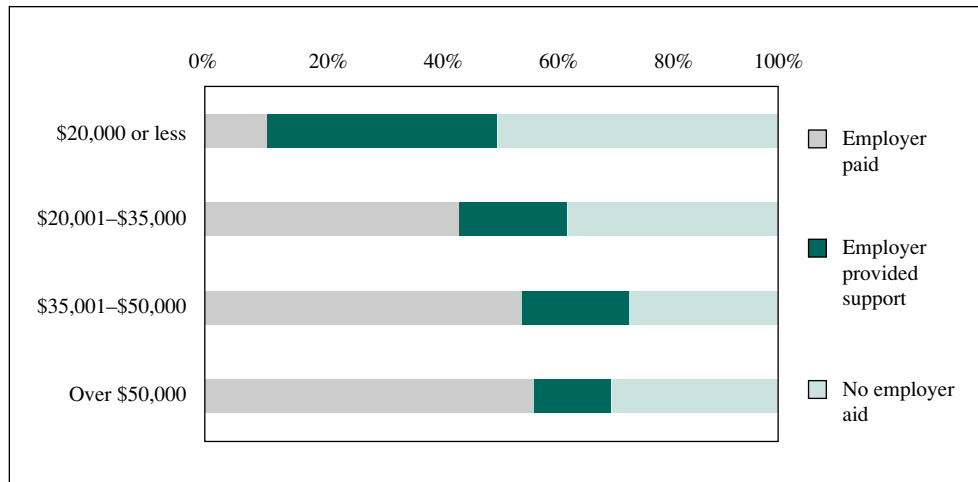


Figure 16: Distributed of Adults in Credential Programs by Type of Employer Aid and by Employee Annual Personal Earnings



Source: NHES: 95

Employer Support for Work-Related Programs

In contrast to those in credential programs, working adults in non-credentialed work-related programs (non-degree education programs, i.e. computer software applications, time management or sales training courses) always received some form of employer support. On average, 88 percent of workers in these programs received employer cash support. The other 12 percent received time off, flextime, or other forms of non-cash employer-provided support. Like employer support for credential programs, employer support for work-related programs was lower for those with less education and lower earnings/household income. However, employers provided at least some support for over

75 percent of workers in work-related programs no matter their education or earnings levels (Employer Aid for Postsecondary Education”).

Consistent with findings from other studies, it appears that employers are willing to pay for specific work-related education and training. However, there is very little support for worker education and training that results in a credential recognized outside the firm. Such support is reserved for higher earning and better educated workers. Under the current environment, working adults without post-secondary credentials cannot rely on their employers to support their credentialed skill development.

CHAPTER 4: STATE STUDENT FINANCIAL AID RESOURCES

In order to learn more about the state student financial aid resources, we conducted an original survey of the state financial aid officers who are voting members of the National Association of State Student Grant and Aid Programs (NASSGAP). Representatives in the 50 US states were surveyed electronically in the summer of 2001. Forty states representatives replied, for a response rate of 80 percent. See the table below for a summary of select survey responses.

Respondents were asked about state-financed student financial aid programs for less-than-half-time students. They were asked to rank the *need* to provide student financial aid to this population of students on a scale of 1 to 5 (“1” = “not at all” and “5” = “very hot topic”). The average score was a 2, indicating that less-than-half-time students are not on the policy radar screen of states in general. However, 10 states (25 percent of respondents) scored this question with a 3 or a 4, indicating that this student population is at least somewhat important in these states.

Some states may not rank this population as a priority because they may already have programs in place to aid less-than-half-time students. Nearly half (45 percent) of state respondents indicated that their states do have programs to provide student financial aid to less-than-half-time students. Just over one-third of the aid programs described in the survey focused on a specific student population, i.e. students in child care programs, those in teacher programs, welfare recipients, or Vietnam veterans. However, many of the state programs described in the survey were broad-based initiatives designed to fill the financial aid gap for less-than-half-time students in general. These programs are profiled below.

States also were asked about student financial aid for less-than-half-time students in non-accredited/non-Title-IV-eligible institutions and for distance learning programs. Only 8 percent of states respondents (3 out of 40) indicated that their states had aid available for less-than-half-time students in such programs. The average scores for the priority of these issues was just above 1.5 on the 1 to 5 scale, indicating that these are not policy priorities.

Although it is likely to be true of all states, some state respondents indicated lack of funding as a major barrier to extending aid to less-than-half-time students. Plummeting state budget revenues in the fall of 2001 exacerbated this barrier for most states. Others mentioned competing educational priorities such as merit scholarship programs and already inadequate funding for *traditional* students.

Table 12 below summarizes the numerical answers to questions in the survey. Profiles of state student financial aid programs are in the following section.

Table 12: Select Results of State Student Financial Aid for Less-Than-Half-Time Students

Question number and text	Response
9. "To what extent has the need to provide student financial assistance to individuals pursuing post-secondary education or occupational/vocational training less than half-time (less than six credit hours per term) surfaced as a policy issue in your state?" (Scale of 1 to 5 with "1" = "not at all" and "5" = "very hot topic")	The average score was a 2
10. "Do any of your State-financed, post-secondary student aid programs (need or merit based) provide financial assistance to individuals pursuing post-secondary education or occupational/technical training on less than a half-time basis?"	18 states indicated yes (45 percent of respondents)
12. "Is there any State-funded student aid available for less-than-half-time students in non-accredited/non-Title IV-eligible programs?"	3 states indicated yes (8 percent of respondents)
13. "To what extent has the issue in the question above surfaced as an issue in your State?" (Scale of 1 to 5 with "1" = "not at all" and "5" = "very hot topic")	The average score was a 1.68
14. "Is there any State-funded student aid available for less-than-half-time students in distance learning programs?"	3 states indicated yes (8 percent of respondents)
15. "To what extent has the issue in the question above surfaced as an issue in your State?" (Scale of 1 to 5 with "1" = "not at all" and "5" = "very hot topic")	The average score was a 1.76

SECTION A: ANALYSIS OF STATE PROGRAMS⁵⁷

In order to learn more about those state student aid programs for which less-than-half-time students are eligible, the survey was followed by brief telephone interviews to select states. Some state financial aid officers who did not respond to the survey but whose

⁵⁷ We are indebted to Dr. Samuel Kipp and his report on New Jersey part-time students for an initial understanding of many of the programs profiled in this section. See Kipp, 2000, "For All Who Have the Interest and Potential to Learn: Financial Resources, Personal Circumstances, and Perspectives of New Jersey Part-Time Students." Prepared for the New Jersey Higher Education Student Assistance Authority. http://www.hesaa.org/research/nj_pt_students.pdf

states had interesting programs also were contacted. This section contains profiles of 16 state student financial aid programs in 12 states for which less-than-half-time students can qualify. Although not a traditional student aid program, we have also included a profile of North Carolina’s Occupational and Continuing Education program as an example of how states can structure their training system to better benefit working adults.

A few highlights will provide context to the profiles:

- Vermont’s Part-Time Grant program is the oldest, having been established in the late 1970s. Although Illinois’ Monetary Award Program (MAP) has served part-time students since 1974, before 1999 less-than-half-time students were excluded. Three more state programs were implemented in the 1980s, with the rest established in the 1990s (three in 1999).
- Programs for which less-than-half-time students qualify vary in their focus on students’ enrollment intensity. The table below outlines which states have created special programs for less-than-half-time students, which allow them to participate in part-time student programs, and which allow them to participate in general state student financial aid programs.

Table 13: State Programs by Enrollment Intensity Focus⁵⁸

State Programs Specially for Less-than-half-time Students	State Part-Time Student Programs for which Less-than-half-time Students Qualify	General State Student Programs for which Less-than-half-time Students Qualify
❖ Illinois Monetary Award Program (MAP) Demonstration	❖ Delaware Governor’s Workforce Development Grant	❖ Arkansas’ Second Effort Scholarship
❖ Virginia Part-Time Assistance Program	❖ Michigan Adult Part-Time Grant	❖ Georgia HOPE Scholarship (for degree seekers)
	❖ New York Aid for Part-Time Study	❖ Georgia HOPE Grant (for non-degree seekers)
	❖ Ohio Part-Time Student Instructional Grant Program	❖ Michigan Alternative Loan Program
	❖ Vermont Part-Time Grant	❖ Minnesota State Grant Program
	❖ Vermont Non-Degree Grant	❖ Washington Worker Retraining program
	❖ West Virginia Higher Education Adult Part-Time Student Grant Program	❖ Washington WorkFirst Tuition Assistance Program

- Programs also vary by whether they focus on workers or on students. Delaware, Georgia’s HOPE Grant,⁵⁹ Vermont’s Non-Degree Grant, and both of Washington’s programs are more in line with workforce development programming in that the focus is on workers, but the programs allow them to become students in traditional educational programs. The remaining programs are more like traditional student aid programs that have been specially created for less-than-half-time and/or

⁵⁸ North Carolina is not included on this list because it does not award aid to students directly.

⁵⁹ The Georgia HOPE *Scholarship* is for *degree-seeking* students. A lesser-known Georgia HOPE *Grant* is for students taking *non-degree* classes.

part-time students or allow less-than-half-time and part-time students to participate in the state general program, e.g. Minnesota.

- Annual allocations for programs varied considerably. Allocations for the two states that focus on less-than-half-time students included \$1 million for the first two years of the Illinois MAP Demonstration program (academic years 1999-00 and 2000-01) and \$2 million for the third year. Virginia's Part-Time Assistance Program has been consistently allocated \$500,000 annually during its six years of existence.

Funding for *part-time* student aid programs that include less-than-half-time students ranges from highs of \$14.6 million in New York and \$13.3 million in Ohio to a low of \$99,000 in Delaware. Funding for *general* state student aid programs that include part-time and less-than-half-time students ranges from a high of \$141 million in Georgia to a low of \$1 million in Washington. As none of these states collect data on which students receiving aid are enrolled on a less-than-half-time basis, it is impossible to know how much of these funds benefit these students. Most state programs are funded by state general revenues. Georgia and West Virginia rely on lottery proceeds for their programs.

- About half of the programs award grants to students at *degree*-granting institutions only (formal 2- and 4-year degrees, usually coincides with institutions' Title-IV eligibility). The other half award grants to students at many different types of institutions, including vocational schools and proprietary institutions.
- Most programs require that students be enrolled in degree- or certificate- programs. Georgia, Vermont, Virginia, Washington, and West Virginia grant awards to students in *non-degree* programs. That most of these programs were implemented in the last 10 years suggests that states are beginning to recognize the significance of shorter-term training programs outside of the traditional federal Title IV eligibility restrictions in the credentialed skill development of workers.
- Most programs are need-based, requiring students to meet certain need-based eligibility requirements. These requirements usually are based on the federal guidelines; therefore, it is typical that only students with significant need qualify for aid. However, Delaware and Vermont have very liberal need-based formulas, which allow more full-time working adults to qualify for the aid than typically do under other states' need-based formulas. Arkansas' program is technically a merit-based program, in that the top 10 GED scorers receive a scholarship. Washington's Worker Retraining Program is not need-based.

- Most state programs provide grant aid for the cost of tuition and fees only (some include stipends for books). However, five state programs – Illinois, Minnesota, Ohio, Vermont, and Washington’s Worker Retraining Program – award aid based on a student budget that includes tuition, fees, books, and living expenses (including child care and transportation).
- Only one state has collected student data on the less-than-half-time students their programs serve. Because it is a demonstration, Illinois’ MAP program has been evaluated for effectiveness. In the course of this evaluation, Illinois found that the program’s less-than-half-time students resemble the regular MAP *part-time* students (those taking 6 to 11 credit hours per semester). Both types of students were more likely to be older, independent (per the federal Title IV use of the term), female, and minority than the state’s full-time students.

The evaluation noted that 50 percent of the less-than-half-time demonstration students were regular part-time MAP students in other semesters. In the MAP program, students who were less-than-half-time tended to have varying enrollment intensities: they enroll in the number of hours per semester that they can manage, whether it be 6 credit hours one semester (part-time), 3 the next (less-than-half-time), or 9 the next (part-time).

Although Virginia does not collect similarly detailed information on their less-than-half-time students, anecdotal information suggests that about 60 percent of these students are exclusively less-than-half-time enrollers, while the other 40 percent engage in mixed enrollment intensities.

- Some particularly interesting program features are worth highlighting:
 - Delaware’s Governor’s Workforce Development Grant Program is designed as a three-sided student aid model, in which the state pays for 65 percent of a student-worker’s costs; the employer pays 25 percent and the school pays 10 percent (the term “student-worker” is used because students in this program must be employed and must be enrolled in an educational institution part-time). However, because the employer funding is entirely voluntary, often the student-worker covers this percentage.
 - Michigan has an Alternative Loan Program for which less-than-half-time students can qualify. This was the only state respondent in the survey to acknowledge having a loan – vs. grant – program for these students.

- New York’s Aid for Part-Time Study is a “completers’ program,” which means that only students who have satisfactorily completed two years’ worth of college can receive the aid.
- Although Washington’s Worker Retraining Program is limited to dislocated or unemployed workers, the WorkFirst Tuition Assistance Program includes TANF recipients as well as parents earning up to 175 percent of poverty. With this eligibility extension, the state of Washington is reaching out to the working poor on which this report is focused.

SECTION B: STATE PROGRAM PROFILES

State programs profiled in this chapter include the following:

State	Program
Arkansas	Second Effort Scholarship
Delaware	Governor’s Workforce Development Grant
Georgia	HOPE Scholarship Program (for degree seekers) HOPE Grant Program (for non-degree seekers)
Illinois	Monetary Award Program (MAP) Demonstration
Michigan	Adult Part-Time Grant (APTG) Alternative Loan Program (MI-LOAN)
Minnesota	State Grant Program
New York	Aid for Part-Time Study (APTS)
North Carolina	Occupational Continuing Education (OCE)
Ohio	Part-Time Student Instructional Grant Program
Vermont	Part-Time Grant Non-Degree Grant
Virginia	Part-Time Assistance Program
Washington	Worker Retraining Program WorkFirst Tuition Assistance Program
West Virginia	Higher Education Adult Part-Time Student Grant Program (HEAPS)

ARKANSAS – Second Effort Scholarship

The Second Effort Scholarship is a small program that annually provides ten \$1,000 scholarships to the top scorers on the GED test. Students may use the scholarship to earn a Bachelor’s or Associate’s degree or a certificate at any Arkansas college or university. They must be enrolled in a minimum of 3 credit hours per semester. Started as part of an adult literacy campaign in 1991, this program has been consistently funded at \$10,000 annually. There are no plans to expand this program because, out of the approximately 100 students awarded the scholarships, there are less than one dozen scholarship students who complete their educational programs.

Scholarship students are usually over 25 years old, white, and as many men as women receive the aid. Although students can enroll in as few as three credit hours per semester,

on average, scholarship students enroll in six credit hours. Most of the scholarships are used at two-year schools.

According to the state contact for this interview, although this scholarship aid is helpful for students, all non-traditional students face significant educational challenges. Depending on the student's enrollment status and family circumstances, \$1,000 may not be enough money to cover the student's true living expenses. Costs such as child care, mortgages, car insurance, and others can be figured into a college's cost of attendance formula; however, it is often not at a high enough level to account for a non-traditional student's true costs. Students who receive the Second Effort Scholarship can and often do receive other forms of financial aid to help cover these costs.

Additionally, evening and weekend classes, as well as support services, are generally not available for non-traditional students with non-traditional schedules and needs. Arkansas has worked to provide many distance learning initiatives in an attempt to help alleviate this barrier to education for these students.

Beyond the Second Effort Scholarship, the state legislature has begun to recognize the importance of education for non-traditional students. In 2001, the Arkansas General Assembly passed a bill to provide scholarships to non-traditional students. Unfortunately, this program has not been funded. Although about one-third of the student body in Arkansas is non-traditional, most of the state-sponsored scholarships were designed for traditional students. This bill sought to provide funding to non-traditional students who met the following eligibility criteria: at least 25 years old; working toward a Bachelor's degree, Associate's degree, or a certificate; high school graduate or passed the GED; no prior Bachelor's degree; and not eligible for federal need-based aid except for the Stafford Loan. Although this bill received enough support from the state legislature to pass, it is unlikely that the program will be funded due to rapidly shrinking state revenues as a result of the current economic slowdown

DELAWARE – Governor's Workforce Development Grant

Since 1991, the Delaware Economic Development Office and the Delaware Higher Education Commission have jointly operated a small aid program targeted to working adults attempting skill development. This program is consistently allocated \$75,000 annually from the Blue Collar Fund. However, in the last two years, the Commission has overspent this fund; in 2000-01, they actually spent about \$99,000. The rising costs of education most likely is the cause of this recent additional spending. During the academic year 1999-00, this program served 235 "unduplicated recipients" (new recipients to the program). In 2000-01, there were 128 such students.

Eligible students must be enrolled part-time (anything less than 12 credit hours per semester) in any Delaware-based degree-granting institution (includes community colleges, public universities, and private schools, but not proprietary schools). Students can receive up to \$1,500 each year to cover undergraduate tuition and fees for any

educational plan at an eligible institution. Although they may, students are not required to work toward a certificate or degree. Application for funds is on a rolling basis from the end of July to the beginning of June (based on the state fiscal year).

Eligible students must be employed part-time, employed on a temporary basis, or be self-employed. If they are employed full-time, it must be for a small business (less than 100 employees). The income guidelines for this program are broad enough to cover many working adults. Eligible students cannot earn over the Delaware median income of \$31,255 for a single person (in 2001). However, if a family income exceeds this amount, the Commission increases the cutoff to three times the federal poverty level for the family size (in 2001, \$34,830 for a family of two and \$52,950 for a family of four).

The average student award has increased from \$491 in the academic year 1999-00 to \$663 in 2001-02. Over the last three years, about 30 percent of grant recipients have used the grant for one class per term. Around 43 percent of recipients use the grant for 2 classes per term and approximately 24 percent of recipients use the grant for 3 classes per term.

Students learn about this program through the schools and universities around the state (most students come from the state university). The Commission also advertises in the local business publications. However, the Commission feels that not enough students know about the program – especially working poor adults – and is working on a strategy to increase public knowledge about the program.

The model for the program calls for three different sources of funding for student aid: the state (65 percent), the student's employer (25 percent), and the school (10 percent). Although this is the design, the employer portion is entirely voluntary and generally is not made. The student tends to cover this portion of the tuition and fees.

GEORGIA – The HOPE Scholarship and Grant Programs

The Georgia HOPE Programs are entirely funded by the Georgia lottery and consist of two basic programs. The one that has received national attention is the HOPE *Scholarship* program, which is for *degree*-seeking students. The lesser-known program is the HOPE *Grant*, which is for *non-degree*-seeking students (certificate- and diploma-seekers).

Georgia HOPE Scholarship. This scholarship is available to Georgia residents who enroll in eligible post-secondary institutions, which includes public and private *degree*-granting institutions. It is available for high school graduates from the classes of 1993 and later who have earned a “B” (3.0) cumulative grade point average (GPA) for use in their freshman year. For students who graduated before 1993 or who have not earned a “B” average in high school, the scholarship is available for use during their sophomore year (specifically, the term after a student has attempted his or her FIRST 30 semester or 45 quarter hours of study with a 3.0 GPA).

For students in *public* institutions, the scholarship covers the costs of full tuition, approved mandatory fees, and a book allowance (\$150 per semester) minus any federal aid such as Pell grants. Students in private institutions are limited to \$3,000 of HOPE Scholarship aid per academic year. There is no minimum number of credit hours of enrollment at public institutions, but at private colleges and universities full-time enrollment (at least 12 hours) is required. Scholarship recipients are eligible for the scholarship as long as they maintain a 3.0 GPA for up to 127 attempted semester hours or degree credit.

In the fall of 2000, 6,235 HOPE Scholarship students were 25 years old or older. Fifty-six percent of them were enrolled in 12 or more credit hours. Their average grant was \$1,330.86. Ten percent of these students were enrolled less-than-half-time, and their average award was about \$362.

Georgia HOPE Grant. This grant is available to Georgia residents who enroll in non-degree programs resulting in a *certificate* or *diploma*. Programs must be approved by the Georgia Department of Technical and Adult Education. The Georgia Department of Technical and Adult Education administers post-secondary education and training programs through 33 technical institutes and 17 additional satellite campuses in addition to technical programs administered on the campuses of four-year colleges. There is no specific grade requirements or enrollment minimums for students in the Grant program. Like the HOPE Scholarship, the HOPE Grant covers the costs of tuition, approved mandatory fees, and a book allowance (\$100 per quarter). Grant recipients are eligible for assistance for two full programs of study leading to a certificate or diploma. However, a Grant student who has received aid for two certificate or diploma programs who then decides to participate in a degree program may be eligible for assistance for that next level of education or technical training.

In the fall of 2000, 28,392 HOPE Grant students were 25 years or older. Twenty-five percent of these students were less-than-half-time, and their average award was \$217.66.

In total, the HOPE programs have served 568,957 individual students since their inception in 1993. 268,425 students in the University system have received \$851,448,462 in aid; 286,813 students at technical colleges have received \$281,655,170 in aid; and 87,538 students at private colleges and universities have received \$253,543,971 in aid.

ILLINOIS – Monetary Award Program (MAP) Demonstration

Illinois has a long-standing commitment to part-time students. This commitment extended to less-than-half-time students in the mid-1990s. Part-time students (6 or more credit hours per semester) have been eligible for the Monetary Award Program (MAP), the state's undergraduate need-based grant program, since 1974. Part-time students must meet the same MAP eligibility requirements as full-time students, including showing

need, being admitted to a degree-granting program, and other standard student requirements, i.e. state resident, no student loan defaults.

Students can use the funds at any MAP-approved school in Illinois, which includes all universities, community colleges, private not-for-profit programs, and *degree*-granting proprietary schools (3 in Illinois). The money cannot be used at proprietary schools not approved by MAP, such as beauty schools.

The student budget for determining need is based on tuition, mandatory fees, and a \$4,700 standard living allowance (does not vary by student status). The formula subtracts from this budget the expected family contribution, which is multiplied by a special Illinois adjustment factor, and an \$1,800 self-help expectation. Part-time students who qualify for the award received $\frac{1}{3}$ of the equivalent full-time award if they are in 9 credit hours and $\frac{1}{4}$ of the award if they are in 6 credit hours.

In the mid-1990's, Illinois recognized the need to assist less-than-half-time students. In the academic year 1999-00, the state implemented a demonstration project to allow students enrolled in as few as three credit hours to participate in the MAP program. In 2001, the Illinois Student Assistance Commission recommended that the state legislature incorporate the demonstration program into the regular MAP system. Instead, the legislature funded a third year of the demonstration (and increased the funding from \$1 million to \$2 million; the Commission estimates that full funding of the program would be \$3.5 million).

Students in the demonstration program are required to meet all of the eligibility requirements of regular MAP students except the enrollment minimum. They use the same student budget and need formula to determine their need for aid. If they qualify for aid, they receive $\frac{1}{4}$ of the equivalent full-time award if they are in 3 credit hours.

In the first year of the demonstration program, 21 participating schools spent about two-thirds of the available funds. In the second year, all 73 institutions with at least 10 percent of their undergraduates attending part-time participated, and funding usage increased. In a series of student focus groups in the spring of 2000, the Commission learned that the state needed a state-wide advertising campaign to encourage students to apply for the aid, as many students were unaware of the program.

In 1999-00, Illinois had about 136,000 students in the MAP program and 2,741 in the demonstration program. Total funding for the MAP program was about \$270 million, with \$697,867 awarded to less-than-half-time students in the demonstration project (average academic year award of \$248).

In a report to the state in 2001, the Commission evaluated the use of the MAP grants by less-than-half-time students. They noted two interesting and important findings. First, most less-than-half-time demonstration students resembled regular MAP part-time students in that they were both more likely to be older, independent, female, and minority

than were full-time students. However, all MAP-eligible students had approximately the same income levels.

Table 14: Characteristics of MAP-eligible students by enrollment intensity

	MAP-eligible part-time and less-than-half-time students	MAP-eligible full-time students
<i>Average age</i>	29-30 years	24 years
<i>Percent independent student</i>	75 %	45 %
<i>Percent female</i>	76-77 %	64 %
<i>Percent minority</i>	38-39 %	28 %
<i>Mean taxable family income</i>	\$15,922-17,284	\$17,846

Source: ISAC Research Reports, Summer 2001

Second, “students who *consistently* enroll on a less-than-half-time basis are a very small proportion of the college-going population.” A 1996 study of less-than-half-time students found that 60 percent *usually* enroll in at least six hours, while only 20 percent *usually* enroll in fewer than 6 hours. The report further noted that half-time and less-than-half-time students “often are the same students – [less-than-half-time students] just find it necessary to enroll in fewer hours during a particular semester” (ISAC research report). Research in the report showed that 51 percent of the demonstration students in the first year of the program were awarded a regular MAP award at some point in the same academic year. This indicates that students vary their enrollment intensity based on their needs per semester. Focus groups and survey results supported this finding.

Students indicate varying reasons for attending less-than-half-time. Some students preferred to take difficult or time-consuming courses without the distraction of other courses. Others wanted to “test their educational abilities” early in their academic career. Sometimes students could find only one class to fit their schedules. All of these reasons are consistent with the needs and considerations faced by working adults with work and family obligations.

MICHIGAN – Adult Part-Time Grant and Alternative Student Loan Program

The Michigan Adult Part-Time Grant (APTG) was created in 1986. It provides need-based assistance for independent, undergraduate students who have been out of high school for at least two years and are pursuing a degree of at least nine months in duration on a part-time basis (3 to 11 credit hours per semester). Eligible institutions are degree-granting public or independent Michigan colleges. Need is established through the Federal student financial aid application, and it exists when the expected family contribution is less than the educational expenses. In 2001, this program was allocated \$2.8 million. Aid is limited to \$600 per student per academic year for tuition and fees. The Bureau of Student Financial Assistance appropriates funds to participating institutions based on their proportion of APTG eligible students (based on an annual survey).

Michigan Alternative Loan Program. Michigan also has a student loan program for which less-than-half-time students are eligible. The Michigan Alternative Student Loan (MI-LOAN) consists of two programs, with slightly different terms and requirements. Overall, the MI-LOAN is “intended to provide assistance to those families who do not typically qualify for gift aid and/or the subsidized Federal Stafford Loan, but who do not have sufficient cash reserves to meet the costs of a post-secondary education.” The loans can be used only at Michigan degree-granting colleges and universities that are approved by the state board of education and are Title IV eligible. Students must be attending or accepted for enrollment and making satisfactory progress, but there is no set number of credit hours for which a student must be enrolled (unlike federal loans, students are not required to attend at least half-time for eligibility).

Although both loan programs require creditworthy applicants, the Credit Ready Loan program does not require consideration of an applicant’s income, expenses, and employment history (the Creditworthy program requires two years of continuous employment and a review of the applicant’s income and expenses and credit history). The minimum amount to borrow is \$500 and the maximum is the academic cost minus other aid. The current interest rate for these loans is between 7.50 percent and 8.50 percent.

MINNESOTA – State Grant Program

Enrolled undergraduate students who take a minimum of three credit hours per semester are eligible to participate in Minnesota’s main need-based State Grant Program. In the academic year 1999-00, the state legislature appropriated \$109.53 million to this program, and it served 62,802 students. Thirty six percent of State Grant recipients were independent students, and they received 22 percent of the grant funding (the vast majority of independent students are enrolled *part-time*). This percentage roughly corresponds to the 37 percent of students who were enrolled *part-time* (less than full-time) in Minnesota in the fall of 2000.

The State Grant Program is focused on need-based aid, as evidenced in the formula and requirements for student eligibility. Students may apply for the grant by submitting the Free Application for Federal Student Aid (FAFSA) anytime during the academic year. Late applicants may receive a retroactive award for the entire year. Awards are determined based on the difference between what the student is expected to contribute to their education and their cost of attendance (which includes tuition, fees, and a standard living allowance of about \$5,000). All applicants are expected to contribute a “self-help” amount of at least 46 percent of the cost of attendance. This amount should come from student savings, earnings, loans, or other school or private resources. Student income and assets as well as Pell Grant and the State Grant can cover the remaining 54 percent of the price of attendance. The expected student contribution for independent students with children is reduced by 20 percent and for independents without children is reduced by 10 percent.

The minimum award amount is \$100. In 2001-2002, the maximum award for full-time students ranged from about \$4,348 at a public technical college to \$7,651 at a private four-year college. The average award is approximately \$1,770. Eligible institutions include the state universities, the University of Minnesota, community colleges, public technical colleges, schools of nursing and related health professions, private colleges, and private career institutions in Minnesota.

Full-time students – those taking 15 semester hours or more – use 100 percent of their cost of attendance (full tuition and fees plus the full standard living allowance) to determine their need. Forty-six percent of these costs must be covered by the student “self help” resources as defined above. From the remaining amount of need is subtracted the student’s expected parent contribution for dependent students or the student’s contribution for independent students as determined by the federal need formula and any Pell Grant for which the student may be eligible. State Grant funds may be awarded to cover the remainder of the need.

For students registered for less than 15 credits, the student budget is prorated based on a full-time load (number of credits enrolled in divided by 15). For example, 12 credit hours is 80 percent of a full-time load of 15 credit hours; therefore, these students count 80 percent of full-time tuition and fees and 80 percent of the standard living allowance in their need calculation for the State Grant. Students with a minimum of 3 credit hours get to count 20 percent of full-time tuition, fees, and the standard living allowance in their cost of attendance. Forty-six percent of these costs must be covered by the student through the self-help expectation. The federally-determined expected parent or student contribution is then subtracted from the cost of attendance. Anything left is first covered by any federal Pell Grant award, and then the State Grant.

State Grant aid can be awarded anytime during the school year, which benefits students taking courses outside the traditional academic semesters. In the 1999-2000 year, most aid to independent students went to those with less than \$30,000 adjusted gross income.

NEW YORK – Aid for Part-Time Study (APTS)

New York’s Aid for Part-Time Study program (APTS) was implemented in 1984 as a way to allow students to take the number of credit hours per semester that they could realistically manage, without forcing them to over-enroll in courses just to receive student aid. It is a separate program from the main state Tuition Assistance Program (TAP), which is only for full-time students. Since 1984, funding for APTS has quadrupled. In 1999-00, the state allocated \$14.6 million to the program for 21,784 recipients.

APTS is a “completers’ program.” Only those students who have completed two full-time equivalent years of enrollment may receive an award. Additionally, if these students do not maintain at least a 2.0 GPA, their educational institution is required to repay part of the state portion of the award paid to the student.

The program is need-based, requires students to meet basic eligibility rules, and pays for tuition and fees only. Students must be admitted to a degree- or certificate-granting program at an eligible New York institution. Although they are eligible if they are enrolled in as few as three credit hours, students who are less-than-half-time (less than 6 credit hours) usually are not awarded a grant. Because New York's financial aid programs restrict the number of semesters for which students can receive aid, financial aid officers are reluctant to allow students to "use up" their eligibility on a semester of less-than-half-time enrollment. This may encourage students who would otherwise be less-than-half-time to enroll at least half-time in order to gain access to any aid. This may help to explain why part-time students at the City University of New York (CUNY) take an average of 7.5 hours per semester, enough to make them eligible for most forms of federal and state student aid.

In 2000, New York began a three-year, \$4.5 million pilot program with CUNY to make the Tuition Assistance Program (TAP) an entitlement for part-time students as it is for full-timers. If part-time students meet all of the eligibility requirements as described above, they will automatically qualify for an TAP award. In the fall of 2000, 400 CUNY students received awards and in the Spring of 2001, 800 students received awards (out of 130,843 total CUNY part-time students). A report on the program is due by January 1, 2004.

NORTH CAROLINA – Occupational Continuing Education (OCE)

The North Carolina community college system is a national leader in non-credit continuing education. Its Occupational Continuing Education (OCE) program was established in the early 1970s and had a budget of \$31 million in 1998 funded by state general revenues. This program serves both as a traditional non-degree program for individuals interested in their own skill development and as a customized training program for employers to train their workforce. About 40% of the OCE funds are spent on training arranged by individuals, with the other 60% representing employer-driven customized training. In 1997, more than 285,000 workers were trained through OCE's 1400 approved training courses.

There are no minimum enrollment requirements for students in the OCE program. Colleges charge a flat fee of \$35 per trainee per course. This fee is returned to the state's community college system. Additional costs are subsidized by the State through a system of reimbursement based on the number of full-time equivalent (FTE) hours. A college receives reimbursement for the training costs by submitting the number of FTE hours it generated through OCE courses each semester. The state then allocates funds through a formula based on FTE. This means that the college pays for current training costs out of last year's FTE reimbursement.

In 1997, colleges were reimbursed for OCE courses at a rate of 75% of the reimbursement rate for credit programs. However, as demand for non-credit training has

increased, the State increased funding for OCE. In effect, this brought even more parity between funding for credit and non-credit courses. This funding structure gives North Carolina community colleges a strong incentive to provide numerous and quality non-degree training programs to serve the skill development needs of workers directly and their employers.

OHIO – Part-Time Student Instructional Grant Program

This need-based tuition assistance state program for part-time students is about five years old. State general revenues have consistently funded this program, providing small increases annually. In 2001-02, it was appropriated \$13.3 million. In the 1999-00 academic year, the program served 33,468 part-time students.

Any student taking less than 12 credit hours at participating public or private non-profit or for-profit college or university is eligible. However, students must be enrolled in academic programs which lead to at least an associate's degree. The state Board of Regents is in the process of building databases to collect information on characteristics of students participating in the program.

Financial need is assessed by the college or university, and the assessment process used by the school must be approved by the state Board of Regents. At least half of the schools use the federal needs analysis formula as a basis for determining student need. However, it is likely that schools are using this as a base only, taking in to consideration more and higher costs of attendance than the federal formula typically includes.

Two-year colleges in the state have indicated to the Board that there is still substantial student need in the state. Although the state has supported this aid program for part-time students, the support has been incremental. In late 2001, the state impaneled a state-wide counsel to look at issues of adult education and training and the funding mechanisms to support it. Although the panel's agenda is new, preliminary issues are likely to include:

- How to increase access to and enrollment in post-secondary education
- The lack of financial aid support for the state's training and retraining needs
- Traditional and non-traditional students and their funding needs

VERMONT – Part-time Grant and Non-degree Grant Programs

Vermont Part-time Grant. This program has been in operation since the late 1970s. It serves approximately 5,000 students per year, and the current appropriation is \$1.3 million. Advocated for by community colleges, this part-time aid program was created in order to complement the state's full-time aid program. As more students have applied for the grants, funding allocations have been increased over the years to meet demand.

Any Vermonter accepted or enrolled in an undergraduate degree, diploma, or certificate program is eligible to apply for a Part-Time Grant. Applicants must be taking fewer than

12 credits per semester and not have received a bachelor's degree. The size of awards, which are based on need, varies depending on credit hours. Awards are set at one-fourth (for 3 credit hours), one-half (for 6 credit hours), and three-fourths (for 9 credit hours) the equivalent full-time load (of 12 credit hours). The maximum grant amount varies by the type of school attended, i.e. at independent colleges, the maximum amount could be as high as \$8,650. Student need is determined based on a modified federal need formula.

Most of the Part-Time Grant recipients are enrolled in two-year schools. The program was designed for adult students, and they still make up about 90 percent of the grant recipients. However, over the last five or six years, Vermont has seen more *traditional* students starting part-time and continuing this enrollment intensity throughout their academic career. These are students who have been enticed by the benefits of employment immediately after high school and choose to attend school part-time, while they work full-time or part-time.

Vermont Non-degree Grant. Started in 1983 with \$50,000, this program has grown to \$850,000 and serves about 2,000 students per year. The original program was designed for unemployment insurance recipients to receive one training course per semester in order to secure employment or transition into a degree program. However, in 1985, the unemployment insurance requirement was dropped, opening the program to any Vermonter enrolled in any non-degree course that will improve employability or encourage further study.

The grants are based on financial need, and in the 2001-2002 school year range up to \$625 for up to two courses per semester. This maximum amount is indexed to the cost of a three-credit course at one of the four-year Vermont State colleges. Need is determined using a simple, one-page application and is based on student income (does not include assets). The methodology for determining need is slightly more liberal than traditional federal student aid methodology, taking into consideration the higher living allowances required for working adults and their families. However, non-degree grant recipients still represent very low-incomes, and many are single heads of household. Many recipients use their grants as technical centers.

VIRGINIA – Part-time Assistance Program

The Virginia Part-time Assistance program has existed for about six years and is administered by the Virginia Community College System (VCCS). Funding for this \$500,000 program is taken from a portion of the operating budgets of each college in the state. Money is allocated to the eligible educational institutions based on the number of students at each school in 3 to 5 credit hours and based on the number of students demonstrating need. In the 1999-00 academic year, the program served 889 students.

Students who are taking three to five credit hours at any federal Title IV-eligible institution and demonstrate need can qualify for grant aid to cover tuition and required

fees. Schools use the federal needs analysis formula to determine student need. Students do not need to be enrolled in a certificate- or degree-granting program to use the aid.

Although the state has not conducted studies of the less-than-half-time students receiving this state aid, anecdotal evidence from financial aid officers suggests that many students receiving this aid started as full-time, but then dropped to part-time due to work schedules or other constraints. It is estimated that about 60 percent of the students receiving this aid regularly take only 3 hours per semester.

The Virginia Community College System collects and reports a variety of useful statistics on the *community college* students in the state. According to a report by the VCCS on fall 2000 enrollments, 71 percent of the students at the state's 23 community colleges were part-time (97,108 out of 136,772). Approximately 30 percent of all students were taking three or fewer credits per semester, which represents about 41,000 students. Other statistics from this report point to many of the community college students as working adults. Forty-eight percent were 25 years or old and 69 percent were working while enrolled in school. Twenty-one percent of all community college students were taking evening courses only. Only 20 percent of students at community colleges received financial aid.

According to the state contact interviewed, the Commonwealth of Virginia is committed to ensuring that the state community college system serves the workforce development needs of the state. This was one of the main impetuses of the Part-time Assistance program. Additionally, in 1999, the legislature established workforce development centers in every community college in the state and charged the VCCS with responsibility for workforce development in Virginia.

WASHINGTON – Worker Retraining and WorkFirst Tuition Assistance Programs

Washington Worker Retraining Program. The Washington State Board for Community and Technical Colleges has operated the Worker Retraining Student Financial Aid program since 1993, serving nearly 45,000 unemployed and dislocated workers. Approximately 8,000 students were served in 2000-2001 (full-time equivalents). Students can use the financial assistance to cover tuition, fees, books, child care, and transportation costs. Funding of this program for infrastructure, faculty development, program development, staffing, and the financial assistance is appropriated from the state general funds. In 1999-00 just over \$28 million was allocated to this program or its supporting components. Seventy percent of the funds were used to support teacher salaries and student support services. \$7.8 million was used for direct financial assistance to students. This program provides financial assistance to 51 percent of the workers enrolled in the program. The typical award was \$916, which covered tuition and partial book costs for one quarter.

Unemployment compensation is expected to cover students' living expenses. Because student recipients are generally unemployed, many of them are enrolled at least _ time;

however, students are still eligible for funding if they take courses less than half-time. Most students attend 2-year institutions, but a small percentage of funds are set aside for trade schools and private vocational schools. All 34 colleges in the CTC system participate in the program.

This program requires an educational plan for each student. Some colleges assign special intake counselors to serve program students; whereas, others fold them into their regular academic advising system. Receipt of financial assistance is not tied to a degree or certificate unless the student so chooses in his or her educational plan. Additionally, students can use the financial aid to pursue short-term programs such as a Microsoft certificate.

Washington WorkFirst Tuition Assistance Program. Started in January 1999, this program covers tuition, fees, and book costs for low-income parents and those receiving Temporary Assistance for Needy Families (TANF). In 1999-2000 participants typically received one or two quarters of aid. The program relies on two main sources of funding: \$1 million from state general revenues and some money from TANF. The target population is low-income parents and parents receiving TANF funds. Low-income is defined as earning below 175 percent of poverty, and the formula uses *monthly* income for the calculation. In 1999-2000, 6,700 participants attended training in this program; just over half were welfare recipients. Parents must be working and can receive funding for less-than-half-time enrollment. The typical trainee works 25 hours per week and attends school for 10 hours per week (actual time, not credit hours). Eligible educational institutions include public two-year colleges and some Indian colleges. Private schools are not eligible institutions.

In a recent report, the Washington State Board of Community and Technical Colleges found that this program “encompasses major structural changes for some colleges in how they plan and offer training to low-income adults by taking into consideration their work hours and their lifelong learning needs.” Because of this, colleges have been making strides in increasing evening and weekend instruction for all working adults. However, one of the report’s main recommendations is to bolster these efforts.

Like the Worker Retraining Program, this program requires an educational plan for each student. Some colleges assign special intake counselors to serve program students; whereas, others fold them into their regular academic advising system. Receipt of financial assistance is not tied to a degree or certificate unless the student so chooses in her educational plan. Students can use the financial aid to pursue short-term programs such as a Microsoft certificate.

WEST VIRGINIA – Higher Education Adult Part-time Student Grant Program (HEAPS)

The Higher Education Adult Part-time Student Grant program (HEAPS) was designed for working adults to take classes on a part-time basis (less than full-time, which is 12 credit

hours) to enhance their skill development. Implemented in 1999-00, this program is funded with state general revenues (state lottery). In the first two years of the program, funding was \$1 million annually. For the 2001-02 year, funding increased to \$2 million.

Eligible students must be out of high school for at least two years, be “independent,” show need, and be enrolled less than full-time (less than 12 credit hours) in an eligible institution (any public and independent, degree-granting, non-profit college or university or any Pell-eligible vocational-technical school under the jurisdiction of a county Board of Education in West Virginia). Students must be enrolled for 6 to 11 hours, but can take 3 to 5 hours (be less-than-half-time) for up to two semesters during the 10-year maximum time limit for receipt of funds. The grant covers tuition and fees only.

In 1999-00, 1,329 students were awarded \$723,314 in grants, and the average grant was \$548. The majority of students – 57 percent – were enrolled in 6 to 8 credit hours per semester, with only 15 percent enrolled in 3 to 5 credit hours (this probably is due to the two-semester restriction on less-than-half-time enrollment). The remaining 28 percent of students were enrolled in 9 to 11 credit hours. Eight percent of awardees were enrolled in certificate programs, 42 percent in Associate’s degree programs, and 49 percent in Bachelors’ degree programs. Eighty-two percent of the recipients had family incomes less than \$30,000, with 63 percent with family incomes less than \$20,000. There were an additional 1,612 students eligible for the program but who were not assisted due to limited funding.

For the 2001-02 year, the state legislature mandated that the Commission use 25 percent of the funds (\$500,000 out of \$2 million) in a HEAPS Workforce Development Component for students in shorter-term, technical certificate programs (proprietary and similar schools). Eligible programs are those approved by the West Virginia Council for Community and Technical College Education, and may include post-secondary certificate programs, industry-recognized credential programs, programs in demand occupations, and skill development programs. Unlike the student eligibility requirements for the original program, students participating in the HEAPS Workforce Development Component do not have to be independent and can be immediately out of high school (they still must show need).

The focus for the Workforce Development Component is on “post-secondary industry-recognized credentials in high demand occupations.” Priority will be given to high demand occupations, including information technology and related occupations, multi-skilled maintenance workers, health care, surveyors, construction estimators, first-line supervisors, administrative assistants, engineering and related technologies, multi-craft construction workers, mining industry workers, and aviation industry workers. The Commission has decided to limit this component to certificates that require one year or less to complete. The legislation requires that students be funded at a comparable amount to a class that would have been offered by a public institution. The Commission has yet to determine these comparable amounts.

CHAPTER 5: NON-FINANCIAL AID BARRIERS

Although the focus of this report is meant to be on the financial barriers for working adults, we would be remiss if we did not address other very important barriers to this group of potential students in their credentialed skill development.

Chapter one indicated that family responsibilities, lack of time, and course scheduling and/or location were additional serious barriers to adult participation in education. Most working adults are limited to taking courses in the evenings or on the weekends. Because they are attending part-time, most will prefer shorter-term training programs instead of the traditional two- and four-year degree programs, which may take many years to complete on a limited part-time basis. Finally, because workers of the twenty-first century are likely to be continually engaging in on-going learning, the ability to earn credentials over time instead of after a long-term traditional degree program would best suit these workers.

There are many ways to overcome these barriers. Some community colleges around the country are experimenting with ways to make credentialed skill development more accessible for working adults. Below is a cursory glance at some of these ideas and programs, as well as how they may or may not work within the current federal Title IV student financial aid regulations.⁶⁰

SECTION A: FLEXIBLE SCHEDULING

Evening and Weekend Classes and Office Hours

Due to their limited schedules, working adult students usually can take classes only in the evening or on the weekends. Many community colleges are beginning to offer courses at these times; however, this is not the norm. In addition to after-hours courses, these worker-students often need access to other student services and offices outside of the traditional Monday-Friday 9-5 hours. These students need access to offices in order to enroll in and pay for courses, buy course materials that may be sold only on campus, and speak with their academic advisors. However, schools may find that extending hours for these offices can be very expensive. Because working adult students are usually half-time or less and, therefore, providing less revenue for operating expenses than their full-time counter-parts, schools may not find it financially viable to provide these services outside traditional hours.

⁶⁰ I am deeply indebted to Susan Golonka and Lisa Matus-Grossman at NGA and MDRC for the program profiles in their May 2001 report, "Opening Doors: Expanding Educational Opportunities for Low-Income Workers." <http://www.nga.org/cda/files/0601LOWINCOME.pdf>.

Modularization of Courses

Chapter one of this report revealed that working adult are more able and more likely to take shorter-term education courses rather than traditional 15-week courses. Educational institutions can accommodate these students by offering courses in modularized format, which allows them to take short, manageable modules and earn partial credit. Offering modularized courses provides the flexibility needed for working students to combine modules as they are able in order to build up to a full academic hour's worth of credit.

For example, Kellogg Community College's Regional Manufacturing and Technology Center (RMTC) offers over 1,000 courses in modularized format. Because they are so "hands-on," modules are measured in terms of hours to complete, otherwise known as *clock hours* or *contact hours*, and added together to create *academic credit hours*. Academic credits can be used to build toward an occupational certificate or Associate's degree in one of over 30 occupational programs offered at Kellogg Community College.

The average module at RMTC takes about 8 clock or contact hours to complete. Twenty-four clock hours translates into 1 hour of academic credit (each 8-hour module equals about 1/3 of an academic credit). This differs from the traditional academic credit hour at 2- and 4-year colleges and universities. At these schools, typically 15 hours of "seat time" (time in a classroom) translates into 1 academic credit hour (1 hour each week in the classroom for a minimum of 15 weeks per semester).

Figure 16: "Clock/Contact Hours" and "Seat Time"



At the Regional Manufacturing Technical College, 24 "clock/contact hours" = 1 hour of academic credit



At 2- and 4- year colleges, typically 15 hours of "seat time"
= 1 hour of academic credit

At RMTC, one of the occupational training areas in which a student can earn a certificate or an Associate's degree is Millwright/Maintenance Mechanic. Careers under the Millwright umbrella include Industrial Millwright, Maintenance Mechanic, Machine Repair Person, and Hydraulics Specialist. Work activities in this career generally include troubleshooting of many types of problems with machinery or malfunctioning manufacturing systems.

One of the modules in the Industrial Millwright program is INMW-2B, “Fractions and Decimals,” in which students master mathematical computations involving pure fractions and decimals. This module takes 8 contact hours to complete, and the student earns 0.33 of an academic credit. Lab fees for the module are \$3.00 and tuition fees are \$31.96, for a total module cost of \$34.96. Students complete the module whenever they finish the 8 contact hours and pass a written exam with 90 percent accuracy.

The Industrial Millwright program offers 162 Millwright modules; however, a Millwright program may include other courses in the areas of sheet metal, welding, etc. Millwright modules range from 2 to 36 contact hours and from 0.08 to 1.5 academic credits per module.

A student may add other modules within the Industrial Millwright program to earn a *certificate* in Industrial Millwright. A certificate in Industrial Millwright requires 25 credit hours (600 clock or contact hours). A student can then add to this certificate 21 specified general education academic credits and other technical courses as required by the program for a total of 62 academic credits and earn a two-year *Associate in Applied Science degree* in Industrial Millwright.

25 credit hours for a Millwright *Certificate*
+ 21 specified general education credits
+ 16 other Millwright technical credits
62 credit hours for an *Associate in Applied Science degree* in Industrial Millwright

Another example is Portland Community College’s Machine Manufacturing Technology Program. In this program, students take anywhere from one to eight *modules* to complete a full *course* for academic credit. Instruction is offered in a variety of formats, including direct instruction, multimedia, written materials, and hands-on lab projects. Modules vary in how many academic credits they are worth. At a minimum, each *module* is 3 contact hours long and carries a minimum credit of 0.3 academic credit hours. At a minimum, *courses* are 30 clock hours long or worth a minimum of 1.5 academic credits. However, some of the project-based courses are worth 10 or 12 credits and require many more clock hours.

In this program, students can earn a 1-year certificate if they complete 45 academic hours in a program; a 2-year certificate for 90 academic hours; and an Associate in Applied Science degree for 108 academic hours (90 hours in the 2-year degree program plus 18 hours worth of General Education courses). Students also can earn non-credit “program awards.” These awards vary from 8 to 20 credits long and include program areas such as mechanical technicians and mastercam.

A final example is Macomb Community College in Michigan. Students can earn “mini-certificates” in two programs: Quality Systems Technology and Automotive Technology by taking the core courses in these programs. For example, by taking the five core courses (15 academic credit hours) in Quality Systems Technology, a student can gain entry-level employment skills in the quality improvement field. A student with this *mini-certificate* can add to it all of the courses in 1 of 2 specified program areas to earn a *certificate* (29-30 additional academic credit hours). A student with a certificate can add to it 18 academic credit hours worth of General Education from the Arts and Sciences programs and earn a full two-year *Associate degree* in Quality Systems Technology.

The **Kentucky Community and Technical College System (KCTCS)** is leading the way in improving access to credentialed post-secondary education for working adult students. KCTCS has launched a set of systemic initiatives which are designed to improve access, retention, graduation, and employment of low-wage workers and non-traditional students. Strategies include:

Workforce training credits – workers receive college credit for training they receive in the workforce. This is a locally-driven and coordinated effort.

Fractional credit – similar to modularization, fractional credit allows students to earn partial credit in modularized courses. Students can earn as little as 0.2 (20%) of one credit hour in one course. By sub-dividing traditional-sized courses into smaller courses, e.g. a three-credit-hour course into three one-credit-hour courses, the system is helping to make education more accessible and manageable for busy working adults.

Importantly, KCTCS is also moving toward a single system for measuring education completion. Instead of translating between “clock” and “credit” hours for educational work completed, they are moving to a “shared currency” of credit hours. This is a tough process, but KCTCS knows that it is important in order to produce a seamless and working-adult –friendly system.

Streamlining – By integrating curriculums and building in “steps” from certificates to diplomas to degrees, this system helps working adults in their education career ladders.

Credit for Prior Learning – KCTCS is building upon existing guidelines to reward working adults for educational and training experiences they already have with partial academic credit.

Multiple entry/exit points – This is open entry-open exit on a macro-scale. By focusing on lifelong learning, KCTCS is altering its programs to allow students “seamless pathways” in and out of programs as they need.

Distance Learning – KCTCS is focusing on offering more courses and programs on-line. It already offers two associate degrees and five certificates, which can be earned on-line. Additionally, it has established on-line academic advising.

Financial aid considerations

Despite the flexibility and attractiveness of modularized courses for working adult students, current federal Title IV regulations reduce their potential use and benefits. In order for students in these modularized programs to receive student financial aid, they must complete a minimum number of credits every week for a term or semester (varies by school). For example, students in Macomb's mini-certificate programs do not qualify for student financial aid. Although they still benefit from shorter-term training courses, working adult students who need student financial assistance are forced into a traditional, pre-determined schedule of study that may be challenging or impossible for them to meet.

Some policy experts have suggested that student financial aid be based on the smallest unit of study and awarded to students on this incremental scale rather than on the gross "full-time" or "part-time" distinction.⁶¹ This alteration would certainly help students who need both short-term, module-based education and student financial assistance. It may also encourage and enable educational institutions to experiment with more modularized education.

Even if courses cannot be modularized, courses within programs may be rearranged to offer students the maximum benefit of skill building throughout the program. For example, Quinsigamond Community College in Massachusetts has recently revised their Administrative Office Management degree so that students take more skill classes up front. The original program included a series of English, history, and sociology courses in the first semesters, with skill classes such as MS Office Suite later in the program. This structure allowed students to experience valuable liberal arts education intensely and early, but denied them of potential wage-enhancing skill development until later in the program.

Quinsigamond has restructured the program so both liberal arts and skills courses are offered early. This way, students can gain work-based skills that employers value while students are getting a liberal arts education, too. This is especially valuable for students who attend part-time. Instead of having to wait 1 to 2 years into the program to get access to skill classes, they can get them up-front and cash in on the value of these skills earlier than the 4-year timeframe to get the degree going half-time. Because this program still includes the same courses, there are no negative financial aid considerations to rearranging this program.

⁶¹ See "Student Aid for Distance Learners: Charting a New Course." Summary and Proceedings of the Roundtable on Student Aid for Distance Learners in Denver, Colorado, May 2-4, 1998. Prepared by the Institute for Higher Education Policy, Washington, DC. <http://www/ihep.com/Pubs/PDF?Distance.pdf>. Cited December 2001. Also see "Student Financial Assistance and Nontraditional Educational Programs (Including the '12-Hour Rule'): A Report to Congress." Office of Postsecondary Education, US Department of Education. July 2001. <http://www/ed/gov/offices/OPE/News/12HourRuleReport.html>. Cited August 2001.

Open Entry-Open Exit

Because they are juggling work and family responsibilities, worker-students may find it difficult to commit to a consistently scheduled course. Some community colleges have begun to offer courses in an innovative *open entry-open exit* format. Both Portland Community College and Kellogg Community College's RMTC have designed their machine technology programs to operate on a modularized, self-paced, open entry-open exit model. Students enter the program anytime during the semester or term (open entry) and work at their own pace (self-paced) on concisely-packaged skill sets (modules). Students complete the program when they have finished and passed all the required components, not at a predetermined end date such as a semester (open-exit).

Financial aid considerations

In order to qualify for financial aid, students in these programs must still meet certain minimum work requirements within a specified number of weeks. For example, at Portland Community College, full-time students who receive student financial aid must complete 12 credit hours per term (11 weeks). Part-time students must maintain at least a half-time schedule of 6 credit hours per 11-week term. Under these regulations, the open entry-open exit feature is less flexible for students who rely on student financial aid.

SECTION B: SHORT-TERM TRAINING

As discussed earlier in this report, adult students are more likely and more able to enroll in short-term courses than in longer-term, formal programs. Time and family constraints provide obvious reasons why working adults would prefer shorter programs. Short-term training programs are offered by a variety of institutions. Public and private 2- and 4-year colleges and universities often offer short term training programs through their continuing education departments or industry and business programs. Both areas of study typically fall under the *non-degree* category of education. Because programs of study in these areas do not lead to a degree recognized by the US Department of Education, students are not eligible to receive student financial aid.

Other sources of this training are not formal schools but "training centers." These centers usually are not accredited by any of the 7 main accreditation bodies in the US and are not eligible to disburse student financial assistance through the federal Title IV programs. Most of these centers operate on a "cash" basis (students pay for training directly) or through government contracts of various kinds (TANF, WIA, state or local training contracts).

An example of a community college's short-term, non-degree training programs is Quinsigamond Community College in Massachusetts. Through their Center for Continuing Education, students can take classroom and on-line courses in areas ranging from personal enrichment to computer skills. Students can also receive training in two computer industry/vendor certifications: Certified Internet Webmaster and Microsoft Certified Systems Engineer (MCSE) Certification Training.

Financial aid considerations

Because these programs do not lead to a US Department of Education-recognized certificate or degree, students taking these courses or earning the industry certificates are not eligible for student financial aid. However, Quinsigamond and a few other community colleges realize the educational value of their non-degree courses and are beginning to grant credit for “packages” of non-credit courses. For example, if students at Quinsigamond complete three on-line non-credit courses (*Introduction to Microsoft Access, Excel, and Word*), they can receive 3 academic credits for the equivalent of the college’s 3-credit *Introduction to Microcomputer Applications in Business* course. Although students cannot receive student financial aid for taking the original courses (because they are still non-degree), this is a way to “modularize” some of Quinsigamond’s courses and help students earn credit toward portable degrees. Quinsigamond has “packaged” non-degree courses for 15 other credit-bearing academic courses and plans to continue finding ways to help their working adult students access credentialed skill development.

An example of a training center offering short-term skills training is McConnell Technology and Training Center (MTTC) in Kentucky. MTTC offers several short-term computer training programs, including:

- PC Essentials – an introductory course for the computer novice consisting of 3 contact hours (similar courses include PC Tune-Up, Intermediate Internet, and PC Repair);
- A+ Computer Repair – an entry-level computer hardware and operating systems course consisting of 80 hours (usually over 2 weeks);
- Benchwork Tech – a “laboratory” course designed for graduates of the A+ course to receive additional hands-on experience consisting of 160 hours;
- Advanced network courses designed to provide students with more specific training and consisting of 40 hours each (Network Fundamentals, Network+ Preparation, and Server+ Foundations).

Financial aid considerations

Of these courses, the A+ Computer Repair Course is the only one that prepares students for a national, industry-recognized certification: the CompTIA A+ Operating System certificate. However, because MTTC’s programs are too short, are not accredited by a body approved by the US Department of Education, and are not eligible to disburse student financial aid under Title IV regulations, students cannot receive federal or most state student financial assistance to engage in this form of credentialed skill development.

SECTION C: DISTANCE LEARNING

Distance learning has become a hot topic in the world of post-secondary education. According to the US Department of Education, distance learning includes the following types of educational program delivery methods:

- *Correspondence course* – a home study course in which the institution provides the instructional materials and exams to students “not physically attending classes at the institution. Can include courses offered on video cassettes or disc recordings, as well as use of e-mail, fax, and telephone;
- *Telecommunication course* – “a course offered principally through the use of televisions, audio, or computer transmission, including open broadcast, closed circuit, cable, microwave, satellite, audio conferencing, computer conferencing, video cassettes or discs”;
- *Internet course* – course offered over the Internet; or
- Other new modes of delivery⁶² (*Student Financial Aid Handbook*).

The promise of distance learning to reach more students at more convenient times and locations has mushroomed with the proliferation of computer technology and the Internet. Schools and training centers across the nation have begun to take advantage of the technological advances that make this type of learning possible. However, as described in several reports, these institutions are facing many impediments to providing student financial aid for distance learning courses. By implementing a Distance Education Demonstration Program in 1998, the Department of Education has acknowledged that changes need to be made. This program allows participating schools to waive certain Title IV requirements. From this, the Department hopes to learn how to effectively deliver distance education while safeguarding accountability, which regulations to modify, and appropriate levels of student financial aid for distance learners. This Demonstration is evaluated on an annual basis, and the first report to Congress was posted in January 2001.

Financial aid considerations

Barriers to providing student financial assistance to aid students in growing distance learning programs are many, but most fall into four main issue areas:

- *Program mix* – According to the Department of Education’s “50 percent rule,” educational institutions are not eligible to provide financial aid for students if more than 50 percent of their course offerings are correspondence or telecommunication courses or more than 50 percent of their regularly enrolled students are enrolled in these courses. Students can only receive aid for correspondence study if they are enrolled in a program leading to an associate, bachelor’s, graduate, or professional degree. Students in short-term programs (shorter than a 1-year credential) are not eligible to receive aid. Student aid for correspondence students is limited to tuition,

⁶² This seems to be a catch-all category for future inventions within distance learning technologies.

fees, books, supplies – no room and board costs. Telecommunication student budgets typically do include room and board.

To prevent fraud and abuse of the student financial aid system, Congress restricted the types of institutions that can be eligible to distribute student financial aid. However, with the rapid technological advances of the last decade and the virtual requirement of lifelong learning for workers, which is likely to encourage many shorter-term learning programs over a lifetime, this 50 percent rule seems to be outdated. Indeed, conference participants at a roundtable on student aid for distance learning in May 1998 called for the outright elimination of this rule (“Student Aid for Distance Learners: Charting a New Course”).

- *Time* – Also to prevent fraud and abuse, Congress established specific time-based definitions of instructional delivery for student aid eligibility. These regulations favor traditional academic programs of study. An “academic year” is 30 weeks, a “week” in a nonstandard term or non-term program must include a minimum of 12 hours of seat time (this is commonly referred to as the “12-hour rule”), and a “program” in a vocational or technical school must consist of a minimum of 15 weeks and 600 clock hours (or 16 credit hours or 24 quarter hours). These are just a few of the regulations in the complex world of “institutional eligibility” for federal student financial aid.

The main point, however, is that the growth and potential of distance learning (as well as other innovative classroom formats like open entry-open exit) are stifled because distance learning models do not follow a time-based structure. Instead, distance learning is better suited to measuring student success based on course completion, credentials earned, or competencies met. The beauty of distance learning and other innovative delivery formats is that they focus on the learner and his or her needs instead of on the convenience of the educational institution. However, to realize the full potential of these innovations, many regulatory and some statutory regulations in the financial aid structure will need to be changed.

- *Cost determination* – Several student aid regulations around determining the cost of distance learning for schools and for students impede distance learning. At the state level, state reimbursement of educational costs to schools varies as to whether the cost is born of classroom instruction or distance learning. At the institution level, the cost of setting up and running distance education courses is usually quite large and may be hard to finance.

At the student level, current student aid amounts are based on a student’s enrollment level under a traditional academic calendar. Aid is generally awarded according to whether a student is half-time or full-time. Some aid, such as the Pell Grant, makes awards based on “less than half time,” “half-time,” “three-quarter-time,” and “full-time,” however, this schedule is still based on a traditional academic schedule. To simplify student financial aid disbursement and to ease the burden on students taking non-standard course credit loads, basing student financial aid allocations on the

smallest unit of credit possible, i.e. one academic credit or clock hour, may be the most optimal solution.

Also at the student level, student aid budgets include a combination of direct and indirect costs. Direct costs are those directly associated with the student's education and include tuition, fees, books, and supplies. Indirect costs include room and board. Under current Department rules, costs that can be included in a typical student's budget vary by type of distance learning program. A student who is more of a "distance learner" than a traditional on-campus student, generally is restricted from receiving aid to cover more than direct costs.

- *Delivery* – Disbursement of student financial aid also is based on the traditional academic calendar. Although some schools are adopting a more flexible aid distribution schedule, there is no systemic rolling application and disbursement schedule, which is required for students in flexible, student-centered distance learning programs.

There are more impediments in the federal student financial aid structure that may discourage the development and implementation of distance learning programs at Title IV institutions. Experts in the field of higher education have clearly articulated these barriers and offered ideas for overcoming them. Legislation to begin addressing some of these impediments is now under consideration in Congress.

CHAPTER 6: RECOMMENDATIONS AND CONCLUSIONS

Findings in this report indicate that current resources for full-time working adults to pursue credentialed skill development on a less-than-half-time basis are not meeting current need. This occurs at two levels:

1. ***A tiny percentage of working adults who are taking courses on a less-than-half-time basis receive any student aid under the current system.*** Our estimates from the National Postsecondary Student Aid Study indicate that there were about 3 million less-than-half-time students in the 1999-2000 school year (the latest data available). Despite that fact that 28 percent of working parent students earned less than \$35,000 annually (200% of the federal poverty level for a family of four), less than 8% received any form of federal, state, or institutional aid.
2. ***There are several million adults who indicate an interest in education and training.*** Findings from the 1995 and 1999 National Household Education Surveys suggest that there could be as many as 77 million adults interested in pursuing some form of *work-related* adult education. Half of these interested adults were taking some sort of adult education and the other half are considered "interested non-participants" because they were interested but had not taken courses in the year prior to the survey. Of those who were participating in some form of adult education, 18 million were already engaged in *credentialed* skill development (leading to a degree or certificate). However, the pace at which

these adults were taking courses varied. Some were able to enroll full-time, whereas, others were working full-time and could take classes on a limited part-time basis only.

There are some working adults pursuing credentialed skill development on a less-than-half-time basis. Almost none of them receive financial support. Additionally, there are millions of adults who are interested in education and training, but a significant number are left behind due to cost and time limitations. If we are going to meet the challenges of increasing skill demands, higher worker productivity, tight labor markets, and lifelong learning, we will need to support workers engaging in skill development.

We have looked at several systems that are in position to meet the demand, but are failing to do so. These include federal student financial aid, federal education tax credits, and state policies and programs. These systems are complex and any recommended changes to make them more working-adult friendly must be thought through carefully in order to affect the desired assistance and avoid negative externalities. The purpose of this paper was to investigate the potential need to aid working adults pursuing credentialed skill development and to analyze the availability of current resources to aid them. Specific and detailed recommendations are beyond the scope of this paper and should be undertaken as a next step in this investigation.

However, our analysis and findings allow us to provide a *direction* for future policy and program alterations. Our focus is to go beyond helping those working adult students already enrolled in college. We propose the following general recommendations for federal and state governments to consider in addressing the gap in financial aid resources for working adults. These recommendations are aimed at changing student aid policy to better assist more working adults in their credentialed skill development. Our goal is to meet the economy's increasing skill demands and to help workers learn – and earn – more.

Overall, we see five priorities at the federal level:

- Amend the Hope and Lifetime Learning Tax Credits so that they provide better opportunities for working adults to pursue skill development;
- Make less-than-half-time students eligible for some government guaranteed loans;
- Modify eligibility barriers for less-than-half-time working adult students with dependents within the Pell Grant program;
- Revisit eligibility barriers for short-term and flexible educational programs; and
- Encourage employers to help poorly-prepared adult workers gain post-secondary credentials.

Additionally, we see the following three priorities for state governments:

- State educational policies should focus on encouraging educational institutions to be more working-adult friendly;
- State education and workforce policies and programs should encourage credentialed skill development; and
- States can fill in gaps in the federal student financial aid system for less-than-half-time students.

SECTION A: FEDERAL LEVEL PRIORITIES

1st Priority: Amend the Hope and Lifetime Learning Tax Credits so that they provide better opportunities for working adults to pursue skill development

Eliminate the half-time enrollment requirement for the Hope Scholarship Tax Credit

The Hope Scholarship can be amended to remove the requirement of at least half-time enrollment to qualify for a credit. This report focuses on working adults who lack any postsecondary educational credentials. We are particularly concerned with those working adults who, upon graduation from high school, entered the world of work instead of continuing their education. After delaying their postsecondary education for a few years, many of these adults are now ready to return to school, but on a limited part-time basis. A significant number of these adults will qualify for every aspect of the Hope Scholarship Credit – including engaging in their first two years of post-secondary education – except the half-time or more enrollment requirement. By eliminating this requirement, the federal government is giving working adults a second chance at opportunities to improve their economic standing through credentialed skill development. It increases college affordability for *all* first-time students – not just traditional students.

Increase the percentage of qualified educational expenses under the Lifetime Learning Tax Credit

The federal government should consider an increase the percentage of qualified educational expenses eligible for a Lifetime Learning Credit to gain parity with the Hope Scholarship Credit. Under the current Lifetime Learning Tax Credit, only 20% of the first \$5,000 in qualified educational expenses can be counted toward a credit. This amounts to a maximum benefit of \$1,000.⁶³ However, under the Hope Scholarship Credit, a full 100% of the first \$1,000 and 50% of the next \$1,000 of qualified educational expenses can be counted toward the credit. This translates into a maximum benefit of \$1,500. Simply, qualified tax payers can earn a maximum Hope credit of \$1,500 on \$2,000 worth of tuition and fees; whereas, Lifetime Learning Tax Credit filers earn a maximum credit of \$1,000 on \$5,000 worth of tuition and fees.

⁶³ In 2003, the credit increases to 20% of the first \$10,000 in qualified educational expenses, for a maximum tax credit of \$2,000.

Although the maximum Lifetime Learning Tax Credit will increase to \$2,000 (20% of the first \$10,000 in qualified educational expenses) in 2003, this increase does not benefit working adults taking classes on a limited part-time basis. Because their tuition and fees on one or two courses will be low and because they cannot count living expenses toward the credit, these working adult students are unlikely to ever reach the maximum qualified educational expenses or the maximum credit. However, increasing the percentage of qualified educational expenses allowed from 20% to 50% or more would provide a more equitable tax credit for working adults pursuing credentialed post-secondary education. Of course, we recommend that this increase in the percentage of qualified educational expenses be accompanied by a decrease in the maximum amount of such expenses; a credit of 100% of the first \$10,000 in qualified educational expenses (the maximum in 2003) would be excessive and open for potential abuse.

Make both the Hope Scholarship and the Lifetime Learning Tax Credits refundable

The federal government should consider making both the Hope Scholarship Tax Credit and the Lifetime Learning Tax Credit refundable (like the Earned Income Tax Credit). Because these education benefits are tax credits designed to off-set tax obligations, they fail to benefit millions of working adult students who owe little in taxes or none at all. Quite simply, both credits are perfectly regressive, in that the more income a tax payer has, the more s/he benefits from the credits. Taxpayers with no tax obligation receive nothing.⁶⁴ However, it is precisely these low-income working adults who need the most financial help in accessing postsecondary education and skill development. Just as the concept of “making work pay” ushered in an expansion of the Earned Income Tax Credit, so too the requirement for lifelong learning will ideally lead to refundable education tax credits.

Better market both the Hope Scholarship and Lifetime Learning Tax Credits

At a minimum, the federal government should engage in efforts to market both education tax credits. The latest data available indicates that, in 1999, approximately 18 million adults were pursuing credentialed skill development – which would qualify for the Lifetime Learning Tax Credit – but only 3 or 4 million applied for the credit (based on IRS data). This suggests that, even in its present design, the Lifetime Learning Tax Credit is underutilized.

Evidence from a University of California survey study on the usage of education tax credits suggests that there is a non-trivial amount of confusion, misunderstanding, and lack of awareness of the credits by students. This university system went above and beyond the legislated actions to inform students about the credits, including sending all students detailed accounts of the financial information they would need to calculate the tax credit and a brochure answering frequently asked questions, as well as providing

⁶⁴ For more on refundability of the HOPE Scholarship, see Wolanin, Thomas R. 2001. “Rhetoric and Reality: Effects and Consequences of the HOPE Scholarship.” The New Millennium Project on Higher Education Costs, Pricing, and Productivity. The Institute for Higher Education Policy. April. <http://www.ihep.com/Pubs/PDF/HOPE.pdf>

access to a toll-free telephone service center and general and personal information on a secure website. Nevertheless, 27% of survey respondents who did not claim a tax credit said they did not know about the credits. Additionally, many of the verbatim comments on the UC survey suggested that students misunderstood the tax credits (“Hope Works: Student Use of Education Tax Credits”).

2nd Priority: Make less-than-half-time students eligible for some government guaranteed loans

In the Reauthorization of the Higher Education Act in 2004, Congress can expand eligibility for less-than-half-time students in both the Federal Direct Loan and the Federal Family Education Loan programs. Under the current system, students must be enrolled at least half-time (6 credit hours) to receive either type of loan. As the largest source of student financial assistance – 80% of all federal student assistance in 2001 – as well as one of the least expensive per capita for the federal government, this source of student aid seems quite appealing as a way to meet new student market demand.

By adopting the Federal Family Education Loan program, Congress already has expanded the mission of the federal loan programs to include increasing college affordability for traditional students in middle-income families. Unfortunately, this expansion in affordability was limited to traditional students, leaving non-traditional students behind. Because these are not grant programs, this may be one of the most inexpensive ways to provide access and support to credentialed skill development for millions of adult workers.

3rd Priority: Modify eligibility barriers for less-than-half-time working adult students with dependents within the Pell Grant program

The federal government can allow working adult parents who are enrolled less-than-half-time to include more of their living expenses in their cost of attendance budgets used to calculate Pell Grants. Current federal Title IV guidelines allow less-than-half-time students to count tuition, fees, books, supplies, transportation, and certain dependent care costs toward their cost of attendance. However, these students cannot count any room and board costs, which severely restricts their budget. Additionally, student cost of attendance budgets are left to the individual schools to determine. Under these rules, some less-than-half-time students may not be allowed a student budget that reflects all of their true costs.

4th Priority: Revisit eligibility barriers for short-term and flexible educational programs

In the 2004 Reauthorization of the Higher Education Act, Congress should revisit financial aid eligibility requirements for educational institutions with an eye toward approving those institutions that meet the educational, scheduling, and program needs of working adults students. The reauthorization of the Higher Education Act in 1992 focused on the prevention of fraud and abuse. However, as recognized by many in the

field of higher education, protections designed to prevent fraud and abuse are stifling innovative and useful educational program designs.

The Office of Post-secondary Education in the US Department of Education and policy organizations like the Institute for Higher Education Policy have recognized this challenge and have engaged experts in a dialogue to address it. One response has been the Internet Equality and Education Act of 2001, passed by the US House of Representative's Committee on Education and the Workforce in 2001. Working adult students pursuing credentialed skill development would benefit most from eligibility policies that allow and support shorter credential programs, modularization of courses, open entry-open exist programming, and distance learning. In a world where skills are skills and traditional four-year degrees no longer are king, working adults need access to shorter, more flexible education and training opportunities.

5th Priority: Encourage employers to help poorly-prepared adult workers gain post-secondary credentials

The federal government can alter employer tax credits in the tax code to expand their use by poorly-prepared adult workers. Under Section 127, employers tend to support the skill development of their more educated workers, and these workers are more likely to use tuition reimbursement programs. Perhaps employers need greater incentive to allocate a greater share of their resources to workers who do not have post-secondary credentials and to help assure that training for lower-wage workers leads to portable credentials.

SECTION B: STATE LEVEL PRIORITIES

1st Priority: State educational policies should focus on encouraging educational institutions to be more working-adult-friendly

Chapter five provided a brief overview of some of the most significant non-financial barriers to credentialed skill development faced by working adults. More flexible programs and course schedules, modularization of programs, shorter-term credentialed training, and innovative delivery of education and training are just as important for easing access to skill development for working adults as expanded financial aid policies. Because most educational institutions rely on federal student financial aid, their programs are heavily influenced by these policies. However, state governments provide most institutional aid to colleges and universities; therefore, state educational policy is in a good position to influence the development of structural improvements for working adult students. This report provides a few examples of states using educational policy to make education and training more accessible and attainable for working adults.

2nd Priority: State education and workforce policies and programs should encourage credentialed skill development

The importance and viability of credentials and credentialing systems are not new. Credentials help employers because they signal what workers know. They help workers by providing portable and recognizable skill sets in a time of increasing labor market volatility. Credentialed skill development also increases a working adults student's chances of accessing student financial aid. The federal student financial aid system is strictly focused on making sure that students benefit from the education and training paid for with financial aid dollars. This is why there are stringent (maybe too stringent) requirements for eligible institutions and programs. By encouraging *credentialed* skill development and participation in the federal student financial system, state policies make use of an established system with "quality control" processes (federal accreditation) that benefit employers and workers, while maintaining the integrity of the system.

A few states are already moving in this direction. Indiana policy requires that all skill development programs result in a portable credential. Michigan also has a similar initiative ensuring that all state-funded technical skill training programs provide participants with portable credentials. States like Indiana, Michigan, and Pennsylvania are participating in the Great Lakes Consortium to develop portable credentials recognized by employers in the multi-state region. As part of a comprehensive reform effort toward working-adult-friendly education and training, the Kentucky Community and Technical College System is requiring that all education and training in the system result in academic credit (the basis of a portable credential).

3rd Priority: States can fill in gaps in the federal student financial aid system for less-than-half-time students

State governments can provide financial support for those working adults students enrolled less-than-half-time who do not receive or qualify for federal aid. Findings in this report indicate that about one-quarter of the states have created policies and programs to fill this federal student financial aid gap.

OVERALL

Most immediately, federal and state governments can focus more attention on current and potential less-than-half-time students. Less-than-half-time students are not on the radar screen of most federal and state policy makers. Little is known about them. It is true that, today, they make up only 18% of the college student body. However, there are millions of working adults who are interested in more education and whose tight schedules make them potential less-than-half-time students. In order to create good and effective policies that support working adults' credentialed skill development, we need to understand more about less-than-half-time students, their financial need and resources, and their non-financial barriers to pursuing skills.

A NOTE ON POTENTIAL BARRIERS TO CHANGE

There are other big issues confronting state and federal post-secondary student aid programs outside of aiding working adult students. Collectively, the states have begun to allocate a growing share of their student assistance funds from need-based to merit-based programs. This shift inevitably limits the potential flexibility of the state aid programs in responding better to the needs of working adults. It puts at risk aid to students from low-income families who have significant financial barriers to attending college. Studies show that, in contrast to their moderate-income peers, low-income students are more likely to persist through college if they have grant support than if they have loan support. Overall, the trend toward merit-based aid may have negative implications for low-income traditional students and working adult students in credentialed skills development programs.

At the federal level, there are two overarching challenges that may well impede the allocation of more aid to working adults. First, most post-secondary institutions regard the federal student financial aid system as essentially a “zero sum game.” To the extent that this is true, more aid to one needy group simply diverts aid from other needy groups. For instance, Pell grants receive a fixed annual appropriation from Congress, and modifying eligibility requirements to make more non-traditional students, such as working adults, eligible for more aid may reduce the pool of resources to serve traditional students.

The other issue of federal post-secondary aid is even more fundamental. Federally subsidized student loans and Pell grants are policy instruments designed to expand post-secondary access and affordability for low and moderate-income families. But they have little positive effect on persistence and completion. In looking at the challenges faced by low-income traditional students in completing college, we see much overlap with the needs of working adult students. One obvious area to examine for both types of students is how student aid could be used to influence the pace and structure of degree and credential offerings in our colleges and universities. Might student aid money provide incentives for modularized, competency-based, flexible degree programs that would encourage persistence and degree completion for traditional students from low-income families as well as working adults in those same families? Such a wide-ranging policy review might conclude that federal student aid does not have to be a zero sum game of competition for the resources that pit traditional against non-traditional students.

In fact, in a time when skills development is a lifelong endeavor required by all, the distinction between “traditional” and “non-traditional” student becomes less meaningful. When low-income “traditional” students work 30 hours a week to support themselves as students and when working adult “non-traditional” students take classes to support their career development, the distinction blurs between students working and working students. To benefit both, we need a financial aid system that recognizes that both are students and both are workers.

There is little question that federal student aid already is a good investment of federal resources, but it could better support both traditional and non-traditional students with a single set of policies, some of which are previewed in this report. In classic negotiating terms, this suggests that, instead of dividing up the current value of the student financial aid system — as in a zero-sum game — it be re-structured to find and create more value for more students. Slicing the student financial aid pie into smaller pieces for more students does not solve the problem. Even expanding the pie is not enough. In an era of lifelong learning, we need to re-think the policy ingredients and change the recipe to better meet the needs of all students.