



**Summary of Education Provisions in the Health Care and Education Reconciliation Act of 2010**

The Health Care and Education Reconciliation Act of 2010 (H.R. 4872) was passed on March 25 by a vote of 56-43 in the Senate and a vote of 220-207 in the House. The bill now goes to the president to be signed into law. The education provisions in the bill are similar to many provisions contained in the Student Aid and Fiscal Responsibility Act (SAFRA, H.R. 3221), which the House passed last fall.

**100 Percent Direct Lending**

The bill will end the Federal Family Education Loan (FFEL) Program (the private bank-based federal student loan program) and require all institutions to switch to the federal Direct Loan (DL) Program by July 1, 2010. This switch generates roughly \$61 billion in savings, and it is these savings that are used to fund the other education initiatives in the bill.

**Pell Grants**

The bill provides a total of \$36 billion for the Pell Grant Program, to protect against possible cuts in the maximum award in the short run and provide an inflationary increase in the maximum award in future years.

Since 2008, the maximum Pell Grant award amount has been funded through a hybrid approach: Appropriators have funded a base award through the annual discretionary appropriations process, and mandatory funding streams have been used to provide an add-on to increase the base. H.R. 4872 continues this hybrid approach by providing mandatory funding to provide add-ons to the appropriated base for years 2011-19. Provided that appropriators continue to fund the \$4,860 base, the maximum award is estimated to rise from \$5,550 this year to \$5,975 in FY 2017.

**Estimated Maximum Pell Award**

Fiscal Year (FY)	Appropriated Base	H.R. 4872 Increase	Maximum Award
FY 2009	\$4,360	NA	\$5,350
FY 2010	\$4,360	NA	\$5,550
FY 2011	\$4,860	\$690	\$5,550
FY 2012	\$4,860	\$690	\$5,550
FY 2013	\$4,860	\$755	\$5,615
FY 2014	\$4,860	\$820	\$5,680
FY 2015	\$4,860	\$900	\$5,760
FY 2016	\$4,860	\$1,000	\$5,860

FY 2017	\$4,860	\$1,115	\$5,975
FY 2018	\$4,860	\$1,115	\$5,975
FY 2019	\$4,860	\$1,115	\$5,975
FY 2020	\$4,860	\$1,115	\$5,975

From the total \$36 billion provided for Pell, the bill reserves significant funding to address program cost issues arising from recent dramatic increases in the number of Pell applicants and their level of need. While this trend is typical during periods of economic downturn, it has been particularly pronounced during the recent recession. Specifically, the bill dedicates \$13.5 billion to help appropriators provide the funding necessary to maintain the \$4,860 base level for FY 2011, thus protecting the scheduled increase to the \$5,550 maximum award level.

Finally, the bill revises the funding formula to calculate award levels on the basis of the total maximum award. This replaces the calculation implemented in the College Cost Reduction and Access Act (CCRAA), which calculated individual grants on the basis of the appropriated maximum award and then added the mandatory funds to each award. The new method is slightly less expensive to implement but may mean that students eligible for the lowest level of Pell Grant aid may see their grants reduced.

### **Investment in HBCUs, HSIs, and Tribal Colleges**

The bill provides \$2.55 billion (\$255 million each year for 2010-2019) to continue funding for the Investment in Historically Black Colleges and Universities and Other Minority Serving Institutions Program contained in section 371 of the Higher Education Act. Created in CCRAA, the program received \$255 million in mandatory funding for both 2008 and 2009. H.R. 4872 extends this program by providing \$255 million in mandatory funding for each of the next ten years.

### **Community College and Career Training Grant Program**

The bill provides \$2 billion (\$500 million a year for 2011-2014) to fund the Community College and Career Training Grant Program authorized under the American Recovery and Reinvestment Act (ARRA). This program provides grants to local colleges to develop and improve educational or career training programs.

The bill makes two minor modifications to the program: (1) It guarantees that each state receives no less than \$2.5 million in funding; and (2) It removes limitations preventing institutions from receiving more than one grant and capping awards at \$1 million. Although the bill does not include the American Graduation Initiative (AGI) that was included in SAFRA, the administration has signaled its intent to award grants under this section consistent with its AGI proposal.

### **College Access Challenge Grants**

The bill provides \$750 million (\$150 million a year for 2010-2014) to continue funding for the College Access Challenge Grant Program. Created in CCRAA, the Challenge Grant Program provides formula funding to each state to bolster college access and completion programs, as well as financial literacy programs. CCRAA provided \$66 million for the program for both 2008 and 2009, after which the program was scheduled to expire. The bill ensures the Challenge Grant

Program will continue for five additional years and increases annual funding for the program from \$66 to \$150 million. The bill also increases the state minimum guarantee to \$1.5 million per state.

The Challenge Grant Program is the only access and completion program to survive from the earlier SAFRA legislation. The State Innovation Completion Grants Program, which had raised concerns, and the National Activities Competitive Grant Program were not included in the bill.

### **Income-Based Repayment**

The bill expands the Income-Based Repayment (IBR) Program to increase the benefits available to new borrowers starting in 2014. The current program allows borrowers to cap their monthly federal student loan payments at 15 percent of their discretionary income and discharges any remaining loan balances after 25 years. Under H.R. 4872, borrowers with loans made on or after July 1, 2014 will see their monthly payments reduced to 10 percent and will have their loan balance discharged after only 20 years.

### **Technical Assistance for Institutions**

The bill provides \$50 million to the Secretary of Education to provide technical assistance, including technical support, training, materials, and financial assistance to institutions making the change from FFEL to DL. Many institutions have already taken steps to prepare for this transition in an effort to ensure that student access to federal loans remains uninterrupted.

### **Perkins Loan Program**

The bill contains no provisions pertaining to the Perkins Loan program. The administration's proposal (contained in the House-passed version of SAFRA) to end the subsidized Perkins Loan Program and create a new Perkins Direct Loan fell victim either to parliamentary rules in the Senate or the revised calculation of available funding.

### **State Not-for-Profit Servicing Contracts**

The bill directs the secretary to award contracts for servicing Direct Loans to eligible not-for-profit servicers subject to various conditions (e.g., that they meet federal standards and have the capacity to service the applicable loan volume). The bill specifies that the secretary is to allocate the loan accounts of 100,000 borrowers to each eligible not-for profit servicer, and allows the secretary to establish a separate pricing tier for these loan accounts. In addition, the bill appropriates mandatory funds to the secretary to be obligated for the administrative costs of servicing contracts with eligible non-profit servicers.

### **Loan Servicing Jobs in the United States**

The bill provides \$50 million (\$25 million a year for 2010 and 2011) to the secretary to provide payments to loan servicers for retaining jobs at locations in the United States where such servicers were operating on January 1, 2010.