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# *Summary of H.R. 4872, the Health Care and Education Reconciliation Act of 2010*

H.R. 4872, the Health Care and Education Reconciliation Act of 2010, represents an enormous infusion of federal funds for student financial aid and for community colleges. Congress has passed this important legislation, with the Senate passing the bill by a vote of 56–43 and the House by a vote of 220–207. This summary provides details of the education-related provisions within the bill.

The education provisions in the bill are modeled after H.R. 3221, the Student Aid and Fiscal Responsibility Act (SAFRA), which the House passed last year but the Senate did not consider. Utilizing the reconciliation process, Congress added portions of SAFRA to the final legislation, which incorporates "fixes" to the larger health-care reform legislation.

H.R. 4872 makes a fundamental change within the structure of the federal loan programs by consolidating the Federal Family Education Loan (FFEL) program. Starting on July 1, 2010, all federal student loans will originate through the Direct Loan program. This conversion is slated to create approximately $61 billion in savings. At the time of SAFRA's passage, the bill contained $87 billion in savings, but with so many colleges switching to the Direct Loan program, the savings diminished to the current $61 billion level. The bill provides $36 billion of the funds to the Pell Grant program. For community colleges, which are addressed within Title I of the bill (Health Care Title), H.R. 4872 provides $2 billion for grants to support educational and career-training programs. All of the funds within the bill are contained within the mandatory side of the federal budget and are not subject to the annual discretionary appropriations process. The bill provides $10 billion to reduce the deficit in the education title and $9 billion to reduce the deficit within the health care title.

Unfortunately, the bill does not contain the American Graduation Initiative, which contained the signature community college provisions within SAFRA. Due to the lower savings score and a reluctance to create new programs within reconciliation, AGI was dropped from the overall legislation. In AGI's place, Congress added funds to the Community College and Career Training Grant program, which was authorized in the American Recovery and Reinvestment Act last year but was never funded.

## Community College Program

### *Community College and Career Training Grant Program (Title I, Section 1501)*

The Community College and Career Training Grant program is funded at $2 billion total, with $500 million allotted each year for FY2011, 2012, 2013, and 2014. The Secretary of Labor is expected to award grants to entities based on a competitive process; however, it is unclear how the grant process will be run because the bill also includes a mandate that each state may receive no less than 0.5% of available funds. Based upon this assumption, each state would receive at least $2.5 million each year. Additionally, the bill allows institutions to receive multiple grants and grants larger than $1 million.

Under this program currently, institutions other than community colleges—including for-profit institutions—are also eligible for these grants. The Administration and Congressional leaders have signaled that they are committed to awarding these funds primarily to two-year public institutions; however, additional legislative language will be necessary to implement this change. The Departments of Labor and Education are determining how this program will function, but the Administration will likely support efforts based on the American Graduation Initiative model.

## Pell Grant Program

### ***Pell Grant Program (Title II, Section 2101)***

In total, $36.1 billion of savings will be used to support and supplement the Pell Grant program and provide yearly increases to the maximum. With the Pell Grant program facing an estimated shortfall of $19.5 billion, the bill provides $13.5 billion to cover the majority of the shortfall. Congress and the Administration will need to work the appropriations process to provide the remaining $6 billion for the Pell Grant shortfall. The number of Pell Grant recipients continues to increase dramatically. A number of factors contribute to this growth, but the economic downturn is likely the chief driving force behind the unprecedented growth of Pell Grant recipients.

Last year, the Administration sought to make the Pell Grant program a full entitlement (mandatory funding), but the savings generated through the conversion of FFEL was not robust enough. Instead, the bill provides $22.6 billion to increase the Pell Grant maximum each year by a percentage equal to the Consumer Price Index, starting in FY2013. The Pell Grant maximum will grow until FY2017.

Here are the Pell Grant maximum levels from FY2010 to FY2019:
FY2010: $5,550
FY2011: $5,550
FY2012: $5,550
FY2013: $5,615
FY2014: $5,680
FY2015: $5,760
FY2016: $5,860
FY2017: $5,975
FY2018: $5,975
FY2019: $5,975

The funding levels for the Pell Grant program are contingent upon two conditions: 1) maintaining the base appropriated level at $4,860; and 2) not reducing the maximum level because of any future shortfalls.

## Other Key Provisions

***Direct Loan Program (Title II, Section 2201)***

The bill eliminates the Federal Family Education Loan (FFEL) program. Starting on July 1, 2010, all federal student loans will originate through the Direct Loan program.

***HCBUs, HSIs and Tribal Colleges (Title I, Section 2103)***

The bill provides $2.55 billion to continue funding for the Investment in Historically Black Colleges and Universities and Minority-Serving Institutions within this section. The College Cost and Reduction Act (CCRA) contained mandatory funding for these institutions, but the funding ended in FY2009. This bill provides $255 million each year until FY2019 to support these institutions.

***College Access and Challenge Grant Program (Title II, Section 2102)***

The College Access and Challenge Grant program provides $750 million over five years. Funded at $150 million each year starting in FY2010, the program will be funded until FY2014. The program funds innovative programs at states and institutions that focus on increasing financial literacy and helping retain and graduate students.

***Income-Based Repayment (Title II, Section 2213)***

The bill provides $1.5 billion to broaden the income-based repayment program for federal student loan borrowers. The changes will cap monthly student loan payments at 15 percent of each loan recipient's discretionary income. Starting in 2014, the monthly cap will be 10 percent.