

# NASFAA's "Off The Cuff" Podcast - Episode 204 Transcript

Justin:

Hey everyone. Welcome to another edition of Off The Cuff, I'm Justin Draeger.

Karen:

I'm Karen McCarthy, from our policy team.

Rachel:

And I'm Rachel Gentry, also with our policy team.

Justin:

We said we would be taking most of September off, which we are, but we are back because we wanted to do a special episode with so much legislation that's flying around and clarify some of the things that are happening in the House and the Senate. Thanks for joining us today, Karen and Rachel. This is all part of what we've been talking about for, I don't know, it seems like months and months now, budget reconciliation. Quick primer if people need a reminder of budget reconciliation, this is a parliamentary sort of rule. It's a process that Congress will go through because they can pass a budget bill, which is largely focused on money and where it's spent, with some policy changes, but they can do it with 50 or 51 votes in the Senate. It doesn't require a super majority to overcome a filibuster.

Justin:

This is what, when you have one party that's in control of both the House and the Senate, they'll often turn to budget reconciliation to get through some of their priorities. This is where we find ourselves today, we are in the middle of a budget reconciliation process. The House, all 13 Committees in the House that are appropriating out money and creating and altering programs have done their markups. Rachel, if I have the timeline correct we're looking at next week, right? This should go to the Rules Committee in the House is a sort of one packaged together budget reconciliation bill that'll come in around, what, \$3.5 trillion?

Rachel:

Yep, that's right. We're expecting the House Budget Committee to send to the Rules Committee sometime in the next week or so.

Justin:

Once it goes to the House Rules Committee, I think there it starts to get a little foggy and sometimes lawmakers are making it up as they go. We don't at this point expect it to be passed by the full House. We expect House leaders and democratic leaders in the Senate to get together and work behind the scenes to figure out a bill that will pass all 50 democratic senators in the Senate. That includes the most conservative Democrat, Joe Manchin, who has said already three and a half trillion is too much, and will also be able to be passed in the House with the most progressive members of the House. How do you balance those two things? Well, speaker Pelosi and majority ready leader Schumer are about to figure it out. But there's a lot of things in here that are touching higher education, and that's what we wanted to focus this podcast on today. In this \$3.5 trillion dollars, there's quite a bit of changes to the student aid

programs and spending in those programs. Rachel, why don't you walk us through some of those changes?

Rachel:

I think one of the first things I'll mention are the changes to Pell. The House bill included a \$500 increase to the maximum Pell Grant for the 2022-23 award year, so this would be a one time \$500 boost. This \$500 increase would be maintained for eight years through 2029-30. I know that that seems like a ways off, but I think one thing that's interesting to note is that if this bill were to pass as is, Congress would need to act some time between now and 29-30 to extend that \$500 increase into future award years. So it's a one time boost.

Justin:

Just so I'm clear, because there was some confusion about this, whether it was like a \$500 increase in 22-23 and then another \$500. It's not a compounding increase, it's the one time increase that will stay in place for eight years.

Rachel:

That's right. I think it gets a little bit into the weeds of how the Pell Grant program is funded, but essentially there's a portion of what makes up the maximum Pell Grant each year that's called mandatory funding, that amount is actually set and is maintained at the same level each year. So what this would do would increase that amount by \$500 one time and would stay at that same level through 2029-2030. It wouldn't be an additional \$500 each year.

Justin:

It's almost like if you're building a house, you have the foundation and then every year you might add on to the house, you might build up a little part here or build up another part there. The foundation is sort of the mandatory money, that's going to be spent every year out of the entitlement portion of the federal budget. And then the appropriations process is like, "Well, we're going to add a little more here. We're going to add a little more there." Can you discuss, because I think this gets a little confusing, we've talked about for 22-23 there's the mandatory portion, that'll be \$500 increase if this passes as is, but then in the appropriation side we have been talking about other Pell Grant increases and those are completely separate. What is the amount on the appropriation side that they've been talking about?

Rachel:

The appropriation side deals with the discretionary portion of the maximum Pell Grant. We saw president Biden's fiscal year 22 budget request include a \$400 maximum award increase, so that's an additional \$400 in discretionary funding. The labor-H bill appropriations bill, which includes education funding that was passed in the House earlier this summer included that same amount, so it also included a \$400 increase. Really, as we're talking about increases to the award that we might see in the coming months for the next award year, it's really partially this mandatory increase that we might see through budget reconciliation package, but then also the discretionary increase. I think as kind of an example.

Rachel:

President Biden's American Families Plan that he revealed last spring included a \$1,475 increase in the mandatory portion. That was his proposal, and then an additional in his fiscal year 2022 budget request an additional \$400 increase in discretionary funding. A lot of the press releases and what we've heard

the Biden administration talking about is that they proposed a total increase of a little over \$1,800. So that really is comprised of two different pots of Pell funding.

Justin:

If I'm doing the math, where we stand today, despite what the president talked about and what the appropriators talked about in the House. Where we stand today is this bill would do a \$500 increase to the mandatory, and then the appropriators allocated another \$400 increase to the discretionary. So we're talking about all in a \$900 increase, if it were passed as is today.

Rachel:

Yeah, that's right.

Justin:

\$900 is nothing to bat an eye at. I mean, we would be celebrating for a \$900 increase in the maximum Pell Grant, but that seems an awfully long way from doubling Pell, which has been sort of a campaign for the last 18 months. What's up?

Rachel:

Yeah, that's right. I do think a lot of advocates have kind of been toying with this line between saying, "This is a much larger increase than what we've seen in annual appropriations bills over the last, really decade, but it does fall far short of what we've advocating for as part of our double Pell campaign." So I think in terms of why we sort of saw this number come up short of what we've seen over the last few months, it really just came down to a matter of juggling priorities and having limited resources. Even though \$3.5 trillion dollars sounds like a significant amount of money, and it certainly is, there still really isn't enough to fully accomplish all of the things that were included in the president's proposal and that some members of the democratic caucus would've liked to accomplish.

Rachel:

Right off the bat, the amount of money that the education committees were allowed to spend in their respective reconciliation bills right off the bat that amount was less than what it would cost to fully fund all of the education proposals included in president Biden's agenda. Right off the bat we of knew that some things were going to need to be trimmed down, we wouldn't have money to include everything. Specifically talking about higher ed the president's plan included about \$270 billion for higher education proposals, and the bill that we saw out of the House last week, the number for higher ed was around \$110 billion. That's a significant drop from the amount that was included in the president's package.

Justin:

I guess I would make the following two points. One is, we don't know what's going to happen on the Senate side. On the one hand you have like a Senator Sanders, who would be all in to spend even more money on the Pell Grant program, who thinks we can do it all. Senator Sanders though, is coming from a place of sort of reverse engineering these numbers to fit the policy objectives he wants. That's in direct opposition to someone else in the democratic party, Joe Manchin, who wrote an op-ed in the Wall Street Journal two weeks ago, and basically said, quote, "the purpose of the proposed \$3.5 trillion in new spending isn't to solve urgent problems, but to reenvision America's social policies", and he was not saying that as a compliment. I think this is where we're going to see a little bit of divergence in some of the backdoor behind the scenes compromising and finagling that has to happen.

Justin:

To Rachel, to your point earlier, and this is the second thing I wanted to raise, and Karen and I want to bring you into the conversation here is. In a world of limited resources, in a world of limited dollars, even in Washington DC, given all the talk of trillions here in trillions there. If they only have so much to spend, and we're not doubling the Pell Grant program and this is a three and a half trillion dollar bill. Rachel, is it fair to say that a big bulk of this money is not being spent on Pell but is being spent on free college, which is the other big part of this bill?

Rachel:

I think that's fair to say. Pell is obviously competing against a number of higher ed priorities, but free college has really been the banner issue for progressives over the last five, 10 years. I think in addition to the messaging and the momentum that is behind free college, I think something that also made the Pell increase especially vulnerable when thinking about it in comparison to the free of college funding is that funding for Pell is pretty easily scalable.

Rachel:

If something like free college, in order to do it at all you have to spend a certain amount. Even if you cut back on the program in certain ways it costs a substantial amount to really get the program off the ground in general, but lawmakers had the ability to more easily scale down Pell by just making a smaller increase, so instead of a \$1,000 increase or a \$6,000 increase, they're saying, "Well, let's just do \$500." Whereas free college, you can only scale it back so much. I think that's one other thing in addition to just competing as a priority, it's also the way that the program is funded compared to other programs like free college and how this funding structures line up.

Justin:

Karen, let's bring you into this. Since a large bulk of the funding is going to free college, as Rachel just said, to give it this boost, it's off the ground sort of impetus. Can you walk us through the details, sort of high level here?

Karen:

Sure. This would be free college, primarily at the community college level. The program is referred to as America's College Promise, not to be confused with any state college promise programs that are already out there. It would begin in the 23-24 year and it also has an end date, similar to the Pell increase that Rachel was talking about. It would end after the 27-28 award year. The way that it works is not really how I initially envision free college programs working in that there's no grant to a student. The student does doesn't get, "Here's your tuition grant." The way that works is that the dollars would flow to the states that apply, so states do have to apply to participate. The dollars that flow to the states would be based on a per student amount, and that per student amount is based on the median community college tuition and fees charged across the country.

Karen:

The states will get this pot of funds, and then there is a state matching requirement. It starts, in the first year it's zero, and then it ramps up by 5% every year until it reaches a high of 20%. So once it ramps up, we'll be at 20% state funds and 80% federal funds, and those 80% and the 20% funds all will go into this pot at the state. Then the state will use those dollars to set tuition and fees to for eligible students to

zero. There's no grant that goes out to the students, the aid office won't be like, "Giving you a grant and not you a grant." Just tuition and fees will be set to zero.

Justin:

That's the agreement that's states would voluntarily have to make in order to participate in this program.

Karen:

Yes. And there are also, because there are always strings attached, there are other things that the states have to agree to in order to participate. There's some maintenance of effort requirements at the state level, both in terms of states needing to maintain reasonable levels of fiscal support for their public institutions. And that's fiscal support both on the operational side and on the financial aid side state grant program.

Justin:

Let me ask a question about that, Karen, that maybe we don't have an answer for it. But if I'm a state, let's say I'm the state of Tennessee and I already have a free college promise program. This is supposed to be a state federal partnership, does that mean I can't offload to the federal government a certain percentage of what I'm already spending, even though these other states haven't been doing anything and now they're going to get all these federal dollars? I'm trying to figure out the maintenance of effort and how that works for states that are already doing this.

Karen:

There is a long list of things that can be included in the maintenance of effort, and other state aid does count in some circumstances. I don't have... There were quite a lot of details in the bill, that is one part that I did not dive into, but there was a whole section on what sources of funding that states can count as meeting their maintenance of effort requirements.

Justin:

I assume some of that might be commitments to the K12 pipeline. Is there anything there that's focused on, "You also have to do these things at the high school level"?

Karen:

I don't recall anything on the funding side, but one of the things, there are two... When you apply, you have to submit a three year plan to do two things, and these I thought were pretty interesting. One is that the states have to establish a plan, and at the three year mark affirm that they have implemented their plan and have been successful, and one of them related to high schools is that they have to align their high school graduation requirements with the requirements for students to immediately go into credit bearing coursework at the community college level. I personally am not that familiar with high school graduation requirements from state to state, so I don't know how big of a lift that is for states to do that, or how many states that's already happening and this is an easy requirement to comply with, but that is one way in which the pipeline in the high school graduation requirements feeds in.

Karen:

The other thing that I think is interesting on the three year plan is that participating states have to submit a plan to improve transfer pathways, and one of the requirements in there is that they have to confirm that associate degrees earned in their state are fully transferable and creditable to related baccalaureate programs at public institutions in their states. I know just a smidge more about that type of transfer programs, and that some states are doing much better job at those types of transfer pathways and other states, I believe, are struggling in that area. That is one of the requirements, that states have to come up with a plan to do this and they have three years to do it in order to continue to participate in this America's College Promise.

Justin:

You talked about transferability to these four year schools and there's been a lot made over the years about, "This is a proposal that's really focused on the two year public sector. What does this mean for four year schools?" Are there any funds in this bill that would be going to support students attending four year schools?

Karen:

There is a separate pot of money that is referred to as tuition assistance for HBCUs, TCUs, tribally controlled universities, and MSI, minority serving institutions. There is a certain percentage of low income students that they need to be serving in order to receive this. It would be a similar application process, they would use the funds to reduce tuition for students. It's not a free tuition program though. That is for those specialized four year institutions.

Karen:

There is also over on the America's College Promise side, I mentioned that the pot of funds, the feds put in some money, the states put in some money and then the community colleges use those funds to set tuition and fees to zero to eligible student. But because the money coming from the feds is based on the median community college tuition and fees, it's not going to be an exact dollar for dollar match, so it's possible that there would be extra money in the pot. If you're charging less money and you got more money because the median's higher, you got more money from the feds, and then you added in your state match, then you may have set tuition and fees to all of your eligible students to zero, and you still have extra money. In the bill there is an allowable use of funds for any extra money that's left in your pot, and one of the-

Justin:

This rewards schools who have lower tuition rates, right? So I'm not charging as much, then I would have excess funds?

Karen:

You could, although they do say that even if you are not charging as much, the state match still has to happen. It doesn't get you out of putting in state money, but you may end up then with excess money at the end, and you can use that excess money for additional need based aid for the community colleges, or there's also an allowable use in there that's just referred to as reducing unmet need at four year publics in your state.

Justin:

So those monies could be spent at four year schools.

Karen:

Yeah. I thought that was interesting.

Justin:

Karen, you're using some words in financial aid that maybe only people in financial aid would pick up as sort of trigger words, and one of those is "Eligible students", you keep using that terminology. Is that different from how we consider eligible students for Title IV purposes?

Karen:

Yeah, I mean, there are... In the bill they refer to eligible students. In our speak I would refer to it as program specific eligibility requirements, what does a student have to do in order to receive the zero tuition and fees? Obviously, you have to be an undergraduate. You have to be enrolled at least half-time to qualify. In order to receive the zero tuition and fees you have to be eligible. If there is like an in-state tuition or an in-district tuition at that community college, you have to qualify for it, or you would otherwise qualify for it if not for your citizenship status. Citizenship status is another one that I'll get to in a minute. There is a six semester limit on receiving the zero tuition and fees. Interestingly, the bill very clearly says that the sixth semester limit is not adjusted for enrollment status.

Justin:

So if you're part-time, you're going to potentially run out of time faster than you're full-time.

Karen:

Yes. There are specifically no citizenship requirements, it's very explicit about no citizenship requirements. It also is very explicit that states cannot add their own eligibility criteria, so states could not add a citizenship requirement if they wanted to.

Justin:

Well, that makes sense given the debacle with HEERF funding that Democrats would be much more explicit about its intent. One thing also Rachel and I didn't cover, but speaking of Pell grant changes, one of the other changes would make Pell grants available to DACA students if this bill passes, something else that we've obviously been very supportive of. Okay, Karen. Keep going.

Karen:

In the last one I wanted to mention is that there is a requirement, this one was kind of interesting. It says, "If the student is a us citizen, they have to file a FAFSA."

Justin:

This is like some states already have embedded into their high school graduation requirements, complete a FAFSA. This is basically making it defacto for any state that agrees to do this promise program, right?

Karen:

Yes, but it also is only if you're a citizen. So if you are an eligible, non-citizen-

Justin:

Why, why? Especially if you're making Pell Grants available to DACA students.

Karen:

I wonder if that might have-

Justin:

Been a mistake.

Karen:

Been an oversight. I was going to call it an oversight. You called it a mistake.

Justin:

A screw up. So, let me play this out. I'm a community college student. I'm going full time. I have zero tuition fees because I'm in a participating state and I'm an eligible student. I have to file a FAFSA. I still get a Pell grant. And I suppose any student aid then would be a hundred percent refundable to the student, right?

Karen:

Otherwise, if all the school is charging for is tuition and fees, there aren't any room and board.

Justin:

I mean, the students cost of attendance is basically in all indirect, non-billable expenses.

Karen:

Right.

Justin:

That would be a pretty significant change. Thanks Karen. There's a couple other things in this bill that people can check out, tuition assistance for students at minority serving institutions, there's some additional investments in HBCUs, there's some retention and completion grant and a slight change to public service loan forgiveness for any active duty deferment and forbearance periods. People can check that out in our article, we'll put the link in our show notes. Rachel, I think the big question is, just to be clear to everyone, this is a bill that has not passed. This is still in bill form, but it sure has a lot of momentum behind it and it can be passed without any Republican support, so that could happen as long as the Democrats move together as a block. Rachel, you want to call the odds of this passing into law?

Rachel:

I don't want to, but if I had to, I think it's really difficult to, to say how things will shake out because it feels like daily we're seeing... Last week, I think, is when Senator Manchin had an op-ed that expressed some of his concerns. It's just going to be interesting to follow. I think there is a maybe like 80% chance that something passes. I know that right now it's hard to see. Like Senator Manchin, who wants to spend \$1.5 trillion, and Senator Sanders, who wants to spend \$6 trillion dollars, and House progressives all getting behind one piece of legislation that is this massive in scope.

Rachel:

But I do think that across the caucus members see this as a really historic opportunity to accomplish some of their major priorities, so I think high chance that something passes. This bill is not going to pass as is, and it's pretty hard to say what those changes are going to be, if we see increases in certain programs at the expense of decreases in others. But the optimist in me is thinking that we're going to see, hopefully, a substantial Pell increase because this still's going to get through, somehow.

Justin:

I would agree that we'll see something, I agree that it won't be exactly this. The other big part of this bill that, this bill won't be blown up because of free college per se. Even though I do want to point out Republicans, I think, tried to insert an amendment during the markup that stopped calling this free college and they were going to call it federally taxpayer funded college or something, to make a point. But I don't know that those issues will necessarily blow it up. It'll be the overall cost of the bill, as you said, Rachel, that could make some alterations, some trims happen here and there.

Justin:

The other thing I'll just point out is just political dysfunction versus functionality. Democrats have to move in block to get this passed, your most conservative members have to agree with your most progressive members, and that's going to be a tall order. I'll just say the clock is working against them because next year we are back into a congressional election cycle. The longer a bill stays out there, the harder it is to get it to pass, particularly when you're talking not just about spends, but tax increases to offset some of that spend.

Rachel:

Yeah. And one other thing I would add is, even the next month or two, this isn't the only thing going on in Congress. Government funding right now is set to expire at the end of this month. We are expecting to see an extension of that, but lawmakers are also working on appropriations and the debt ceiling is coming up. So there's just a number of other, the infrastructure package. This is a big one, but it's not the only thing. I think it'll be interesting to see what we hear over the next few weeks as they start working on some of these other priorities and we know that these negotiations are going on behind the scenes.

Justin:

We will keep everybody up to date through *Today's News* and some additional podcasts in the future. But in the meantime, check out our articles, remember to subscribe, tell a friend, stay in touch, send us your questions, and we will talk to you again next time.