



MAKING COLLEGE MORE AFFORDABLE

The Health Care and Education Reconciliation Act of 2010

“We will provide the support necessary for you to complete college and meet a new goal: by 2020, America will once again have the highest proportion of college graduates in the world.”

- President Barack Obama
February 24, 2009

The Health Care and Education Reconciliation Act represents a historic investment in higher education – expanding educational opportunity for America’s students and families. The legislation strengthens the Pell Grant program, invests in community colleges, extends support for Historically Black Colleges and Universities and other Minority Serving Institutions, and helps student borrowers manage their student loan debt. It pays for these investments while reducing the federal deficit by ending government subsidies currently given to financial institutions that make guaranteed federal student loans.

Specific elements of the overall plan include:

Larger Pell Grants: The Health Care and Education Reconciliation Act invests more than \$40 billion in Pell Grants to ensure that all eligible students receive an award and that these awards are increased in future years to help keep pace with the rising cost of college. These investments, coupled with the funding provided in the Recovery Act and the President’s first two budgets, will more than double the total amount of funding available for Pell Grants since President Obama took office. The bill increases the Federal Pell Grant maximum award by the Consumer Price Index from 2013 through 2017, which is estimated to raise the award from \$5,550 to \$5,975, according to the non-partisan Congressional Budget Office. By the 2020-2021 academic school year, more than 820,000 additional Pell Grant awards are expected to be made as a result of to this new law.

More Stable Funding for Pell Grants: The budgeting process for Pell Grants often leads to funding shortfalls. The current shortfall is particularly severe because of the large number of students and workers qualifying for the award that have recently gone back to school. The Health Care and Education Reconciliation Act covers the expected funding shortfall and much of the recent growth in Pell costs, putting the program on more secure footing for years to come.

Investments in Community Colleges: As the largest part of the nation’s higher education system, community colleges enroll more than 6 million students and are growing rapidly. They feature affordable tuition, open admission policies, flexible course schedules, and convenient locations. Community colleges are particularly important for students who are older, working, or need remedial classes. Community colleges work with businesses, industry and government to tailor training programs to meet economic needs like nursing, health information technology, advanced manufacturing, and green jobs. The Health Care and Education Reconciliation Act includes \$2 billion over four years for community colleges. These resources will help community colleges and other institutions develop, improve, and provide education and career training programs suitable for workers who are eligible for trade adjustment assistance. The initiative will be housed at the Department of Labor and implemented in close cooperation with the Department of Education.

Increased Support for Minority Serving Institutions (MSIs): While many of today's colleges and universities are facing a host of challenges—shrinking endowments, decreasing state appropriations, deteriorating facilities and increasing costs—America's Historically Black Colleges and Universities (HBCUs) and Minority Serving-Institutions (MSIs) are particularly hard hit. They account for nearly one-third of all degree-granting institutions and enroll nearly sixty percent of the 4.7 million minority undergraduates in our nation today. They do more with less and enroll higher proportions of low- and middle-income students. That's why the Health Care and Education Reconciliation Act provides \$2.55 billion in mandatory funding for these institutions – dollars that can be used to renew, reform, and expand programming to ensure that students at these colleges and universities are given every chance to rise to their full potential.

Expanded Income Based Repayment (IBR): About two-thirds of graduates take out loans with an average student debt of over \$23,000. This debt is particularly burdensome for graduates who choose to enter lower-paying public service careers, suffer setbacks such as unemployment or serious illness, or fail to complete their degree. To ensure that Americans can afford their student loan payments, the Health Care and Education Reconciliation Act expands the existing income-based student loan repayment program. New borrowers who assume loans after July 1, 2014, will be able to cap their student loan repayments at 10 percent of their discretionary income and, if they keep up with their payments over time, will have the balance forgiven after 20 years. Public service workers – such as teachers, nurses, and those in military service – will see any remaining debt forgiven after just 10 years. More than 1.2 million new borrowers are projected to qualify and take part in the expanded IBR program.

Student Loans that Put Students First: The education related initiatives funded by the Health Care and Education Reconciliation Act are fully paid for by ending the government subsidies currently given to financial institutions that make guaranteed federal student loans. Starting July 1, all new federal student loans will be direct loans, delivered and collected by private companies under performance-based contracts with the Department of Education. According to the non-partisan Congressional Budget Office, ending these wasteful subsidies will free up nearly \$68 billion for college affordability and deficit reduction over the next 11 years.

These investments complement President Obama's broader agenda for higher education and will help us reach his goal of America having the highest proportion of college graduates in the world by 2020.