Student Success and Taxpayer Savings Act
(House Education and Workforce Reconciliation Bill)

At the beginning of his second term, President Trump requested that Congress pursue a budget reconciliation process to enact his top priorities related to immigration, the environment, and the economy. In order to pay for these priorities, authorizing committees in Congress are asked to introduce legislation to decrease mandatory spending.

On Monday, April 28, House Education and Workforce committee chair, Representative Tim Walberg of Michigan, introduced the "Student Success and Taxpayer Savings Act" to fulfill his committee's obligation to make at least $330 billion in cuts. This bill was voted out of committee on Tuesday, April 29 on party lines and without amendments.

Next, the bill will be considered on the House floor. The Senate must also pass its version, and if they are not the same, then the two bills will need to be reconciled. The Senate has not yet introduced its bill, and it is not clear at this time whether they will want to make changes to this bill.

This bill includes significant changes to Pell eligibility, creates the Workforce Pell Program, changes loan limits, eliminates the subsidized student loan program for undergraduates, creates and limits federal student loans to one standard (Standard Payment) and one income-based (Repayment assistance) plans, creates a risk-sharing program for the first time, and limits the Secretary's authority to regulate various parts of higher education.

ACCT's top priorities are to oppose risk-sharing and changes to enrollment intensity requirements for the Pell Grant while supporting Workforce Pell Grants.

Subtitle A—Student Eligibility

Sec. 30001: Student Eligibility

- Only U.S. Citizens, nationals, or those with a permanent legal residence status are eligible for federal financial aid.
    - Extends eligibility to certain Cuban, Afghan, and Ukrainian immigrants

Sec. 30002: Amount of Need; Cost of Attendance; Median Cost of College

- Amount of Need: Shifts need calculation from cost of attendance to median cost of college of the program of study
- Cost of Attendance of a Program of Study: Shifts the cost of attendance definition to the "program of study" level rather than academic workload or course of study.
- Median Cost of College: Cost of college used to determine the amount of financial aid for which a student is eligible will be determined based on the median cost of that program

of study nationwide rather than the specific tuition, fees, and expenses at the student's specific college.
- Asset Exemptions: Overturns the requirement for students with family farms or small businesses with fewer than 100 employees from having to report these business assets towards the family's ability to pay for college.

<u>Subtitle B—Loan Limits</u>

Sec. 30011. Loan Limits

- Termination of Federal Direct Stafford loan (subsidized) on or after July 1, 2026
- Students may continue to borrow through the Federal Direct Unsubsidized Stafford loan program
    - Borrowing limits:
        - The annual borrowing limit is the median cost of college of the program of study minus Pell Grant awarded
        - The maximum aggregate a student is allowed to borrow for programs that lead to an undergraduate credential is $50,000.
        - The lifetime maximum aggregate a student (with a parent borrowing on their behalf, if applicable) may borrow is $200,000, regardless of amounts repaid, forgiven, canceled, or discharged.
- Parents can only borrow for student dependents who borrow the maximum annual amount in of Federal Direct Unsubsidized Stafford Loan and if the maximum annual amount is less than the student's cost of attendance of the program of study.
    - Borrowing limits:
        - The annual borrowing limit is the program of study minus the maximum annual amount of Federal Direct Unsubsidized Stafford loans the dependent student borrows in the corresponding academic year.
        - Without regard to the number of dependent students, the maximum aggregate a parent may borrow is $50,000.
        - The lifetime maximum aggregate a student (with a parent borrowing on their behalf, if applicable) may borrow is $200,000, regardless of amounts repaid, forgiven, canceled, or discharged.
- Institutions at their discretion may limit the total amount of loans for a program of study for an academic year, as long as the limit is applied consistently to all students enrolled in the program of study.

<u>Subtitle C—Loan Repayment</u>

Sec. 30021. Loan Repayment

- Eliminate the income-contingent repayment plan and establish the income-based repayment plan, called the Repayment Assistance Plan.
- The Secretary of Education is to transition loan repayment for loans that are in repayment or in forbearance, which are associated with the income-contingent repayment plan, to

the Repayment Assistance Program, which is based on the borrower's total adjusted gross income.

- Students would be automatically enrolled in the Standard repayment plan if they do not select a plan. These borrowers can transition into the Repayment Assistance plan.
  - The Standard Repayment Plan features:
    - A fixed monthly repayment amount over one of the following fixed repayment periods:

Outstanding Principal Amount	Fixed Repayment Period
Less than $25,000	10 years
$25,000 to $50,000	15 years
$50,000 to $100,000	20 years
More than $100,000	25 years

- Borrowers who select the Repayment Assistance plan cannot transition into a Standard repayment plan.
- Under the Repayment Assistance plan:
  - Minimum monthly payment plan of $10
  - Monthly payment will have $50 subtracted for each dependent child of the borrower
  - Base payment calculation:

Adjusted Gross Income	Repayment Assistance Calculation	Monthly Payment Range
Less than $10,000	$120	$10
More than $10,000 to $20,000	1 percent of AGI	$10 to $16.67
More than $20,000 to $30,000	2 percent of AGI	$33.33 to $50
More than $30,000 to $40,000	3 percent of AGI	$75 to $100
More than $40,000 to $50,000	4 percent of AGI	$133.33 to $166.67
More than $50,000 to $60,000	5 percent of AGI	$208.33 to $250
More than $60,000 to $70,000	6 percent of AGI	$300 to $350
More than $70,000 to $80,000	7 percent of AGI	$408.33 to $466.67
More than $80,000 to $90,000	8 percent of AGI	$533.33 to $600
More than $90,000 to $100,000	9 percent of AGI	$675 to $750
More than $100,000	10 percent of AGI	$833.33 or more

*Subtract $50 per month per dependent child of the borrower, with the minimum monthly payment of $10.

  - Borrowers not in deferment or forbearance are to submit monthly payments until:
    - The balance of interest and principal of the loan equal $0.
    - After 360 qualifying monthly payments, which amount to 30 years of payments.

- Borrowers who make the minimum payment required of them under this plan, in the situation where that payment does not cover the total interest accrued in that month, will not have the interest added to their loan.

Sec. 30022. Deferment; Forbearance

- Student loan deferment for loans made on or after July 1, 2025 can no longer be made under unemployment and economic hardship.
- Forbearance is not to exceed 9 months during any 24-month period for loans made on or after July 1, 2025

Sec. 30023. Loan Rehabilitation

- Defaulted loans can be rehabilitated **twice** per loan.
- While in rehabilitation, the minimum monthly payment for Federal Family Education loans, Direct loans, and Perkins loans cannot be less than $10 for loans made on or after July 1, 2025.

Sec. 30024. Public Service Loan Forgiveness

- Borrowers making payments on the Repayment Assistance Plan qualify for Public Service Loan Forgiveness

Sec. 30025. Student Loan Servicing

- Provides an additional $500 million in mandatory funding for fiscal years 2025 and 2026 for the Secretary to administer student and parent loans and loan repayment.

<u>Subtitle D—Pell Grants</u>

Sec. 30031: Eligibility

- Redefines adjusted gross income within financial aid calculations to include foreign income.
- Eliminates from Pell eligibility any student whose Student Aid Index is twice the maximum Pell Grant or more, even if their family size and adjusted gross income would qualify
    - For example, if a student had a Student Aid Index of $16,500, likely because of significant family assets, but qualified for a Pell Grant due to their lower adjusted gross income compared to their family size, their high SAI would prevent them from receiving a Pell Grant because their $16,500 SAI is greater than the maximum Pell Grant of $7395.
- Students must be enrolled at least at half-time (6 credit hours/semester) in order to be eligible for a Pell Grant proportional to their enrollment intensity. No student taking fewer than 6 credits a semester will be eligible for a Pell Grant of any size.
- Students must be enrolled in 30 credit hours per year, or 15 credits each on a semester schedule, to be eligible for the full amount of their eligible award.

Sec. 30032: Workforce Pell Grants

- Creates the Workforce Pell Grant for students enrolled in eligible workforce programs
- Students may not receive both types of Pell Grants concurrently and Workforce Pell Grants will contribute to a student's total lifetime eligibility limit of Pell dollars.

- Program eligibility requirements include:
  - Provides instruction time of at least 150 clock hours but no more than 599 hours
  - Meets for calendar time of no less than 8 weeks but no more than 15 weeks
  - Is not to be offered as a correspondence course
  - Determined to be by Governor of a state, in consultation with state board, aligned with requirements to be high-skill, high wage or in an in-demand sector or occupation
  - Meets hiring requirements of potential employers such as leading to a recognized credential that is portable and stackable
  - Prepares students to pursue 1 or more certificate or degree programs
  - Offered for at least 1 year
  - Has a verified completion rate of at least 70% within 150% of normal time
  - Has a verified job placement rate of at least 70%, measured 180 days after completion
  - For each award year, the median value-added earnings of students who completed the program exceed the median total price.
  - Is offered by an institution of higher education or any other entity that has entered into a program participation agreement with the U.S. Secretary of Education.

Sec. 30033: Pell Shortfall

- Adds additional funds over the next three years to help counter the predicted shortfall in funding for the Pell Grant program.

Subtitle E – Accountability

Sec. 30041 – Agreements with institutions

- Establishes risk-sharing for institutions of higher education (IHEs) by requiring annual reimbursements to the Secretary in accordance with the requirements under a new subsection of the law
- Reimbursements will begin on award year 2028-2029 and will apply to all institutions of higher education (IHEs) that participate in the federal direct student loan program
- Payments will be made based on three different cohorts of borrowers, these cohorts will be: "completing student cohort", "undergraduate non-completing student cohort", and "graduate non-completing student cohort"
  - Completing student cohort will be made up of all students who received Federal financial assistance and who completed their program during that award year for each program in the institution.
  - Undergraduate non-completing student cohort will be made up of all students who received Federal financial assistance, who were enrolled in the institution during the previous award year in a program of study leading to an undergraduate credential, and who at the time the cohort is established have not completed their program and are not enrolled at the institution.

- Payments will be made on “qualifying student loans”, which are loans made on or after July 1, 2027 to students in a cohort established or to parents on behalf of students in a cohort
    - These qualifying loans must also not be in any of various forms of forbearance or deferments (such as in school, medical, or military)
    - Qualifying loans must also not be in default
- Establishes “Special circumstances” for qualifying loans and student cohorts
    - Students who complete multiple programs in a given award year, and who take loans, those loans will count for all eligible programs they were enrolled in
    - Consolidated loans that belong to a different cohort year will not count towards more than one cohort
    - Loans that are consolidated after a cohort is established will still count towards that cohort in proportion to the share of the original loans in said cohort
- Establishes a “reimbursement payment formula” that is the reimbursement percentage for individual cohorts multiplied by the non-repayment balance for said cohorts (reimbursement % X non-repayment balance).
- Reimbursement percentage will be based on the cohort type
    - Completing Student Cohort percentage = [1 – (median value-added earnings / median total price charged to students in the cohort)] X 100
        - “special circumstances” categories for completing cohorts: High-risk cohorts and low-risk cohorts.
            - For high-risk cohorts, if the median value-added earnings is negative (no value added), the reimbursement percentage is 100%
            - For low-risk cohorts, if the value-added earnings exceeds the median total price for said cohort, the reimbursement percentage shall be 0%.
    - Non-Completing Student Cohort percentage = the percentage of undergraduate students who borrowed and who did not complete their program within 150% of program length-time OR for the cases of two-year institutions, equal to the percentage of students who borrowed and who did not obtain a bachelor’s degree or equivalent within 6 years.
- Non-repayment loan balance will be calculated as follows:
    - (Total amount of payments due on a given year – total amount of payments made in said year) + amount of interest waived, paid, or not charged by the Secretary of Education under an income-based repayment plan + principal and interest forgiven, cancelled, waived, discharged, repaid, or reduced by the Secretary on that year.
- For the purposes of the formula calculations, total price of a program is defined as the cost of tuition and fees charged to students before federal financial aid minus grants and scholarships awarded to students from non-federal sources.

- Establishes a timeline for the Secretary of Education to notify IHEs of annual reimbursement calculations
    - Secretary must notify IHEs within 30 days of calculating the reimbursement amount
    - IHEs must remit payment within 90 days of notification
    - If an institution does not pay within 90 days, the institution must also pay interest on the reimbursement amount, at a rate that is the average rate applicable to the loans in such student cohort.
    - If an institution does not pay the reimbursement amount plus interest accrued within 12 months, the institution will not be allowed to issue new loans to students in the program for which reimbursement is owed until the balance is paid
    - If an institution does not pay the reimbursement amount, plus interest accrued within 18 months, the institution will not be allowed to issue new direct loans or Pell grants to any student enrolled at the institution until the balance is paid
    - If an institution does not pay the reimbursement amount plus interest accrued within two years of notification, the institution will be barred from participating in Title IV financial aid programs for at least 10 years
- Incentivizes IHEs to stop participating in the Federal Direct Loan program by reducing the reimbursement amount owed for individual programs by 50% if the institution agrees to stop giving direct loans to students enrolled in that program or substantially similar programs for at least 10 years
- Any funds paid back ("reimbursed") to the federal government shall be reserved for PROMISE Grants (see below)

Sec. 30042 – Campus-Based Aid Programs

- Establishes the Promoting Real Opportunities to Maximize Investments and Savings in Education (PROMISE) Grants
- PROMISE Grants shall be funded by the risk-sharing reimbursements
- PROMISE grants shall be awarded on a noncompetitive basis to each eligible IHE that submits a satisfactory application for a 6-year period in an amount determined by a specific formula
- PROMISE Grants must be used to meet "maximum total price guarantee" commitment, increase affordability for students, enhance student success, among other things
- To qualify for PROMISE Grants, IHEs must be a Title IV eligible institution, not located outside the US, and commit to a "maximum total price guarantee" for tuition and fees for the duration of the grant
- The maximum total price guarantee requires institutions to guarantee that the total cost of tuition and fees for their programs of study will not exceed a fixed, published amount that is clearly shown on the program's website, and marketing materials.
- The maximum price guarantee will be in place for a minimum guarantee period which will be the higher of either the program length or the average time it took for students to

complete the program over the last three years, but the guarantee period will not exceed six years after the date of first enrollment

- The Maximum Price will be calculated prior to including any federal financial aid, and will be classified based on income and student aid index levels
- PROMISE Grant funding formula will be calculated by multiplying the following three factors:
    - The lowest of either: (Average value-added earnings for the past 3 years divided by average maximum total price to completion for the past 3 years) – 1; or 2
    - Average amount of Pell grant funding received by students at the institution for the past 3 years
    - Average percentage of low-income students enrolled at the institution who received federal financial for the past 3 years and who completed their programs within 100% of program length or for two-year institutions who transferred to a four-year institution and received a Bachelor's (or equivalent) degree within four years of first enrolling at the two-year institution
- PROMISE grants will be capped for institutions by calculating the average number of students who received federal financial aid for the past 3 years and multiplying that number by $5,000
- If there are not enough reserves of funds for the PROMISE Grant, grants to institutions may be lower than their formula-calculated amount
- For two-year institutions, value-added earnings are defined as the annual earnings of students calculated two years after completion of their program, minus 150% of the poverty line
    - Value-added earnings calculation will be adjusted geographically

Subtitle F—Regulatory Relief

Section 30051: Regulatory Relief

- Eliminates the requirement that for-profit institutions receive at least 10% of their revenue from sources other than federal financial aid. Also known as the 90/10 requirement.
- Eliminates the term "gainful employment in" from the Higher Education Act
- Eliminates closed school student loan discharges and borrower defense to repayment.
- Prohibits the U.S. Secretary of Education from implementing any rules or regulations that are the same or similar as those eliminated in this act, unless specifically directed to do so by an act of Congress.

Subtitle G—Limitation on Authority

Section 30061: Limitation on Authority of the Secretary to Propose or Issue Regulations and Executive Actions

- Requirement the Secretary of Education review any new draft regulation for a substantial subsidy cost or any final rule or regulation to determine if it is economically significant;

and if determining the regulation meets those thresholds, requires the Secretary to cease moving forward with that regulation

- Economically significant is defined as an annual effect on the economy of $100,000,00 or more, or adversely affecting in a material way the economy, a sector, and jobs among other factors.