OPPORTUNITY AMERICA

Jobs and Careers Coalition

THE PROSPER ACT

WHAT IT MEANS FOR EMPLOYERS

On December 1, Republican leadership of the House Committee on Education and the Workforce introduced H.R. 4508, the Promoting Real Opportunity, Success and Prosperity through Education Reform Act, long-overdue legislation to revise and reauthorize the Higher Education Act of 1965. Last reauthorized in 2008, the Higher Education Act currently provides some $128 billion a year in federal loans and grants for low-income postsecondary students and institutions of higher education.

The PROSPER Act, cosponsored by Education and Workforce Committee chairwoman Rep. Virginia Foxx (R-NC) and Rep. Brett Guthrie (R-KY), chairman of the Higher Education and Workforce Development subcommittee, would mandate dramatic changes to the way the federal government finances higher education and the incentives it creates for schools, students and employers.

Three broad themes underlie the many reforms proposed in the 542-page legislation: making sure the nation's huge investments in higher education are as productive as possible, holding schools accountable for student outcomes while leaving room for innovation and variety in how to produce those results and a new emphasis on workforce education.

The PROSPER Act dramatically streamlines federal financial aid, consolidating a large number of existing funding streams into just three programs: one grant program, one loan program and a work-study program. The bill eliminates several far-reaching regulations that have shaped the market for postsecondary education in recent years – including the so-called gainful-employment rule, which applies to some institutions of higher education but not others, putting for-profit colleges at a disadvantage. It also prohibits the Department of Education from reimposing these requirements in the future without express permission from Congress.

The act sharply reduces the reach of the Secretary of Education but, at the same time, moves to impose new accountability on institutions of higher education, tying institutional funding to graduation rates and creating a form of institutional risk-sharing that makes schools responsible for a share of unpaid student loans.

Employers have a stake in all of these proposed changes. The U.S. economy cannot function at full capacity unless postsecondary education programs, at colleges and elsewhere, produce workers with the skills to succeed across a broad range of jobs in demand in the 21st century workplace.

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But employers who rely on workers with technical skills and those best learned on the job in the workplace have a particular interest in the provisions of the act that provide new funding and incentives for workforce education – including programs offered by institutions of higher education partnering with employers and employer associations.

Among the key provisions of the bill designed to expand and facilitate workforce education:

NEW FUNDING FOR APPRENTICESHIP

- A new competitive grant program run by the Department of Education.
- Would provide funding for industry-led earn-and-learn programs that prepare students for high-wage, high-skill, high-demand jobs.
- Grants go to partnerships that include a business and an institution of higher learning.
- Grants of up to $1.5 million per partnership require a 50-percent match by the sponsoring entities.
- Total funding: $183 million annually.
- Programs must combine structured on-the-job training and related classroom instruction and must lead to a recognized postsecondary credential, potentially an industry certification.
- Required program length: three months to two years.
- Funds may be used to cover up to 50 percent of students' wages.

MORE FEDERAL WORK-STUDY FUNDING FOR PRIVATE-SECTOR JOBS

- Expands an existing program that provides grants to institutions of higher education to subsidize wages of low-income students who work to put themselves through college.
- Increases funding from $1.1 billion to $1.7 billion for FY 2019-2024.
- Eliminates a 25-percent cap on the share of students at an institution that may be employed in private-sector jobs.
- Prioritizes work-based learning, defined as "paid interactions with industry or community professionals in real workplace settings that foster in-depth, first-hand engagement with the tasks required of a given career field, that are aligned to a student's field of study."
- Funding may be used to cover up to 50 percent of student wages.
- The new funding formula also better targets aid to institutions with a large number of low-income students.

FULL COLLABORATION ON PELL-ELIGIBLE PROGRAMS

- Eliminates a ceiling that currently prevents institutions of higher education from contracting with nonaccredited third parties – including potentially employers or employer groups – to provide more than 50 percent of the instruction in credit-bearing programs eligible for federal financial aid.
- If the collaboration meets the standards of the institution's accrediting agency, there would be no cap on the share of instruction that could be provided by the nonaccredited partner.

- In other cases, the instruction provided by the nonaccredited third party would be capped at 25 percent.

WORKFORCE PELL GRANTS/COMPETENCY-BASED EDUCATION

- Makes federal financial aid available for shorter courses – often, in practice, workforce-related programs.
- Programs must offer at least 300 clock hours of instruction over 10 weeks – in contrast to the existing Pell requirement of 600 clock hours over 15 weeks.
- Pell Grants may also be used to pay for competency-based programs that measure student achievement through a demonstration of skill rather than the amount of time spent in class.

PAY-FOR-SUCCESS CONTRACTS

- Another option for institutions of higher education seeking to partner with nonaccredited third parties to provide instruction – including potentially employers or employer associations.
- Payment depends on student outcomes.

A MORE TRANSPARENT EDUCATION MARKETPLACE

- Maintains the existing ban on a tool supported by many education reformers who seek to hold institutions of higher education more accountable: a federal database that uses individual student-level information to track employment outcomes – job placements and wages – for all postsecondary students, program by program.
- Takes a step in this direction by creating a new website, the College Dashboard, to provide aggregated information about employment outcomes – including median earnings five and 10 years after graduation – for students who receive federal financial aid, some 70 percent of all students.
- Increased transparency about employment outcomes will improve educational quality across the board, helping students make more informed choices and spurring competition among education providers. But it will yield extra dividends for workforce education: few changes will do more to level the playing field for career-oriented programs and traditional academic instruction.

The Opportunity America Jobs and Careers Coalition is a Washington-based business coalition focused on job training and workforce development. Members include employers and employer associations from a broad range of industries experiencing skills mismatches and worker shortages – IT, manufacturing, construction and hospitality, among others.