U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON THE BUDGET
134 Cannon House Office Building, Washington, D.C. 20515 ★ (202) 226-7200 ★ democrats-budget.house.gov

John Yarmuth
Ranking Democrat

April 19, 2018

H.R. 4508 ("The PROSPER Act") Harms Students While Enriching Corporations

The third stage of the Republican three-step plan to cut taxes for the rich, explode the deficit, then demand extreme cuts to vital programs to pay down that deficit is on full display in H.R. 4508, the so-called "Promoting Real Opportunity, Success and Prosperity through Education Reform (PROSPER) Act." Once again, Republicans are pursuing policies that will make life harder for everyday Americans, while millionaires and big corporations continue to enjoy their massive tax cuts.

H.R. 4508 changes institutional and student eligibility for several major student aid programs, including the federal student loan program and the Pell Grant program, putting access to college at risk and making it easier for unscrupulous for-profit organizations to swindle students. This legislation was approved by the House Committee on Education and the Workforce by a party-line vote and is expected to be considered by the full House during this Congress. The Congressional Budget Office (CBO) estimates that over ten years, this legislation would cut mandatory spending for education programs by a net of $15 billion.

How much damage does $15 billion in cuts cause American families?

- **An increase in student debt** — Nationwide, student loan debt levels have reached more than $1.3 trillion, which is the second highest consumer debt category behind only mortgage debt and more than twice what it was a decade ago. Instead of addressing this serious issue, this legislation eliminates Teacher Education Assistance for College and Higher Education (TEACH) grants that help students who agree to teach at schools that serve low-income families, removes the undergraduate loan subsidy, removes the current benefits of Income-Based Repayment for low-income borrowers, and eliminates the Public Service Loan Forgiveness program. The combined effects of these policies will force students to borrow more, pay more to borrow, and face higher monthly student-loan repayment bills after graduation. Nearly 6 million borrowers would lose interest subsidies. In fact, almost all of the cuts in the bill result from moving all currently available loan products into a federal student loan program with one less generous repayment plan that is more expensive for students. By eliminating certain federal student loan programs, this legislation would also force more students into the often more expensive and riskier private market to finance their higher education.

- **Further erosion of the Pell Grant program** — The Pell Grant program has helped millions of low-income students go to college and continues to be the largest source of federally funded aid for postsecondary education. CBO estimates H.R. 4508 will increase total dollars spent on the Pell program by $12 billion, but more than half of this increase will end up in the coffers of for-profit schools and corporations (see discussion below). Unfortunately, the bill misses an opportunity to broadly increase the maximum Pell grant award, which would make education more affordable for students. Forty years ago, the maximum Pell Grant award covered 75 percent of costs at a four-year public university; today it covers just 29 percent.

- **Greater profits for corporate interests and for-profit colleges at the expense of students** — The federal government enforces rules designed to protect students attending higher education to make sure their tuition is money well spent. In recent years, there have been several scandals involving for-profit colleges. Students paid exorbitant tuition to these institutions for programs that did not lead to employment opportunities. Ignoring this troubling history, the legislation gives for-profit colleges unfettered access to federal student aid funds without safeguards to protect students and taxpayers. It also repeals several key requirements that keep colleges accountable. This opens the door to more waste, fraud, and abuse in higher education, with students and taxpayers left holding the bag. For example, the bill repeals the gainful employment rule, which requires for-profit institutions to meet minimum thresholds on debt-to-income rates of their graduates. This rule protects students from overpaying for a degree that does not lead to gainful employment. The Department of Education's independent Inspector General found that eliminating accountability provisions as called for in H.R. 4508 could result in risks to students and taxpayers and negatively affect the long-term viability of the federal student aid programs.

Cutting vital programs to students while providing corporate giveaways is not the way to solve our nation's deficit problems. H.R. 4508 does very little to address student loan debt, ensure the viability of the Pell Grant program, or protect students against unscrupulous corporations. It is not fiscally responsible and will damage important investments in human capital needed to grow our economy. One of the most important ways Congress can improve our country's outlook and create more opportunities for hardworking Americans is by investing in education. This bill fails American families on all fronts.

Savings in H.R. 4508
(CBO score in billions of dollars)

	2018-27
Student loans:	
Create less generous ONE loan program:	
Eliminate Public Service loan forgiveness and create new income-driven repayment plan…………	-40.0
Eliminate subsidized loans and increase loan limits for unsubsidized loans………….	-18.5
Other…………	23.7
Subtotal, ONE loan program…………	-34.8
Other changes to student loans…………	8.5
Subtotal, student loans…………	-26.3
Elimination of TEACH grants…………	-0.4
Pell Grants - more than half benefits for-profit schools and corporations…………	12.2
TOTAL…………	-14.6