

The Honorable Lamar Alexander
Chairman
Senate Health, Education, Labor, and
Pensions Committee
United States Senate
Washington, D.C. 20510

The Honorable Patty Murray
Ranking Member
Senate Health, Education, Labor, and
Pensions Committee
United States Senate
Washington, D.C. 20510

April 26, 2017

Dear Chairman Alexander and Ranking Member Murray,

As the Senate continues to explore opportunities to make higher education more affordable and relevant for working learners, we respectfully submit the following recommendations for changes to the federal work-study program. We believe these reforms will better target the program's resources toward the students who need it most.

We are a non-partisan coalition of national organizations that represent a diverse array of stakeholders in postsecondary education, including non-traditional and historically disadvantaged students, community colleges, and employers. We share a common concern that our federal higher education policies are doing too little to meet the needs of America's diverse student population and our increasingly complex and knowledge-based economy. We have been meeting regularly for over a year, and in November of 2015 released a set of seven shared principles to guide the next reauthorization of the Higher Education Act. Our principles are included as an appendix to this letter.

Since releasing the principles, we have met with congressional staff from both chambers and across the aisle. We have been pleased by the interest in the principles and in our coalition. Earlier this year, we decided to deepen our collaboration, moving beyond general principles to more detailed recommendations for reform. This letter, which includes recommendations for improving the performance of the federal work-study program, is the first in what we expect to be a series of concrete reform recommendations.

We appreciate your consideration of our proposal,

Sincerely,

Achieving the Dream (ATD)
Business Roundtable
Council for Adult and Experiential
Learning (CAEL)
Center for Law and Social Policy
(CLASP)
Committee for Economic Development
Jobs for the Future

National Association of System Heads
National Skills Coalition
New America
Skills for America's Future
State Higher Education Executive
Officers' Association (SHEEO)
U.S. Chamber of Commerce
Young Invincible

Making Federal Work Study Work for Students

The Federal Work Study (FWS) program was created in 1958 to help low-income students earn money while in college and was incorporated into the Higher Education Act in 1965. The program's creators recognized that many students would need to work to afford college and that looking for a job is time-consuming and distracts students from their primary purpose. Federal work study helps students find jobs that are flexible enough to accommodate their class schedules and study needs, are conveniently located (often on campus) and, ideally, are related to the student's field of study.

Work-study was a good idea back in 1958 and it still is today. Research has shown that FWS students are more likely to earn a bachelor's degree and more likely to be employed after finishing school than non-work study students.¹ These positive effects are even larger for low-income students who attend public institutions. Other research has found that FWS reduced working hours and improved academic outcomes for students who would have needed to work regardless of whether they qualified for FWS. At a time when one-third of American undergraduates are working 35 hours per week and half are working at least part-time, finding ways to help students balance their jobs with their studies makes more sense than ever.

But while the program is clearly effective, it is also in desperate need of updating. Specifically, the policies that determine how the nearly \$1 billion in annual FWS funds are distributed have failed to keep up with the changing demographic and enrollment patterns of America's low-income students.² As a result, FWS is not reaching the students with the greatest financial needs. In fact, surprisingly few FWS dollars go to institutions serving the large majority of low-income students. Currently, around one in five students at private non-profit colleges and universities receive FWS while only two of every one hundred students in a community college can say the same. Private schools (both non-profit and for-profit) receive about 45% of federal work-study funds, despite enrolling about a quarter of undergraduates. Meanwhile, only 11% of the program's funds go to community colleges, which enroll nearly 40% of all undergraduates, many of who are low-income and need to work

¹ FWS participants are 3.2 percentage points more likely to earn a bachelor's degree, and 2.4 percentage points more likely to be employed after finishing school than non-participants. See Scott-Clayton, Judith, and Veronica Minaya. "Should Student Employment Be Subsidized? Conditional Counterfactuals and the Outcomes of Work-Study Participation." (2014).

² In FY 2014, approximately \$928.0 million were disbursed through approximately 690,000 campus-based awards." Citation: U.S. Department of Education. Federal Student Aid Annual Report. (November 14, 2014).

<https://www2.ed.gov/about/reports/annual/2014report/fsa-report.pdf>

while in school.³ FWS dollars also flow disproportionately to colleges and universities located in the Northeast, despite the fact that the largest concentrations of low-income students attend public institutions in the South and Southwestern regions of the United States.⁴

The program is also failing to live up to its promise of providing students with career-relevant work experience. According to the law, federal work-study positions “must be related to educational goals to the maximum extent practicable”. But institutions are not required to assess or report on the degree to which work-study jobs are career relevant and many of the jobs have little if any relation to a student’s future career goals. In fact, a survey conducted in 2000 indicated that only 24% of institutions were able to even determine if their work-study jobs were relevant to student’s career interests.⁵

The upcoming reauthorization of the Higher Education Act is an opportunity for Congress to reform the federal work study program and bring it back its original mission of helping low-income students earn money while in school and gain valuable, career-relevant work experience. Below, please find a series of concrete reforms that will help lawmakers better target FWS dollars to the students who need them most.

Recommendations:

Fix the Funding Formula

Institutions become eligible to participate in the FWS program based on a complex funding formula that has grown increasingly unbalanced over the years. Two features in particular of the funding formula distort how the program’s limited resources are distributed, channeling them away from the public two and four-year colleges that enroll the large majority of low-income students:

³ See Rory O’Sullivan and Reid Setzer. A Federal Work Study Reform Agenda to Better Serve Low-Income Students, <http://younginvincibles.org/wp-content/uploads/2014/09/Federal-Work-Study-Reform-Agenda-Sept-181.pdf>

⁴ From Excelencia in Education, Center for Postsecondary and Economic Success at CLASP, College Board, Committee for Economic Development, and the National Urban League. "The Reimagining Aid Design and Delivery (RADD) Consortium for the Reform of Federal Student Aid Grants and Work-Study: Our Agenda for Reform." <http://www.edexcelencia.org/research/radd>

⁵ See Kenefick, Elizabeth, “Strengthening the “Work” in Federal Work Study: Increasing Access to Financial Aid and Career-Related Work Experience for Low-Income and Post-Traditional Students”, CLASP (January, 2015). http://www.clasp.org/resources-and-publications/publication-1/CPES_FederalWorkstudyFINAL.pdf

- **Funding guarantees for incumbent institutions:** When the program was first created it included a relatively small number of colleges and an *ad hoc* committee of experts determined funding levels. As time passed, policymakers recognized the need to create a funding formula to better target the program's resources toward high need students and ensure fairness. The first major adjustment was made in 1979. But in an effort to protect colleges that might lose funds under the new formula from a financial shock, Congress guaranteed existing colleges 100 percent of their most recent allocation. In subsequent rounds of HEA reauthorization, this "campus base guarantee" has been reset, each time guaranteeing more institutions 100 percent of their previous year's funding, and is currently set at 1999.

While colleges covered by the guarantee are assured, at a minimum, the same base amount of funding each year, funding for the FWS program has not significantly increased. As a result, an ever-growing share of FWS dollars flow to colleges regardless of the financial status of their students, or of the needs of students in other institutions, but based solely on an institution's historic participation in the program. In fact, the campus base guarantee currently accounts for 67% of all FWS dollars allocated (around \$600 million), leaving only a third of the program's resources subject to the funding formula designed to target institutions with high need students.

The campus base guarantee has made it almost impossible for the program to respond to the changing demographic and enrollment patterns of American undergraduates. It is the reason why the resources have remained so concentrated in the Northeast – where many institutions began participating in the program in the 1960s – and has failed to gain a foothold in other parts of the country.

- **A bias toward high-tuition institutions:** The annual funds remaining after the campus base guarantee has been met (about \$300 million) are distributed via a "fair share formula" that seeks to channel resources to colleges with "high need" students. But the formula does a poor job actually identifying high need students since it is based primarily on the cost of attending a particular institution (i.e. tuition and living expenses), not the economic circumstances of students. Specifically, the formula calculates "institutional need" based on the gap between the cost of attendance and the average expected family contribution (EFC) of students. At institutions with high tuition there is a larger gap between cost of attendance and EFC, so this essentially identifies "high need" students at high tuition schools who are not necessarily low income. The formula is effectively blind to students attending affordable institutions – who are more likely to be low income – and biased

toward students at high cost institutions, even if they are not from low-income families.⁶

The fair share formula, combined with the distorting effects of the campus base guarantee, explain why nearly quarter of federal work study participants come from families earning over \$90,000 per year, well above the earnings of many low-income students.⁷ We propose the following reforms as essential steps for better targeting this valuable program toward the students who need it most.

HEA reauthorization is a perfect opportunity to address the distortionary effects of both the campus-based guarantee and the fair share formula. We recommend the following changes:

1. Phase out the “campus-base guarantee” over a 5-year period and replace it with a guarantee of 10% of the total funding per year.
2. Replace the fair share formula with one that is driven by a combination of Pell enrollment and Pell graduation rates.

Improve linkages between work-study and careers

According to the Higher Education Act, FWS positions “must be related to educational goals to the maximum extent practicable”. But institutions are not required to assess or report on the degree to which work study jobs are career relevant. We believe that FWS can be used to better prepare students for a career after college. Many low-income students have difficulty supporting meaningful work experiences like unpaid internships while they are in colleges. The same recent study found that participation in FWS had little impact on students’ careers after graduation. To improve this link, we also propose a stronger alignment with programs of study where feasible. Specifically:

3. Congress should better define what the statute means by FWS positions “must be related to educational goals to the maximum extent practicable” in the reauthorization of HEA.

⁶ See O’Sullivan, Rory and Setzer, Reid. "A Federal Work Study Reform Agenda to Better Serve Low-Income Students." *Young Invincibles*. <http://younginvincibles.org/wp-content/uploads/2014/09/Federal-Work-Study-Reform-Agenda-Sept-181.pdf>

⁷ Rush Marlowe, Rachel. 2016. Federal Work Study Isn’t Working, <https://www.newamerica.org/education-policy/edcentral/work-study-isnt-working/>.

4. With this improved guidance, HEA should direct the Department to collect data from colleges on the number of students who are placed into opportunities that relate to their course of study.
5. Currently, many low-income students face a disadvantage in the labor market because they cannot afford to take unpaid internships like their more affluent counterparts. FWS could play a role in addressing this inequality. Congress should consider lifting the restrictions on students using their FWS funding for jobs with for-profit companies and off campus non-profits.

Conclusion

Federal Work-Study is an important and valuable student aid program that has helped millions of students offset the cost of college. But the federal funding formula and accountability measures have failed to keep up with the changing enrollment patterns and needs of America's increasingly large and diverse student population. As a result, the program's resources are poorly targeted, with only a small percentage flowing to low-income students and the institutions that serve them. The proposed reforms to the funding formula and to institutional reporting requirements will help better target the program's limited resources and make the Federal Work Study work better for low-income students.