

Subcommittee on Higher Education and Workforce Training  
*Keeping College Within Reach: Strengthening Pell Grants for Future Generations*  
Written Testimony by Richard C. Heath, Anne Arundel Community College  
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Chairwoman Foxx, Ranking Member Hinojosa, and members of the subcommittee, I am pleased to be here today to present this testimony on behalf of my institution Anne Arundel Community College. On behalf of the the 17 professional Financial Aid staff at my institution and the 6,000 Pell Grant recipients we are currently serving, we are happy to engage with the Committee on how we can improve the Pell Grant Program, especially in the areas of increased flexibility for non-traditional students, encouraging completion, defining and identifying the neediest students and eliminating fraud and limiting abuse. With almost 1,200 community colleges nationwide and millions of Pell recipients, these topics are of high importance and extremely relevant to our institutions and students today.

Community Colleges are being recognized for their critical place in our nation's education system, economy, and society and enroll well over 40 percent of all students in the nation's higher education system, playing an essential role in providing access to higher education and responding to the community's needs for workforce training. Anne Arundel Community College serves over 25,000 credit students and for the 2012-13 award year had almost 6,000 students receiving \$15.8 million in Pell Grants.

No federal legislation is more important to Anne Arundel Community College and our students than the Higher Education Act (HEA), including the Pell Grant Program. Anne Arundel Community College would look very different, and the opportunities we provide students would not exist today, were it not for the national investments made through the HEA. The upcoming reauthorization process gives Congress the opportunity to make needed improvements to critical student financial assistance and institutional aid programs. The testimony below is in response to the Committee's request for input in given areas. Some of the responses I offer reflect my participation in the Reauthorization Task Force for the National Association of Financial Aid Administrators (NASFAA).

**1. Increased flexibility for non-traditional students:**

Non-traditional students need understandable and usable information that helps them to make informed decisions about the most suitable college and program for their unique circumstances. In high school this information is readily available through the guidance and career planning offices. After leaving high school it is more difficult to obtain this type of input. The federal government could improve in this area by requiring all students to access and complete the Financial Literacy option on [www.ed.gov](http://www.ed.gov). This is a resource that already exists but is not required as part of the student aid process. Currently only the Entrance Interview section is required when the student wants to take out a loan. With the additional requirement of the Financial Literacy site, the student would have access to a wide range of information including potential jobs and income to be better informed regarding what program to pursue. In addition, taking the extra step to make it a requirement to review the Financial Literacy option each time students reapply for financial aid would reinforce their understanding of the relationship between their academic progress and funds that are being invested in that pursuit, including Pell Grant and loan funds. This enhanced information would give students another resource to help determine what and how many credits to attempt given their work and family responsibilities in relation to the time commitment and funding necessary.

Many non-traditional students determine their best option is to take less than 12 credits because of family and work responsibilities. Their Pell Grant should be flexible enough to pay for those credits only. Currently if a student is eligible for the maximum Pell Grant but has registered for 9 credits he receives the same amount of Pell as the student who registers for 11 credits. Students in this scenario are using up their Pell Lifetime Eligibility Used (PLEU) but not earning the most credits allowed. This penalizes the non-traditional student who often is not able to attend full time. More

flexibility in this area would be a win-win. For the non-traditional student, they would be pursuing their educational goals at a pace that fits their other time commitments and the taxpayer would not be paying for credits that are not yet earned.

## **2. Encouraging Completion:**

Maryland has recently passed the College and Career Readiness and College Completion Act of 2013 (SB 740). A good summary and an FAQ on this initiative can be found at the web site for the Maryland Association of Community College (MACC): [http://mdacc.org/PDFs/Publications/Special%20Reports/SB740\\_FAQ\\_Sheet.pdf](http://mdacc.org/PDFs/Publications/Special%20Reports/SB740_FAQ_Sheet.pdf)

This initiative takes significant steps to better prepare Maryland's students for college and encourages completion once they get there. There are similar initiatives in other states but there are still a large number of states with no such progress. Colleges have data that indicate that students who need more than two developmental classes have a significant drop in program completion, and it follows that the more developmental classes required the more the program completion rate drops. Maryland law SB740 attempts to decrease the need for developmental education on the college level.

A common practice in community colleges nationwide is that students are allowed 30 hours to take needed developmental courses (Math, English and Reading) with no credit attached. This allows students to take other credit classes at the same time and receive Pell. However, when financial aid offices do an academic progress assessment, we often see students who are not meeting Satisfactory Academic Progress (SAP) requirements due to problems in their developmental classes. This sets them up for long-term completion failures. An alternative being discussed, and implemented at a few colleges, is to require that students take necessary developmental classes within the first year of attendance, giving them a good foundation for future success. This would also enable colleges to monitor students' progress in their developmental courses and might be an early warning that academic intervention is needed to help the student make better program and class choices.

## **3. Simplifying the Process of Defining and Identifying the Neediest Students**

We know who the neediest students are and can identify them as early as middle school and certainly by grades 10-12 as there is a means test in place to identify those who qualify for subsidized meals in the public schools.

The following recommendations are part of a report from the NASFAA Reauthorization Taskforce of which I was a member. The \*seven recommendations that I have listed below would have a positive impact on college access through all Title IV programs and allow students who have, or whose families have, already demonstrated high needs, to auto qualify for maximum federal aid and would reduce the need for a separate financial aid application, or at the very least further reduce the number of questions aimed at determining financial ability to pay.

**Recommendation 1:** FAFSA Simplification and the Auto Zero could be improved by adding the receipt of SSI, TANF or General Relief benefits as the sole qualifiers for an Auto Zero EFC determination. Students and parents that they receive or received these benefits would not have to complete any questions on the FAFSA regarding income or asset information. Verification of the benefits would be conducted through the verification at the school or a data base match (SSI)

**Recommendation 2:** Auto Zero Qualification stemming from the dislocated worker qualification criterion should be eliminated. The use of this criterion has had unintended effects in the distortion and significant reduction of EFC for families where the income of the dislocated worker is not representative of the families income. The appropriate path for consideration of reduced income should be the discretion of the financial aid administrator already authorized in the HEA section 479.

**Recommendation 3:** Eliminate the simplified needs test as this concept as the determination for eligibility is confusing to the applicants and difficult to explain, especially with regard to tax forms that could have been filed. In some cases the exclusion of substantial assets causes unnecessary expenditures which could be targeted at needier applicants. The

exclusion of home equity and retirement/pension plans from the definition of the asset protection allowance already provides relief within the formula. Retention of a properly designed and updated auto zero EFC option should be sufficient to identify populations for whom assumptions of maximum need are appropriate. An increase in the data available from the IRS data retrieval tool may allow for an improved flow of questions during the application process to determine whether a collection of asset information is necessary based on the analyses of appropriate income items from tax filings.

**Recommendation 4:** Eliminate homelessness from automatic independent criteria and move to override authority as an example appropriate income items from the tax filings. The complexity of the definitions and determinations of homelessness has resulted in misunderstanding and inaccuracies observed by aid administrators in the answers to the FAFSA dependency question.

**Recommendation 5:** Eliminate the Foreign Income Exclusion by requiring the amount to be reported as untaxed income on the FAFSA. An Expansion of the IRS data retrieval tool could include this data element. The federal tax code allows qualified individuals to exclude certain forms of income earned in another country. The need analysis formula does not utilize “excluded” foreign income. However, the primary purpose of need analysis is to determine a family’s financial strength and ability to contribute to educational expenses. In many instances, income earned in another country may be the individual’s major or only source of income. Excluding it presents an inaccurate picture of the family’s financial strength relative to other FAFSA applicants.

**Recommendation 6:** Add back any business, capital, and other losses that do not represent a real loss of income when determining the parents’ and student’s income for Federal Methodology (FM) needs analysis purposes. The FM need analysis formula determines a family’s financial strength and ability to contribute to educational expenses and facilitates comparison of one family’s need to another’s. “Paper” losses allowed as part of the IRS tax code artificially reduce income and, as a result, artificially reduce EFC. ED would need to determine, in consultation with IRS and representative schools that have experience in this practice, which losses should be included in income and how to capture that information through the IRS data retrieval tool.

**Recommendation 7:** Eliminate the small business exclusion (count business assets regardless of the number of employees). Also eliminate the exclusion of farm value from assets. The threshold for defining a “small” business is 100 employees, which seems excessive. FM already adjusts business equity downward on a sliding scale to protect the income-producing capacity of the asset. It may make more sense to reassess the adequacy of the protection allowance than exclude businesses altogether. The nature of family farms has changed and is more akin to a business. If assets from “small” businesses are reinstated in the need analysis, so should farm assets. Farm assets (other than investment farms) are adjusted in the same way as business value, using the same sliding scale (one table is used for both in the EFC formula). As for businesses, the adequacy of the farm asset adjustment might need to be reviewed. The value of a family home situated on a farm could and should be excluded.

#### **4. Eliminate Fraud and Limit Abuse:**

I begin with the premise that aid administrators are committed to ensuring that all students legitimately pursuing higher education have access to the funding they have been determined to be eligible to receive. At the same time aid administrators have the responsibility of preventing those who are not eligible, from receiving any amount of financial aid. Pell, like any other federal program is subject to fraud. Compared to other programs, fraud in the Pell grant program is relatively minimal in terms of numbers of cases and dollar amounts.

Financial aid administrators responsible for awarding Title IV funds are at the core of a tension somewhere between making the process simple and quick for students while asking enough questions to determine eligibility and prevent fraud. Eliminating the possibility for fraud—students or potential students acting with criminal intentions to access federal funds using either fraudulent information or the stolen identity and information of someone else—is of the highest concern to financial aid administrators across institutional types and mission goals.

There is a direct correlation between the rise of online courses, degrees, processes and the potential for fraud over the last ten years in both the FAFSA completion process and registration for online classes. The community college sector has been hit particularly hard by fraud in recent years. While the federal government focuses solely on the groups where a significant number of students and funds have been affected, institutions pursue all fraudulent activity. Our goal is to eliminate fraud in the programs while at the same time assisting the vast majority of students who are pursuing their educational goals legitimately.

Identity Theft is a global problem and in a category by itself. Along with identify theft, aid administrators are cognizant of the attempts to submit documents that are fraudulent to support a student's claim of having little or no income, academic attainment for high school and/or college, medical documentation to support SAP appeals, exaggerated family size or number of family members in college, residency status, and other document types that determine eligibility for federal funds. The Department of Education has been highly cooperative and responsive to our concerns and has taken steps over the last few years to help institutions take preventative action, including systematically identify files that have an unusual enrollment pattern, significant use of Pell Grant eligibility and high amounts of loan debt. ED then electronically notifies the financial aid office and a follow up is conducted to determine if in fact they are who they say they are and if they are legitimately pursuing appropriate educational goals or if they are someone trying to take advantage of the system and misuse federal funds.

Some of the ways institutions have developed policy and procedures to prevent fraud and limit abuse:

- Holding aid until after the census date.
- Providing multiple disbursements of Pell Grants.
- Monitoring out of state addresses.
- Working with faculty to develop on-line security and provide accurate attendance records.
- Placing student ID photos on-line.
- Changing admission policy to require all out-of-state students to provide proof of high school completion by providing official high school transcript or GED transcripts.
- Checking all students who apply for financial aid against Department of Education's COD database for Title IV payments made previously.
- Comparing COD records against admission applications. Failure to disclose previous colleges attended leads to financial aid being withheld until official transcripts are received from all previous institutions.
- Initiating an "affirmative attendance" process, requiring faculty to record daily attendance. Disbursement processes consider credits enrolled and the class attendance record and funds will not be disbursed if students do not meet the eligibility rule which is that students must have started attending classes for which they register. Students abuse the system by registering for a class, receiving aid for the class and then they do not attend the class.
- Implementing an "Excessive Loan Debt" review. Upon import of the ISIR, earned credits/program completions are compared with NSLDS aggregate loan information and a decision is made whether to certify a loan for that individual student based on their records. When there is "conflicting information" such as outstanding loan debt but no prior college attendance a review process is initiated by a Loan Default Prevention Specialist, an assistant financial aid director for federal programs and the director. A decision could be made to reduce loan amount, replace loan request with other grant aid when available, or as a last resort "refuse to certify." In

some cases students have been identified who are “school hopping” and who seek to take the money and move on to the next opportunity and their aid has been denied.

- Running reports to identify common addresses and common bank deposit account numbers. If doing direct deposits, monitor the number of deposit transactions to each bank account. Unusually high numbers will indicate potential fraud.
- Identifying and flagging students with unearned 'F' grades and unofficial withdrawals (i.e. students who stopped attending after receiving their financial aid refund payments).
- Creating a population selection program that identifies out-of-state students using information downloaded from DOE, which is tied to out of state address, driver's license and legal residency on the FAFSA. The tracking group requires an NSLDS check and verification with documentation and holds are placed on these students until the file is complete and a determination is made that they are not abusing the system.
- Implementing a student success pass process. Student schedules a meeting with their advisor during the 1st three weeks of school and receives a Student Success Pass signed by the advisor. Students use their Student Success Pass to pick up Pell/Scholarship refund checks.

Many strategies have been implemented at Anne Arundel Community College over the last 5 years, yet we continue to see attempts by students to either commit fraud or abuse the system. As I was preparing this testimony on Monday a student whose file was deemed eligible for full Pell, student loans and the VA's VRAP funding came to the financial aid office seeking permission to pick up his refund check. AACC has a “no check pick up” policy with a provision for “extreme circumstances” allowing for exceptions with documentation. Our assistant financial aid director reviewed the request and noted multiple discrepancies including address of record, spelling and language used in the supporting court document, etc. and a quick check was made of the Maryland criminal database revealing the student had an outstanding warrant for Probation Violation for fraud in another county. Further review revealed that he had not attended his online class for three weeks and after a brief conversation with the student, he confessed to submitting fraudulent court documents, forged signatures etc. to gain his check. Initially this appeared to be a legitimate student who then attempted to game the system and was caught prior to receiving any funds. He is now facing student conduct charges as well as criminal charges for submission of forged documents. I offer this recent example to highlight the awareness of financial aid administrators of the potential for fraud and abuse on a daily basis and the progress in closing loopholes and preventing both fraud and abuse on a national basis as well as in our individual institutions. That said, it is important to remember that most students are legitimately pursuing an education and benefitting greatly from the Pell Grant program.

**\*source: Preliminary Report of the NASFAA Reauthorization Task Force, July 2013**