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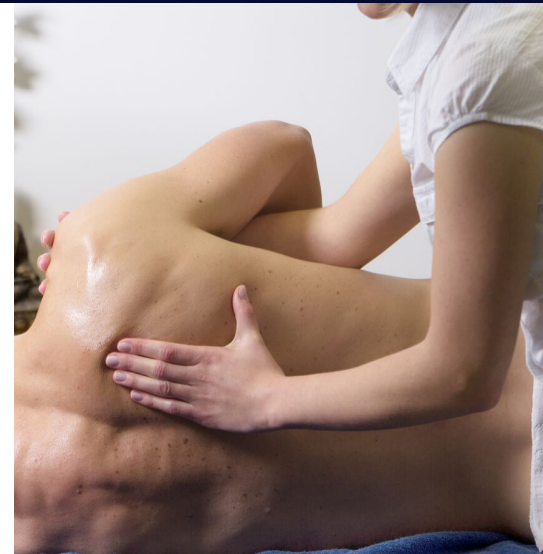
PROPOSED SHORT-TERM PELL SAFEGUARDS SHOULD BE FURTHER STRENGTHENED

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ISSUE BRIEF

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Proposed Short-Term Pell Safeguards Should Be Further Strengthened

Highlights

Recently reintroduced [legislation](#) known as the JOBS Act would make federal Pell Grants available for very short, 8-week programs intended to help individuals “afford the skills training and credentials that are in high-demand in today’s job market.” In contrast to earlier versions, the bill introduced in March 2019 incorporates safeguards intended to protect students from low-quality programs that have poor labor market returns. The addition of these safeguards is a welcome response to [concerns](#) that the legislation could encourage predatory schools to aggressively market short-term programs that employers see as of questionable value.

Among the safeguards is the decision to limit the availability of short-term Pell to public and nonprofit institutions, excluding for-profit schools. There is a [long history](#) of overpriced and poor-quality programs at for-profit schools, leaving students with worthless degrees and debts they cannot afford to repay.

Moreover, earlier versions of the bill allowed schools to determine if their programs were of value to businesses without any employer input. The reintroduced bill requires validation of the program’s value by an industry partner. Although these changes are a step in the right direction, we believe that the revised JOBS Act provisions should be piloted first to test the value of short-term certificates and that additional safeguards should be adopted, including those mandated for a 2017 “high technology” pilot program for GI Bill beneficiaries.¹

Background

In March 2019, a revised JOBS Act was reintroduced with bipartisan support.² The bill would allow undergraduate students enrolled in programs as short as 150 “clock hours” over a period of at least 8 weeks to qualify for federal student aid, both grants and loans (see text box for an explanation of clock hours). This minimum program length is just 2 weeks shorter than current law allows for short-term programs that qualify for federal loans but not Pell Grants.

Currently, undergraduate certificate programs are eligible for both Pell Grants and federal student loans if they are a minimum of 15 weeks long and provide at least 600 clock hours of instruction.³ Short-term programs, in contrast, are eligible for federal student loans, but not Pell Grants, if they are a minimum of 10 weeks and provide 300-599 clock hours of instruction. However, 10-week programs must maintain verified, 70% graduation and job placement rates and have been in existence for a minimum of 1 year.⁴

Explanation of Clock and Credit Hours

The Department of Education (ED) uses clock and credit hours to ensure that courses offered by schools eligible for Title IV require and provide a minimum amount of [student work](#) to successfully complete a course and to ensure that schools offer an appropriate amount of instruction for the credits awarded.

- Clock hours are the number of actual hours per week a student spends attending class or other instructional activities.

- A credit hour is an amount of work that reasonably approximates not less than one hour of classroom or direct faculty instruction and a minimum of two hours of out of class student work each week for approximately 15 weeks for one semester.
- For a school that offers undergraduate classes on a semester basis, 600 clock hours is the equivalent of 16 semester hours.

Source: Department of Education guidance, see [hyperlink](#).

Two 2009 [reports](#) issued by the Department of Education’s (ED) Office of Inspector General found that [some schools](#) had gamed the existing Pell Grant eligibility rules by inflating the number of earned credits for short-term programs, including American InterContinental University and Kaplan.⁵ Both schools belonged to publicly-traded, for-profit chains. As a [Chronicle of Higher Education](#) article pointed out, by increasing the number of credits per course, “the colleges make it easier for their students to maximize their use of loans and grants—the lifeblood of most for-profits.”

GI Bill Pays for Career Education Training

While considerable attention is focused on GI Bill beneficiaries seeking college degrees, the majority of institutions that are eligible to enroll veterans offer job-oriented, career education training.

According to the GI Bill Comparison Tool, 54% of programs eligible to enroll beneficiaries offer on-the-job training or apprenticeships and another 24% of schools offer certificate-only programs in diverse occupations such as cosmetology, massage therapy, medical/dental assisting, truck driving, scuba diving, carpentry, communication tower technology, welding, computer networks, TV and radio broadcasting, fly-fishing tourism, gaming, motor-cycle repair, public safety, and firefighting. In addition, many for-profit schools and community colleges that offer associate’s and bachelor’s degrees also offer some of the same types of certificate programs.⁶ To earn many of these certificates requires less than 1 year of instruction.

Although the Comparison Tool does not report beneficiary enrollment data for on-the-job training or apprenticeship programs offered by employers, it shows that at least 5% of beneficiaries are enrolled in programs at institutions that offer just non-college degrees (NCD), that is certificates. The total number of beneficiaries pursuing certificates is greater, but the Department of Veterans Affairs (VA) may not know the educational goals of beneficiaries who enroll at institutions that offer both certificates and degrees.

Individual programs, not schools, are approved for participation in the GI Bill—that is, the right to enroll GI Bill beneficiaries and receive tuition and fee payments through the VA. As a result, programs approved by ED for short-term Pell would not automatically be allowed to enroll beneficiaries. Rather, schools offering such programs would have to apply to VA for approval to do so. Finally, schools offering GI Bill approved programs need not be accredited or participate in Title IV. According to the Comparison Tool about 55% of schools that offer only

certificates are not accredited, which is a condition for participation in federal student aid.

Labor Market Returns for Certificate Programs Are Nuanced

The research findings on the labor market returns of certificate and degree programs are nuanced, making generalizations difficult.⁷ On the one hand, it suggests that:

- “...many vocationally and technically oriented credentials tied to specific high-demand jobs provide stronger earnings than many other two- and four-year degrees, assuming no further higher education.”

On the other hand, it also shows that:

- “...non-completing students in certain career and technical education fields can earn as much as students who complete a credential in these fields.”
- Some credentials (including certain certificates) may give “graduates a short-term bump in earnings but do not increase the rate of earnings growth over the longer term as much as other credentials do.”
- “...the earnings gains from shorter certificates tend to dissipate a few years after exiting college....”
- “...many of the career and technical certificate programs with the highest enrollment have the lowest post-graduation earnings.”
- “...students in for-profit colleges do not have high returns primarily because these colleges charge much higher fees....”

A 2012 [report](#) by the Georgetown University Center on Education and the Workforce found considerable variation in labor market returns for certificate programs based on occupation, gender, geographic location, and whether graduates were employed in their field of study. For example, the study found that the 44% of certificate graduates who were employed in their field of study had an in-field earnings premium of 37% compared to individuals with high school diplomas, and the wage premium for men was higher than for women.⁸ Notably, removing healthcare—the largest certificate program and one dominated by women—contradicted the narrative that certificates requiring less than one year of instructional time have little economic value.⁹ A recent [report](#) by The Institute for College Access and Success found that the outcome data available for short-term programs that currently do not qualify for Pell Grants were “highly variable,” i.e., “some programs provide demonstrable value to students in immediate employment outcomes while others do not.”¹⁰

The Revised, March 2019, JOBS Act

The JOBS Act’s sponsors have revised the legislation to strengthen its safeguards against programs that provide little value to graduates and employers.¹¹ The new safeguards include:

- Prohibition on the participation of for-profit schools;¹²
- Validation of the program’s value by an industry partner;
- Requirement that it qualifies graduates to take any licensure or certification exam needed to obtain a job;
- Requirement for ED to monitor the performance indicators and reports collected through the Workforce Innovation and Opportunity Act (WIOA);¹³ and

- Requirement for accreditors to have standards and processes in place if their scope of recognition includes evaluating the quality of institutions participating in “the job training federal Pell Grant program” established by the bill.

Unlike previous versions, the revised Jobs Act expands eligibility to individuals who have already earned a bachelor’s degree, potentially increasing the number qualified to enroll in very short-term programs. It also allows such programs to be offered on a noncredit basis but requires institutions to provide graduates a pathway to a degree. Finally, it reduces the available Pell Grant from 10% to 5% of the maximum, reflecting the fact that Grants are prorated based on program length.

GI Bill Pilot Included Additional, Sensible Safeguards

In 2017 [legislation](#), Congress authorized VA to establish pilot programs allowing eligible veterans to enroll in “high technology programs that the Secretary determines provide training for skills sought by employers in a relevant field or industry.” To ensure the quality of these programs, Congress incorporated beneficiary protections into the pilots’ design. Qualified program providers must have:

- been operational for at least 2 years;
- successfully provided the program for at least 1 year; and
- agree to receipt of the final 50% of tuition and fees only after beneficiaries obtain employment in their field of study.

Moreover, the VA Secretary is charged with developing additional approval criteria. In approving pilot programs, the Secretary may give preference to those offering tuition reimbursement to graduates who complete the programs but do not find meaningful full-time employment within 180 days.

Conclusions

Although relatively few GI Bill beneficiaries use their earned educational benefits to enroll in career-oriented training programs, schools offering such programs constitute more than three quarters of institutions that participate in the GI Bill. Like individuals pursuing degrees, beneficiaries enrolled in these programs are eligible for both Pell Grants and student loans at Title IV eligible institutions.

Safeguards against all programs that have a poor return-on-investment should be strengthened, including those for very short-term programs, 8 weeks in duration, that would gain access to Pell Grants under the JOBS Act. Moreover, VA pilot programs authorized in 2017 contain several additional, sensible safeguards that should be considered. Congress should:

- authorize short-term Pell pilot programs that incorporate safeguards from the 2017 GI Bill high technology pilot:
 - requiring short-term program providers to have been in existence for at least 2 years;
 - requiring schools to have successfully provided their short-term programs for at least 1 year to be Pell eligible;
 - paying the final 50% of tuition and fees only after a graduate obtains employment in their field of study; and
 - linking approval of very short-term programs to the willingness of schools to offer tuition reimbursement to

- graduates who do not find meaningful and well paying, full-time jobs in their field of study.
- require the pilot programs to have verified 70% graduation and job placement rates and to report graduates' salaries.
 - require the scope of recognition for pilot program accreditors to include assuring the quality of short-term courses participating in the job-training federal Pell Grant program; and
 - ensure that the results of ED monitoring of pilot program performance reports collected under § 116 of the Workforce Innovation and Opportunity Act be made public.

Companion Issue Brief

In a related Issue Brief, we examined graduation, retention, earnings, and other outcomes for students in NCD programs at trade schools that enroll 1 or more GI Bill beneficiaries. Although the datasets do not permit us to distinguish between very-short programs that would become Pell eligible under the JOBS Act and other certificate programs, we believe that our analysis will shed light on the return-on-investment of certificate programs in general. Because schools combine graduation rates for certificates and associate's degrees, our analysis focused on schools that offer just certificate programs, that is NCDs.

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¹See [Sec. 116](#) of P.L. 115-48, the Harry W. Colmery Veterans Educational Assistance Act of 2017.

²An earlier version of the legislation was first introduced in 2015 and again in [2017](#).

³During 2019 negotiated rulemaking, ED proposed eliminating the definition of the amount of time (or commensurate amount of learning time) that an institution should expect from each credit hour earned for the purpose of awarding federal student aid, a protection added in 2010 to combat schools' inflation of the credits they awarded for very short programs. Although the credit hour definition was retained, the draft final rule proposes to eliminate all requirements for accreditors and state agencies to establish standards regarding how they review institutions' credit hour policies. See pp. 41-44 of this [hyperlink](#).

⁴See § (e) of [Title 34 C.F.R. § 668.8](#). For 10-week, short-term programs to be eligible for federal loans, schools must submit an application and ED enforces the graduation and job placement requirements by auditing schools' compliance.

⁵American InterContinental University is owned by the Career Education Corporation, which [settled](#) with 49 state Attorneys General for \$500 million in January 2019 for misleading students about the cost of its programs and graduates' job prospects.

⁶The remaining 22% of participating schools offer college degrees.

⁷These findings are from a [2015](#) compendium of papers by leading experts on the economic returns of a college education.

⁸Based on our [analysis](#) of 2016 ED survey data, about three quarters of undergraduate veterans are male.

⁹Healthcare certificates represented almost half of certificates awarded in 2010 and 57% of those who graduated from for-profit schools. See pp. 21 and 28 of this [hyperlink](#).

¹⁰See also, [Tamar Jacoby](#), *An Unknown Landscape: Short-Term Job-Focused College Programs*, June 2019.

¹¹According to a New America 2017 [blogpost](#), "...the bill goes out of its way to protect against such abuses. It limits the maximum Pell Grant for short-term programs to half that of a regular program; continues to require accreditors to approve the program; and sets forth a requirement that any short-term credential meet any applicable state licensure requirements. It also incorporates some of the requirements for training programs in the Workforce Investment and Opportunity Act, like earnings and employment data reporting; that's more than we have for most higher education programs."

¹²Eligible programs are limited to those recognized under the Carl D. Perkins Career and Technical Education Act, which only permits the participation of programs offered by public and nonprofit institutions. See [§ 3\(3\)\(C\)](#).

¹³WIOA, enacted in 2014, replaced the Workforce Improvement Act of 1998. According to the [Congressional Research Service](#), the objective of WIOA is to "bring about increased coordination among federal workforce development and related programs." Such programs may include activities including job search assistance, career counseling, occupational skill training, or on-the-job training.