# The Workforce Pell Act Restricts Student Access to Federal Loans

## Action Alert | January 24, 2024

### Bill Summary

On December 5, 2023, Representative Elise Stefanik (R-NY) introduced the Bipartisan Workforce Pell Act (H.R. 6585). This legislation establishes a new program to provide Workforce Pell Grants to undergraduate students in short-term programs. This legislation is cosponsored by House Education and the Workforce Committee Chair Virginia Foxx (R-NC), Ranking Member Bobby Scott (D-VA), and Representative Mark DeSaulnier (D-CA).

Unfortunately, this legislation includes an offset provision which will prohibit private institutions that are subject to the endowment tax from awarding federal student loans to eligible undergraduate and graduate students. ***Simply put, this legislation prohibits all students and parents of Pell students, enrolled at private institutions that are subject to an excise tax on investment income (i.e., endowment tax) from borrowing any federal student loans beginning on July 1, 2024***.

As of 2022, there are about 35 private institutions that met the threshold for the endowment excise tax, according to the Congressional Budget Office. Those institutions disbursed about $1.4 billion in federal student loans in 2022, about 80 percent of which went to graduate students.

### Call to Action

**All CGS member institutions are strongly encouraged to share this important Action Alert with your university's leadership and Office of Federal Government Relations concerning the offset provision in the Bipartisan Workforce Pell Act.**

**If appropriate for your institution, CGS is asking you to contact your member of Congress to oppose passage of the Bipartisan Workforce Pell Act if the offset provision is not removed. There is a strong possibility that this legislation may be considered by the full House of Representatives the week of January 29th.**

**This legislation will restrict graduate students enrolled at private institutions with endowments from accessing federal student loans. Even if your university is not subject to the endowment tax, this legislation sets a troubling precedent which could be expanded to more private and public institutions of higher education in the future.**

#### Why is this bad for graduate education?

The offset provision is harmful to graduate students for the following reasons:

- Graduate students enrolled at private institutions which are subject to the endowment tax will be unfairly restricted from accessing federal student loans.

- Graduate students enrolled at these private institutions may be forced to take out expensive private loans to complete their graduate education and will be subject to higher interest rates and debt burdens. Many reports, including a recent Century Foundation report notes that lower-income students and underrepresented minority students often take out more loans than White students. This provision may result in these students taking out more money in private loans and graduating with higher student debt amounts.
- An institution's endowment may fluctuate from year to year, thus disrupting graduate students' eligibility and access to federal loans.
- If graduate students enrolled at these institutions are ineligible for federal student loans, they would also be ineligible for income-based loan repayment plans, the Public Service Loan Forgiveness program, and other federal repayment options.

**Why is this bad for the workforce?**

- According to CGS' Graduate Enrollment and Degrees report, first-time graduate enrollment declined by 4.7 percent between Fall 2021 and 2022.
- Based on our estimates, there are major labor force shortage of graduate school trained educational and career counselors, education administrators, nurses, and nurse practitioners relative to meet anticipated demand for professionals in these fields.
- To address declining enrollments and workforce needs, we need to expand access to graduate education, not limit it by keeping students from receiving affordable federal support so they can attend the universities of their choice.