

The Working Students Act

Introduced by U.S. Senator Tammy Baldwin (D-WI) and Representative Ami Bera (D-CA)

The Problem:

College costs continue to accelerate, with the average in-state student at a public four-year university spending \$10,230 a year on tuition and fees alone. Many states continue to reduce financial support for students and public universities. Students nationwide are saddled with more than \$1.6 trillion in student loan debt.

As a result, in order to afford college – not to mention to support themselves – many college students must work while enrolled in school. Unfortunately, the very income that these students need to pay for school, housing, meals, transportation, child care and other expenses can have the perverse effect of decreasing their financial aid. This phenomenon, referred to as the “work penalty,” creates an endless cycle of needing to work more to make up for a shrinking amount of help with college costs. Conversely students may choose to stop working and take on more debt to finish their education. Either path leads students to spend more time completing their degrees rather than starting their careers.

The Promise:

Students that have the ability to work without fear of reducing their financial aid award can finish school faster and with less debt. Students who can maintain their financial aid awards while working can also devote more time to their studies, rather than having to take on additional work hours.

The Solution:

The *Working Students Act* will help students who must work while in college to complete their degrees more quickly and with less debt.

As part of the need analysis for determining eligibility for federal student aid, both students and families are provided allowances against both income and assets. One of these, the income protection allowance (IPA), can be a fixed amount (for dependent and independent students), or an amount based on family size and number of children enrolled in college (for parents of dependents). The IPA shields a portion of a student’s (or parent’s) income from consideration when determining eligibility for need-based aid.

The *Working Students Act* provides a proportional increase of 35 percent to the IPA for the 2019-2020 award year for each type of student: dependent, independent with no spouse, and independent student with a spouse. Increases in subsequent years are indexed to inflation.

This legislation would help the neediest students; for example, it would immediately allow a working student who is a single parent with two children to earn nearly \$12,000 more in income without facing a reduction in federal financial aid.

This small change will stop penalizing students who work, protect their financial aid awards and encourage them to finish their degrees sooner – and with less debt.