



U.S. HOUSE OF REPRESENTATIVES

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Committee on Appropriations – Democratic Staff

# Robbing Perkins and Pell: And Other Republican Assaults On Student Financial Aid

# Robbing Perkins and Pell

AND OTHER REPUBLICAN ASSAULTS ON STUDENT FINANCIAL AID

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# Table of Contents

Executive Summary	1
What's At Stake?	2
Another Raid on Student Aid	3
Pell Grants Frozen Again	4
Work-Study, LEAP Take a Hit	5
Jeopardizing College for 1.1 Million	6
A Shameful Record	7
A Future in Doubt	8

# Executive Summary

*President Bush's 2007 budget undermines American competitiveness and economic opportunity by shortchanging efforts to make college affordable for families.*

**A**t a time when America's economic preeminence is thought to be threatened and human capital is a key to success in the global economy, President Bush's 2007 budget would put college even further out of reach for millions of Americans than it is today.

Our international competitors – China, India, South Korea and others – are producing the intellectual capital they will need to boost their economic growth and catch up to the United States. Meanwhile, America is falling behind. In 2004, the Education Commission of the States reported:


*According to the Organisation for Economic Co-operation and Development's recent figures, the United States has fallen from 1st to 13th among developed nations in college participation leading to a bachelor's degree in the last decade. Stagnant levels of postsecondary participation and attainment keep the U.S. in a holding pattern while other nations soar ahead.<sup>i</sup>*


Economic opportunity and upward mobility are at stake as well. Over a lifetime, workers who complete a bachelor's degree will earn one million dollars more than those with only a high school diploma.<sup>ii</sup>

## BUSH'S ASSAULT ON COLLEGE AID

 Freezes Pell Grants Again

 Eliminates Perkins Loans

 Cuts Other College Aid

 Undermines Minority and First Generation Students

Despite these facts, and just a month after Congressional Republicans cut college aid by \$12 billion, the President's budget would:

**Freeze Pell Grants for the Fourth Straight Year.** Pell Grants enabled 5.3 million students to attend college in 2006.

**Eliminate Low-Interest Perkins Loans.** As a result, 463,000 students would lose loans that bridge the gap between tuition costs and other types of assistance.

**Freeze College Work-Study.** College Work-Study helps students pay educational expenses while working in community service and at jobs related to their field of study.

**Cut Support for Low-Income and First-Generation Students in Half.** TRIO helps low-income and first generation students enter and complete college.

**Eliminate GEAR UP College Prep Services.** GEAR UP reduces dropouts and increases college participation among middle school children.

College financial aid is an investment in America's economic strength and its workforce. Yet, President Bush's super-sized tax cuts for the wealthy are squeezing these crucial investments out of the budget. If the barriers to a college education continue to increase, as they will under the President's budget, America's preeminence in the world economy will be at risk.

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# What's at Stake?

*The stakes? Nothing less than the American Dream and our nation's continued global economic dominance.*

Today, the economic, social and civic importance of a college education has never been more important. Yet, college enrollment rates in the U.S. are stagnant and progress in closing income-related gaps in participation has stalled in the last decade. Consider these facts:

- ❖ The number of high school graduates who are college-ready is projected to grow 17 percent between 2000 and 2010 – peaking at 3.3 million students in 2009.<sup>iii</sup>
- ❖ Between 2001 and 2010, financial barriers are expected to prevent 4.4 million high school graduates who are college ready from attending a four-year college within two years of graduation, and 2 million of them may not attend any college at all.<sup>iv</sup>
- ❖ Eighty percent of students from families with annual incomes above \$78,000 enroll in college immediately after high school. That is 1.5 times the rate for students from families making less than \$31,100 annually.<sup>v</sup>
- ❖ For low-income students who do make it to college, little more than half (54 percent) complete a bachelor's degree within six years compared to 77 percent of high income students.<sup>vi</sup> Due to financial pressures, students often resort to attending only part-time, working long hours, and borrowing heavily – factors that lower the likelihood of earning a degree.
- ❖ Parents of undergraduates with incomes in the bottom 25 percent of the income distribution face more than \$5,500 in yearly college expenses not covered by student financial aid and family contributions, while assistance available to such parents with incomes in the top 25 percent of the income distribution exceeds their needs.<sup>vii</sup>
- ❖ Since 1990, total financial aid available to students from the highest income families has increased the most in percentage terms although these families on average have the least need.<sup>viii</sup>

Clearly, economic opportunity is more limited without a college degree. But there is an additional challenge. The former leadership of the National Science Foundation put it bluntly:

*Civilization is on the brink of a new industrial order. The big winners in the increasingly fierce global scramble for supremacy will not be those who simply make commodities faster and cheaper than the competition. They will be those who develop talent, techniques and tools so advanced that there is no competition.*<sup>ix</sup>

Given the stakes, is this the time to cut college financial aid and make higher education less affordable and less accessible for working families? According to President Bush and Republicans in Congress, it is.



# Another Raid on Student Aid

*The President follows up the Republican Congress' \$12 billion student aid raid by attacking Perkins Loans.*

As if Republicans in Congress hadn't done enough damage with their \$12 billion student aid cut this year, the President launched another raid on student aid by killing the Perkins Loan program in his 2007 budget.

Low-interest Perkins Loans are a critical resource for college students who demonstrate substantial need. Two-thirds of recipients are from families with annual incomes of \$40,000 or less. These 5 percent interest loans help students fill the gap between what they receive from other financial aid programs and their actual college expenses.



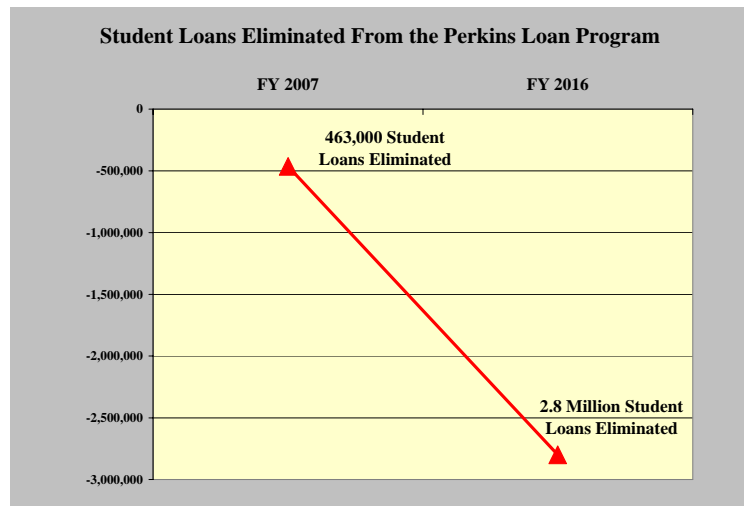
The President would take the axe to the Perkins Loan program, eliminating this aid to 463,000 college students in 2007.

The President would recall \$664 million in Federal Perkins Loan funds from nearly 1,800 colleges in 2007. As a result, 463,000 college students would lose a key part of their financial aid.<sup>x</sup> While the Administration claims that it will "re-evaluate" the program, the fine print of the budget makes clear that the President intends to kill Perkins Loans altogether. If all \$6 billion in Federal Perkins Loan funds are recalled over 10 years as the Administration proposed last year, approximately 2.8 million student loans would be lost.<sup>xi</sup>

Perkins Loan cuts are especially shortsighted because the Federal funds leverage additional aid provided by colleges. These institutions provide one dollar from their own funds to match every three dollars of Federal funds they receive. As Perkins loans are repaid, the funds become available to assist other students, multiplying the impact of the Federal government's initial investment.

Moreover, through loan forgiveness, Perkins recipients are encouraged to pursue public service careers in teaching shortage areas such as special education, math and

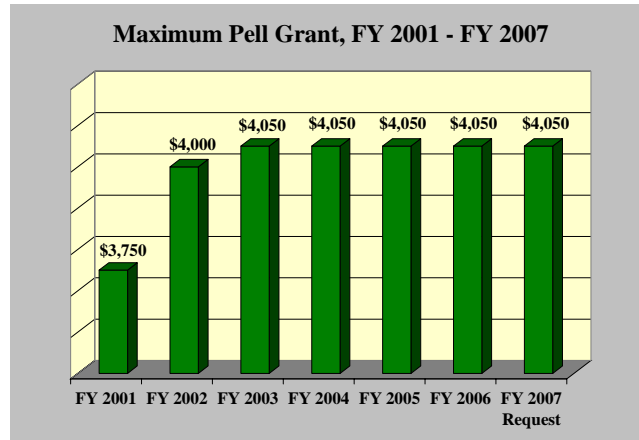
science, as well as careers in nursing, law enforcement, VISTA, the Peace Corps, and the military. If the President has his way, these students will not only lose their assistance, the nation might also go without their service.



# Pell Grants Frozen Again

*For the fourth straight year, Bush would freeze Pell Grants while families struggle to afford college.*

Pell Grants are the foundation of the nation's efforts to expand college access. In 2006, 5.3 million students received a Pell Grant. Nearly 80 percent of these students come from families with annual incomes of \$30,000 or less. Yet the Administration has sat on

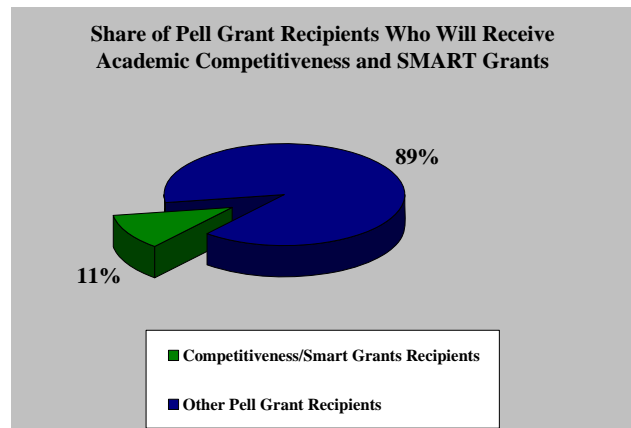


its hands while the purchasing power of these grants continues to erode. As a result, college is farther out of the reach of working families than it was a generation ago.

Since 2001, the cost of attending a four-year public college has increased \$3,095 or 34 percent.<sup>xii</sup> During the same period, the maximum Pell Grant has increased \$300 – meeting only 10 percent of

the growth in college costs. Yet, the President proposes to freeze the maximum Pell Grant at \$4,050 for the 4th straight year, which would cause the share of four-year public college costs paid by the maximum Pell Grant to fall to a new low of 30 percent in 2007, down from 42 percent in 2001 and 72 percent in 1976.<sup>xiii</sup> Our investment has fallen so far behind that the maximum Pell Grant would need to more than double to \$9,800 to restore its 1976 purchasing power.<sup>xiv</sup>

The Administration attempts to justify the Pell freeze by pointing to a new mandatory program – Academic Competitiveness and SMART Grants – enacted in the 2006 Budget Reconciliation Act. Under this program, Pell-eligible 1<sup>st</sup> and 2<sup>nd</sup> year students completing a rigorous high school curriculum will receive awards of \$750 and \$1,300, while 3<sup>rd</sup> and 4<sup>th</sup> year students majoring in the sciences, math, technology, engineering or critical foreign languages will receive \$4,000 awards. Eighty-nine percent of all Pell Grant recipients, however, will not meet these criteria to receive a supplemental award.<sup>xv</sup>

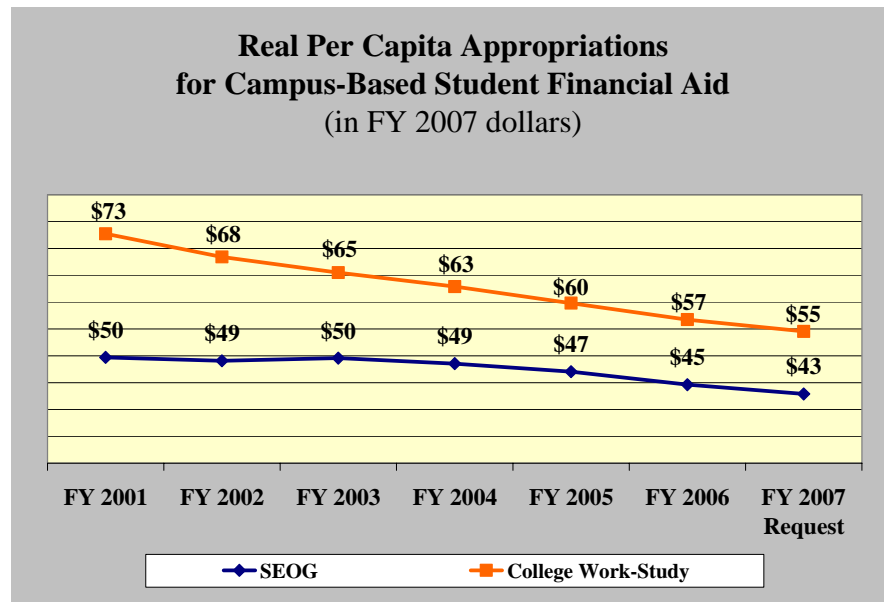


# Work-Study, LEAP Take a Hit

*The President's budget undermines efforts to help students work their way through college and cuts aid that encourages states to boost their own need-based college financial aid.*

Students will not find relief from rising college expenses in the Administration's proposals for other student aid programs, either.

Student aid programs such as College Work-Study, Supplemental Educational Opportunity Grants (SEOG) and the Leveraging Educational Assistance Program (LEAP) provide campus financial aid administrators with the flexibility they need to help students with the greatest need overcome financial barriers to college. Yet the President would freeze funding for Work-Study and SEOG at \$980 million and \$771 million respectively. In real per capita terms, after taking inflation and enrollment growth into account, Work-Study and SEOG assistance will have fallen 25 percent and 14 percent, respectively, since the start of the Bush Administration. Even worse, the President would completely eliminate LEAP, which encourages states to increase their own need-based college financial aid, thereby ending grants to 65,000 students.



The President would also eliminate scholarship programs targeted to students pursuing legal studies and include no increase in the budget for graduate fellowships. For example, the Graduate Assistance in Areas of National Need program helps students with exceptional promise but high financial need earn a graduate degree in such key disciplines as mathematics, sciences and engineering. As a result of a funding freeze, the number of students receiving these awards has fallen from 1,072 in 2001 to 710 in 2006 – a 33 percent drop. The President proposes to freeze the program again in 2007.



# Jeopardizing College for 1.1 Million Students

*Under the President's budget, the dream of a college education could remain just that for 1.1 million minorities and disadvantaged young Americans.*

At a time when “baby boomers” are retiring and the workforce needs new, highly skilled workers, our nation must fully utilize the talents of every American. It is particularly important that minorities and the disadvantaged – whose ranks are too thin on college campuses – receive a fair shot at a two- or four-year degree. Analysts estimate that 80 percent of the increase in new students between 1995 and 2015 will be minorities or students from disadvantaged backgrounds.<sup>xvi</sup> Yet, the President's budget jeopardizes college opportunities for 1.1 million students served by programs that put these students on the road to college.

A group of Federal programs called TRIO, which includes Upward Bound, Talent Search and Special Services, have a proven track record in helping low-income and first generation students enter and complete college. The President would cut these efforts



by \$448 million or 54 percent, down from \$828 million in 2006.

Talent Search assists high school dropouts aged 11 to 27 who have the potential for college, while Upward Bound provides intensive academic instruction to high school students to motivate them for college. Upward Bound Math and Science has a special focus on helping students pursue degrees in math and the sciences. In 2006, more than 450,000 students benefited from TRIO Upward Bound, Upward Bound Math and Science, and Talent Search. The President would eliminate all of these programs.

GEAR UP targets entire grades of middle school students and provides tutoring, mentoring, college preparation and college scholarships to help reduce drop outs and increase the numbers of low-income and minority students who attend college. Lack of funding has cut the number of students served by 42 percent, from 1.2 million in 2002 to 709,000 in 2006. The President's own Education Department has said:

*...the program has positive impacts on rigorous course-taking behavior in middle school; student knowledge of postsecondary education; and parental expectations, involvement, and knowledge of postsecondary education.<sup>xvii</sup>*

The President's reaction? He would kill the program.

# A Shameful Record

*President Bush broke nearly every promise he made to families and students about college financial aid.*

According to President Bush:

*We live in a competitive world. And so policies must be put in place to recognize the competition of the global economy and prepare our people to be able to continue to compete so America can continue to lead.*<sup>xviii</sup>

Apparently, the President understands the challenge; he simply isn't willing to invest in the American people so they can compete and win in the global economy. Here's the record:

- ❖ In 2000, Candidate Bush said that he would “fully fund the Pell Grant for first-year students by increasing the maximum award grant amount from \$3,300 to \$5,100. This additional money will encourage 800,000 students every year to enter and complete college.”<sup>xix</sup> President Bush's 2007 budget falls \$1,050 short of the mark. The President says we do not have the money to address the problem, yet his budget will spend more than \$44 billion this year alone to provide tax cuts to people making more than \$500,000 a year. What kinds of priorities are represented by those choices?
- ❖ When President Bush assumed office, Congressional Democrats and President Clinton had just fought for and won a \$450 increase in the maximum Pell Grant, raising it to \$3,750 in 2001 – the largest in the program's history. The maximum Pell Grant has been raised only twice since and only by \$300. President Bush opposed both increases.
- ❖ In 2002, the Administration proposed raising \$1.3 billion in revenue by eliminating the fixed interest rate on refinanced student loans, which would have saddled thousands of students with more debt. The Bush proposal provoked such an outcry that it was withdrawn weeks later.<sup>xx</sup>
- ❖ Just days before Christmas 2004, the Administration changed the computation of Federal student aid eligibility. As a result, more than 80,000 students lost their Pell Grants and more than a million students received smaller awards. The Government Accountability Office estimated that, on average, 61 percent of students nationwide each paid \$440 more for their college education in 2005 due to the Administration's action.<sup>xxi</sup>
- ❖ The President pledged to increase the Pell Grant by \$500 over five years, beginning with a \$100 increase to \$4,150 in 2006, but paid for the increase by eliminating Perkins Loans.<sup>xxii</sup> Congress rejected the gimmick, killing the proposal. The President abandoned the Pell increase in his 2007 budget.
- ❖ Last year, the President attempted to cut Federal guaranteed student loans by \$15.1 billion over five years (\$33.3 billion over ten years).<sup>xxiii</sup> While the Republican Congress fell short of the President's mark they still cut loan programs by \$12.0 billion – the single largest cut in Federal student financial aid in 40 years.

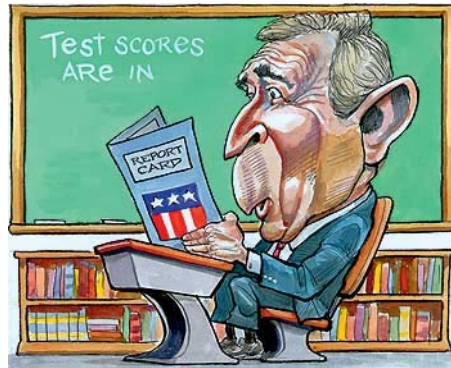


# A Future in Doubt

*America's economic preeminence requires inspired and thoughtful leaders who will invest in our future.*

In his State of the Union Address, President Bush called on Congress to make America more competitive in the world economy. In his budget, he undermined America's future workforce and put our continued economic preeminence in doubt.

Without doubt, America remains the world's leader by nearly every economic measure under the sun. Our nation's output and our citizens' standard of living are without equal. That didn't happen by accident. It happened because the leaders of yesterday made the right kind of investments – in education, transportation, infrastructure, science, and technology. These are the kinds of investments that are being starved by an



Administration and Congress who believe every problem's answer can be found in cutting the taxes of someone making more than \$1 million a year.

For example, by 2011, the President's budget cuts Federal discretionary support for higher education by 20 percent in real terms, after adjusting for inflation.<sup>xxiv</sup> Considering the expected increase in higher education enrollment, the cut would grow to 25 percent.<sup>xxv</sup>

America now stands at a crossroads. Will we once again make the types of bold investments that paid off so abundantly in the past? Will we pay particular attention to our most important engine of economic growth – the American people – at a time when our human capital will be the nation's most valuable resource? Will we make college truly affordable for every student who has the ability and the will to work hard, study and continue to make America the world's economic leader? Or will we choose another course?

If America is to remain the world's economic leader then the answer to all of the above must be a resounding "Yes."

★★★

## Note

All years are fiscal years unless otherwise noted.

<sup>i</sup> Sandra S. Ruppert, *Closing the College Participation Gap: A National Summary*, The Education Commission of the States, October 2003.

<sup>ii</sup> Sandy Baum and Kathleen Payea, *Education Pays 2004: The Benefits of Higher Education for Individuals and Society*, The College Board, 2004.

<sup>iii</sup> National Center for Education Statistics, U.S. Department of Education, *Projections of Education Statistics to 2014*, 2005.

<sup>iv</sup> Advisory Committee on Student Financial Assistance, *Empty Promises: The Myth of College Access in America*, June 2002.

<sup>v</sup> Sandy Baum and Kathleen Payea, *Education Pays Update*, The College Board, 2005.

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- <sup>vi</sup>Sandy Baum and Kathleen Payea, *Education Pays 2004: The Benefits of Higher Education for Individuals and Society*, The College Board, 2004.
- <sup>vii</sup>Thomas G. Mortenson, *Postsecondary Education OPPORTUNITY*, Number 159, September 2005.
- <sup>viii</sup> Ibid.
- <sup>ix</sup> The President's Council of Advisors on Science and Technology, *Sustaining the Nation's Innovation Ecosystems, Information Technology Manufacturing and Competitiveness*, Report on Information Technology Manufacturing and Competitiveness, January 2004.
- <sup>x</sup> The Department of Education estimates that 524,177 students will receive Perkins Loans in 2006 but only 61,261 students would receive them under the President's 2007 budget, a difference of 462,916 students.
- <sup>xi</sup> \$6 billion in Federal Perkins Loan capital would provide an average loan of \$2,166 generating 2.77 million student loans. The actual number of students losing Perkins Loans would be less than 2.77 million if a student receives more than one Perkins Loan between 2007 and 2011, and would be greater than 2.77 million if participating colleges withdraw their institutional matching funds from the revolving loan funds.
- <sup>xii</sup> The College Board, *Trends in College Pricing*, 2005.
- <sup>xiii</sup> Cost of attendance data from *Trends in College Pricing*, The College Board. FY 2007 cost of attendance estimated to be \$13,621 based on 20-year rolling average annual increase in cost of attendance at four-year public colleges.
- <sup>xiv</sup> In 1976, the maximum Pell Grant paid the equivalent of 72 percent of the cost of attendance at four-year public colleges. The maximum Pell Grant would have to be \$9,807 in order to pay 72 percent of the estimated \$13,621 in total charges at a four-year public college in 2007.
- <sup>xv</sup> The Department of Education estimates that 600,000 of 5.3 million Pell Grant recipients will receive Academic Competitiveness and SMART grants in FY 2007.
- <sup>xvi</sup> Anthony P. Carnevale and Richard A. Fry, *Crossing the Great Divide: Can We Achieve Equity When Generation Y Goes to College?*, The Education Testing Service, 2000.
- <sup>xvii</sup> U.S. Department of Education, *FY 2007 Justifications of Appropriations Estimates to the Congress*, volume II, page R-95.
- <sup>xviii</sup> U. S. Department of Education, *Meeting the Challenge of a Changing World: Strengthening Education For the 21<sup>st</sup> Century*, 2006.
- <sup>xix</sup> Governor George W. Bush, August 30, 2000 campaign document..
- <sup>xx</sup> The Chronicle of Higher Education, "White House Drops Plan to Change Interest Rate on Consolidated Student Loans", May 2, 2002.
- <sup>xxi</sup> Government Accountability Office, March 22, 2005 letter to The Honorable David R. Obey.
- <sup>xxii</sup> For FY 2006, the Administration also proposed \$83 million for two small initiatives to provide supplemental Pell awards to 36,000 high school students in State Scholars programs and 20,000 college students who study math and science. In addition, the Administration proposed \$4.3 billion in mandatory funds to retire a budget shortfall in the Pell Grant program.
- <sup>xxiii</sup> *Fiscal Year 2006 Budget of the United State Government*, Table S-6, 2005.
- <sup>xxiv</sup> Richard Kogan, Isaac Shapiro and Katharine Richards, "The Hidden Cuts in Domestic Appropriations: OMB Data Reveal Deep Funding Cuts After 2007", Center on Budget and Policy Priorities, February 2006.
- <sup>xxv</sup> According to the Center on Budget and Policy Priorities, OMB projects discretionary budget authority of \$16.1 billion for the higher education subfunction in FY 2011, a \$4 billion reduction from the OMB Baseline of \$20.1 billion. The \$16.1 billion is a \$5.5 billion or 25.4 percent reduction below the OMB Baseline adjusted for a projected 7.4 percent increase in higher education enrollment between 2006 and 2011. Enrollment projections are from the National Center for Education Statistics, *Projections of Education Statistics to 2014*, 2005.