

**House FY12 Appropriations Bill Cuts Pell Grants by \$44 Billion:
Reduces College Access, Penalizes Work and Hurts the Neediest Students**

October 11, 2011

The House Appropriations Committee says its FY12 Labor-HHS bill would maintain the \$5,550 maximum Pell Grant and “better target funding to the neediest students.”¹ Neither claim is true. The bill would cut millions of needy students’ Pell Grants, including entirely eliminating grants for more than 550,000 students next year and for more than 1 million students in 2017.² The House bill:

Radically alters how the Pell Grant program operates by directing the Secretary to slash Pell Grants even if Congress fully funds the program. The bill directs the Education Secretary to slash all Pell Grant awards for the 2012-13 school year in February 2012 if the funding Congress provides using CBO’s March 2011 projections is no longer sufficient to fund the maximum Pell Grant. If the bill is enacted, students who meet the statutory eligibility criteria would no longer be guaranteed a Pell Grant. This could require deep cuts in all Pell Grant awards and even eliminate some students’ grants entirely.

Eliminates or cuts Pell Grants for the neediest students. An estimated \$40 billion of the \$44 billion in Pell Grant cuts over 10 years comes from four provisions harming the most vulnerable students:

1. **Penalizes work for low-income students.** *Half* of the cuts – nearly \$22 billion – comes from rolling back the bipartisan increases in income protection allowances (IPAs) that were enacted in 2007.³ The IPA is the amount of income a student or family can keep to cover minimal living expenses before being expected to contribute to college costs. Current IPA levels are near the poverty line and well below the eligibility limits of other programs for low-income families.⁴ Lowering the IPAs would cut Pell Grants for millions of low-income students who must work to support themselves and their families while also paying for school.⁵ Students who have to work more to make up for the lost grant aid would see their Pell Grant cut even more the following year.
2. **Cuts Pell Grants for students whose families receive means-tested benefits, including the working poor.** An additional \$12 billion in cuts comes from expanding the definition of income used to determine eligibility for Pell Grants to include means-tested benefits, refundable tax credits and untaxed Social Security benefits. Students receive this aid because of need. They shouldn’t be punished because they are poor. Counting the earned income tax credit (EITC) against Pell eligibility also penalizes work, harming students and families trying to work and educate themselves out of poverty. For example, a family of four earning \$33,525 (just 150 percent of poverty) and receiving an EITC of about \$2,600 would see their expected family contribution triple and their Pell Grant cut by \$630 that year, a significant additional amount for a low-income family to cover.⁶
3. **Increases uncertainty and complexity in the financial aid process for students with family incomes over \$15,000.** It would prevent students with family incomes above \$15,000 from receiving an automatic-zero estimated family contribution (EFC), which currently makes them eligible for the maximum Pell Grant if they enroll full time and meet additional requirements. This reverses a bipartisan policy enacted in 2007 to reduce uncertainty and complexity in the financial aid process for the neediest students.⁷ Almost two million Pell Grant recipients would be affected by this change, many of whom have children.⁸ The proposed \$15,000 income threshold is less than 150 percent of poverty for all family sizes and is the lowest it has ever been after adjusting for inflation.⁹
4. **Retroactively limits lifetime eligibility for Pell Grants to six years.** In 2008, Congress limited Pell Grant eligibility to nine years (scheduled awards) and applied the limit prospectively (i.e., to students receiving a Pell Grant for the first time on or after July 1, 2008).¹⁰ The current proposal lowers the limit to six years and applies it *retroactively* to all students, *including those a semester away from completing their degrees.* Students nearing completion could suddenly find out that they are no longer eligible to receive a Pell Grant. A retroactive time limit is punitive, counterproductive, and makes it harder for students facing the most challenges to complete. Any time limit should be prospective and should exempt time taking needed remedial courses to ensure students are prepared and able to complete their programs.

¹ 112th Congress, U.S. House of Representatives, H.R. 3070, FY2012 Labor, Health and Human Services appropriations bill. <http://appropriations.house.gov/News/DocumentSingle.aspx?DocumentID=262231> and http://appropriations.house.gov/UploadedFiles/FY_2012_Final_LHHSE.pdf. All budget numbers in this fact sheet are U.S. Congressional Budget Office (CBO) staff preliminary estimates of the changes in the House bill to the discretionary and mandatory portions of the Pell Grant program, September 2011.

² U.S. Department of Education Budget Service, "2012 House Appropriations Bill Eligibility and Need Analysis Changes to the Pell Grant Program," September 30, 2011.

³ The College Cost Reduction and Access Act of 2007 (CCRAA), Public Law 110-84.

⁴ Calculations by CLASP on data from the U.S. Department of Education, "Notice of revision of the Federal Need Analysis Methodology for the 2011-12 award year," Federal Register, Vol. 75, No. 102; U.S. Department of Health and Human Services, "Annual Update of the HHS Poverty Guidelines," Federal Register, Vol. 76, No. 13; U.S. Department of Agriculture, "Child Nutrition Programs – Income Eligibility Guidelines," Federal Register, Vol. 76, No. 58; and National Women's Law Center, "State Child Care Assistance Policies 2010: New Federal Funds Help States Weather the Storm," September 2010.

⁵ Calculations by TICAS on data from the U.S. Department of Education, Office of Postsecondary Education, "Pell End-of-Year Report," 2009-10, Table 71, and "Notice of revision of the Federal Need Analysis Methodology for the 2012-13 award year," Federal Register, Vol. 76, No. 100.

⁶ Calculations by CBPP based on the 2012-2013 Department of Education guidelines on the Pell Grant formula and the EFC formula and the CBPP tax model for tax year 2011 (last updated Feb 1, 2011). This hypothetical family is eligible for a small refundable Child Tax Credit (CTC) in addition to the EITC.

⁷ The College Cost Reduction and Access Act of 2007 (CCRAA), Public Law 110-84. This provision in the House FY12 appropriations bill also reverses changes from the Higher Education Reconciliation Act, part of the Deficit Reduction Act of 2005.

⁸ Calculations by TICAS on data from the U.S. Department of Education, Office of Postsecondary Education, "Pell End-of-Year Report," 2009-10, Table 65, and U.S. Department of Health and Human Services, "Annual Update of the HHS Poverty Guidelines," Federal Register, Vol. 76, No. 13.

⁹ Calculations by The Education Trust and TICAS on data from the U.S. Department of Education regarding the EFC formula, 1993-94 to 2012-13, and the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers.

¹⁰ The Higher Education Opportunity Act 2008 (HEOA), Public Law 110-315.