

House FY13 Budget Penalizes Work for Low-Income College Students by Cutting the Income Protection Allowance (IPA)

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The Income Protection Allowance (IPA) is the amount of income a student or family can keep to cover minimal living expenses before being expected to contribute toward college costs. According to one student aid expert, it is “a modest allowance for basic living expenses. It barely addresses well-body care.”¹ The House Fiscal Year 2013 budget resolution² drastically cuts the IPA levels enacted on a bipartisan basis in 2007 to help needy working students.³

Current IPA levels are near the poverty level, and this rollback would cut Pell Grants by roughly \$24 billion over 10 years for millions of students already struggling to cover living expenses and rising college costs.⁴

Current IPA levels are near the poverty level for all types of students, and even below poverty for some.

Decreasing IPA levels would assume unreasonably low living expenses for needy students and their families. As shown in the table below, the scheduled IPA levels for 2013-2014 range from 63% to 162% of poverty, depending on the student’s dependency status, family size, and number of family members in college. Reversing the bipartisan increases from 2007 would drop those levels to between 45% and 135% of poverty.

| <i>IPA Levels and Comparisons to Poverty by Student Type⁵</i> | | |
|--|--|--|
| Student Type | Scheduled 2013-2014 IPA levels relative to current poverty levels | Estimated 2013-14 IPA levels after rollback, relative to current poverty levels |
| Dependents and their parents⁶ | \$6,130 for dependent student + | \$3,380 for dependent student + |
| | \$14,170 - \$31,020 for parents | \$14,170 - \$31,020 for parents |
| | 94% - 154% of poverty level | 84% - 135% of poverty level |
| Independents without dependents other than a spouse | \$9,540 - \$15,290 | \$6,830 - \$10,950 |
| | 63% - 101% of poverty level | 45% - 72% of poverty level |
| Independents with dependents | \$ 20,020 - \$43,810 | \$14,340 - \$31,380 |
| | 101% - 162% of poverty level | 72% - 116% of poverty level |

Rolling back IPA levels would hurt very needy working students – those whose incomes are not sufficient to cover the most basic living expenses. The extremely low proposed levels of income protection are well below eligibility limits of other programs. For instance, families with incomes up to 130% of poverty get free school lunches and those up to 185% of poverty get reduced-price lunches.⁷ Families of three with incomes up to 119% to 293% of poverty were eligible for state child care assistance in 2011 (depending on the state).⁸

Slashing IPA levels would penalize low-income students who work to support themselves and their families while paying tuition, fees, and other costs of attendance.

- **Students would be penalized for working, even if they are at or near poverty.** Compare, for example, two full-time dependent Pell Grant recipients whose working families each earn \$34,575 (150% of the federal poverty level). One student earns \$6,130 (the scheduled IPA level), and the other student does not work. Under current law, each student would receive a \$5,320 Pell Grant in 2013-2014. If the IPA levels were rolled back, as proposed in the House budget resolution, the non-working student stands to lose nothing, while the working student would lose \$1,100 – a 21% reduction.⁹
- **Reducing the IPA leads to a double “work penalty” for students who must work to cover college costs.** A decreased IPA will immediately lower financial aid eligibility for students who work – as shown in the above example. In addition, they would face a second “work penalty” because 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.
- **In the face of Pell Grant reductions, these students may be forced to work more hours to replace lost aid or take fewer courses, substantially reducing their chances of completion.** Research has found that students working 15 or more hours a week are more likely to drop out of college than those working fewer hours.¹⁰

¹ Mark Kantrowitz, <http://www.finaid.org/educators/pi/ipa.phtml>.

² U.S. House of Representatives, Report of the Committee on the Budget, "Concurrent Resolution on the Budget – Fiscal Year 2013," <http://www.gpo.gov/fdsys/pkg/CRPT-112hrpt421/pdf/CRPT-112hrpt421.pdf>.

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

⁴ U.S. Congressional Budget Office (CBO) staff preliminary estimates of proposed changes to the discretionary and mandatory portions of the Pell Grant program in the House Fiscal Year 2012 appropriations bill, September 2011. Estimates reflect program costs and budget authority.

⁵ This analysis includes families with up to five members and up to five students in college. For scheduled 2013-2014 IPA levels, see: "Federal Needs Analysis Methodology for the 2013-2014 Award Year: Federal Pell Grant, Federal Perkins Loan, Federal Work-Study, Federal Supplemental Educational Opportunity Grant, William D. Ford Federal Direct Loan, and TEACH Grant Programs," Federal Student Aid, U.S. Department of Education, Federal Register, Vol. 77, No. 103. Estimated 2013-14 IPA levels after rollback were calculated by CBPP. For 2012 poverty levels, see: "Annual Update of the HHS Poverty Guidelines," U.S. Department of Health and Human Services, Federal Register, Vol. 77, No. 17. Poverty levels are for the continental United States and DC.

⁶ The FY12 Labor, Health and Human Services appropriations bill did not make changes to the levels for parents of dependent students as those levels were not adjusted by the College Cost Reduction and Access Act in 2007.

⁷ U.S. Department of Agriculture, "Child Nutrition Programs – Income Eligibility Guidelines," Federal Register, Vol. 77, No. 57. <http://www.gpo.gov/fdsys/pkg/FR-2012-03-23/pdf/2012-7036.pdf>.

⁸ National Women's Law Center, "State Child Care Assistance Policies 2011: Reduced Support for Families in Challenging Times," Table 1A. http://www.nwlc.org/sites/default/files/pdfs/state_child_care_assistance_policies_report2011_final.pdf.

⁹ Calculations by CBPP based on the 2013-2014 Department of Education guidelines on the Pell Grant formula and the EFC formula and the CBPP tax model for tax year 2012 (last updated April 2012).

¹⁰ American Council on Education, Center for Policy Analysis. 2002. *Crucial Choices: How Students' Financial Decisions Affect Their Academic Success*. See also CALPIRG. 2009. *Working Too Hard to Make the Grade: How Fewer Work Hours and More Financial Aid Can Help California Community College Students Succeed*.