

House FY12 Appropriations Bill Penalizes Work for Low-Income 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 2012 appropriations bill drastically rolls back the bipartisan increases in IPA levels enacted in 2007 to help needy students.² **Current IPA levels are near the poverty level, and this rollback would cut Pell Grants by \$22 billion over 10 years for millions of students who already struggle to cover living expenses and college costs.**³

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 2012-2013 range from 63 to 164 percent of poverty, depending on the student’s dependency status, family size, and number of family members in college. If the House bill levels were adopted, these levels would drop precipitously to between 45 percent and 134 percent of poverty.⁴

<i>IPA Levels and Comparisons to Poverty by Student Type⁵</i>		
Student Type	Scheduled 2012-2013 IPA levels relative to current poverty levels	Proposed 2012-13 IPA levels relative to current poverty levels
Dependents and their parents⁶	\$6,000 for dependent student + \$13,590 - \$29,740 for parents	\$3,290 for dependent student + \$13,590 - \$29,740 for parents
	94% - 152% of poverty level	83% - 134% of poverty level
Independents without dependents other than a spouse	\$9,330 - \$14,960	\$6,620 - \$10,620
	63% - 102% of poverty level	45% - 72% of poverty level
Independents with dependents	\$19,590 - \$42,870	\$13,910 - \$30,440
	102% - 164% of poverty level	73% - 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 at or below 130 percent of poverty get free school lunches and those up to 185 percent of poverty get reduced-price lunches.⁷ Families of three with incomes up to 120 to 336 percent of poverty were eligible for state child care assistance in 2010 (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 families each earn \$33,525 (150 percent of the federal poverty level). One student earns \$6,000 (the scheduled IPA level), and the other student does not work. Under current law, each student will receive a \$5,225 Pell Grant in 2012-2013. Under the House bill, the non-working student stands to lose nothing, while the working student would lose \$1,025 – a 20 percent 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” – 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 academic success.** 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 The College Cost Reduction and Access Act of 2007 (CCRAA), Public Law 110-84.

³ 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.

⁴ The HHS Poverty Guidelines have not yet been updated for 2012. Assuming the poverty levels continue to increase, the proposed and scheduled IPA levels would be even lower relative to poverty than calculated in this brief.

⁵ This analysis includes only families with up to five members and up to five students in college. For the proposed 2012-13 AY IPA levels, see 112th Congress, U.S. House of Representatives, H.R. 3070, FY2012 Labor, Health and Human Services appropriations bill, http://appropriations.house.gov/UploadedFiles/FY_2012_Final_LHHSE.pdf. For 2012-2013 IPA levels, see: "Notice of revision of the Federal Needs analysis Methodology for the 2012-2013 award year," Federal Student Aid, U.S. Department of Education, Federal Register, Vol. 76, No. 100. For 2011 poverty levels, see: "Annual Update of the HHS Poverty Guidelines," U.S. Department of Health and Human Services, Federal Register, Vol. 76, No. 13. 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 Affordability Act in 2007.

⁷ U.S. Department of Agriculture, "Child Nutrition Programs – Income Eligibility Guidelines," Federal Register, Vol. 76, No. 58. <http://www.fns.usda.gov/cnd/governance/notices/iegs/IEGs11-12.pdf>.

⁸ National Women's Law Center, "State Child Care Assistance Policies 2010: New Federal Funds Help States Weather the Storm," Table 1A. <http://www.nwlc.org/sites/default/files/pdfs/statechildcareassistancepoliciesreport2010.pdf>.

⁹ 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).

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*.