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## **President's FY16 Budget Prioritizes College Affordability and Reduced Student Debt Burdens**

*Fully Funds Pell Grants, Rewards State Funding, Protects Student Veterans,  
Improves Income-Driven Repayment, Simplifies Aid Process, and Better Targets Tax Benefits*

(Oakland, CA) – President Obama's fiscal year 2016 budget released today helps contain how much students have to borrow by investing in Pell Grants, encouraging state investment in higher education, making it easier to apply for aid, and focusing tax relief where it will have the greatest impact. To reduce the burden of student debt, it improves income-driven repayment for federal student loans. "The budget rightly prioritizes making college more affordable and reducing student debt burdens, especially for those facing the highest financial hurdles," said **Lauren Asher**, president of The Institute for College Access & Success (TICAS).

The budget fully funds the scheduled \$140 increase in the maximum Pell Grant to \$5,915 in 2016-17, which will help more than eight million low- and moderate-income students attend and complete college. It also continues to tie the maximum Pell Grant to inflation after 2017. With the maximum Pell Grant covering less than one-third of the cost of attending a four-year public college, these inflation adjustments are important but not sufficient.

"While more and more students have to borrow to get through school, Pell Grant recipients are the most likely to have loans and owe the most when they graduate," said **Pauline Abernathy**, TICAS vice president. "Research shows that investing in need-based grants increases both college access and success, and even after the scheduled increase in this budget, the maximum Pell Grant will cover the smallest share of college costs in over 40 years."

The President's budget also aims to curb the state disinvestment that makes college less affordable by supporting states that maintain funding and make community college tuition-free. Unlike the Tennessee Promise, the President's plan for free community college tuition could help low-income students pay for non-tuition expenses, which account for 80% of the cost of attending a community college.

"We're pleased that the President's proposal is [so different](#) from Tennessee's and other 'free community college' plans that do nothing to [make college](#) more affordable for low-income students," said **Debbie Cochrane**, TICAS research director. "Only by investing in public colleges will states narrow the growing college attainment gaps."

As TICAS and veterans organizations have advocated, the budget also [closes the 90-10 loophole](#) that has led unscrupulous for-profit colleges to aggressively and deceptively recruit veterans, service members, and their families to enroll in high-priced, low-quality programs.

The budget improves income-driven repayment (IDR) for federal student loans, making more borrowers eligible to cap their monthly payments at 10 percent of their discretionary income and have any remaining debt discharged after 20 years of payments, and preventing the taxation of discharged debt. It also takes steps to prevent high-income borrowers from having debts discharged when they could have afforded to pay more. [TICAS recommended](#) many of these improvements.

“Income-driven repayment reduces the burden of student debt in two important ways: making monthly payments more manageable, and ensuring there’s a light at the end of the tunnel,” said **Asher**. “Our economy depends on people being able to save for retirement, buy homes, start businesses, and save for the next generation’s education. Americans shouldn’t have to be making student loan payments more than 20 years after leaving school.”

The budget simplifies the Free Application for Federal Student Aid (FAFSA), building on this Administration’s past improvements to the application process. However, the budget does not commit to one important change that could and should be made right now: basing federal aid eligibility on the tax data available when students typically apply to college. TICAS and more than 40 other organizations [recently urged](#) the President to implement this practical fix, which would greatly simplify the process for more than four million students and has broad bipartisan support.

Finally, to streamline and improve tax benefits, the budget takes several significant steps that [TICAS recommended](#) and that have bipartisan support, including reducing the number of confusing and poorly targeted tax benefits and focusing resources where they can make more of a difference. It makes the American Opportunity Tax Credit (AOTC) permanent and increases AOTC benefits for those with the greatest need. It also prevents the taxation of Pell Grants, which both simplifies the tax code and helps Pell recipients benefit from the AOTC.

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*An independent, nonprofit organization, The Institute for College Access & Success (TICAS) works to make higher education more available and affordable for people of all backgrounds. Our Project on Student Debt works to increase public understanding of rising student debt and the implications for our families, economy, and society. For more information see [www.ticas.org](http://www.ticas.org) and [www.projectonstudentdebt.org](http://www.projectonstudentdebt.org) or follow us on Twitter at [www.twitter.com/TICAS\\_org](https://www.twitter.com/TICAS_org).*