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President's FY17 Budget Takes Important Steps to Address Student Debt, College Affordability and Completion

(Oakland, CA) - "We strongly support this budget's goals of reducing the burden of student debt and increasing college affordability and completion," said Lauren Asher, president of The Institute for College Access & Success (TICAS), in response to President Obama's fiscal year 2017 budget proposal released today. "This budget takes important steps to strengthen Pell Grants, improve income-driven repayment, encourage states to invest in higher education, and increase college accountability for student outcomes."

Pell Grants: To help contain the need to borrow, the budget funds the scheduled increase in the maximum Pell Grant to \$5,935 and keeps tying the grant to inflation after 2017, when such adjustments are set to expire. Even while keeping pace with inflation in the overall economy since 2013, Pell Grants have still lost value against rising college costs: the maximum grant fully funded by this budget will cover only 29% of the in-state cost of attending a public four-year college, the lowest share in more than 40 years.

An important new provision restores Pell Grant eligibility to incarcerated adults who will eventually return to the community. This investment is likely to yield positive returns for prisoners, their families, and taxpayers, while enhancing public safety. Evidence shows that those who participate in prison education programs are more likely to find employment upon release and are far less likely to be re-incarcerated.

The budget also includes additional funds for certain groups of students who already receive Pell Grants. For those who can afford to go full time during the school year, it provides needed aid for summer classes to help speed the way to graduation. In addition, the budget includes a \$300 bonus for Pell recipients who take at least 15 credits per term. While the research is clear that need-based grants help lower income students complete college, there is little evidence that bonuses will incentivize them to complete 15 credits instead of 12. Research also suggests there may be more effective and efficient ways to help students graduate on time. For example, several state and college initiatives have increased the number of students taking 15 credits through information campaigns and reforms such as tuition restructuring and providing enhanced academic counseling.

Loan Repayment: This budget ensures that debt forgiven through income-driven repayment (IDR) will not be taxed, preventing struggling borrowers from facing unaffordable tax increases. This fair tax treatment for borrowers is urgently needed: 2016 is the first year borrowers will be eligible for forgiveness. Borrowers who entered the [Income-Contingent Repayment](#) (ICR) plan before 1996 can now enroll in the recently created REPAYE plan, and borrowers who took out only undergraduate loans and have made at least 20 years of qualifying payments will immediately be eligible to have their remaining debt forgiven.

The budget also streamlines the five existing IDR plans into one similar to the REPAYE plan. We strongly support the goal of simplifying income-driven repayment options, which has bipartisan support. While the proposed plan is a strong starting point, it should still be improved before becoming the only IDR plan, including by limiting payments to 20 years for all borrowers as we and thousands of others have [urged](#). A maximum 20-year repayment period would help all borrowers focus sooner on other important priorities, like saving for their retirement and for their children's education.

State Investment: The President's America's College Promise plan encourages states to invest in higher education, which is critical to improving college affordability and completion. It supports states that maintain higher education funding, and make certain reforms such as making community college tuition free so that Pell Grants can help students cover other college costs and stay in school. Unlike many state and local free-tuition plans, the President's plan recognizes that non-tuition costs are the biggest affordability challenge for students of limited means, with tuition accounting for just one-fifth of the cost of attending a community college.

College Accountability: The budget also takes additional steps to encourage colleges to get more students to graduation with meaningful credentials and manageable debt. It rewards colleges that successfully enroll and graduate students from all backgrounds through the College Opportunity and Graduation Bonus Program. In addition, it restores the 85-15 Rule and closes a loophole that has led unscrupulous for-profit colleges to aggressively and deceptively recruit veterans and service members into high-priced, low-quality programs. These reforms to the current 90-10 Rule have [bipartisan support](#) and have long been called for by TICAS and consumer and veterans advocates.

We also urge the Administration to strongly enforce existing laws and regulations to protect students and taxpayers from predatory and financially unstable colleges, including through the Department of Education's newly established enforcement unit. Congress should also invest in strengthening the Department's enforcement capacity, which will more than pay for itself by reducing waste, fraud, and abuse.

Simplification: To improve access to resources that can help students and their families cover college costs, the budget takes significant steps to further simplify the federal student aid application process, and to streamline and better target federal education tax benefits. Many of these approaches to simplification reflect our longstanding recommendations and have bipartisan support.

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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 or follow us on [Twitter](#) and [Facebook](#).