

House FY18 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 basic living expenses before being expected to contribute toward college costs. **Current IPA levels are near the federal poverty level for all types of students, and even below poverty for some.** Yet the House Fiscal Year 2018 budget resolution¹ cuts these already low IPA levels by reversing the changes enacted on a bipartisan basis in 2007 to help needy working students.² **This rollback would cut Pell Grants for the millions of recipients who are already working and struggling to cover living expenses and rising college costs.**

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 2018-2019 range from 63% to 163% of poverty, depending on the student's dependency status, family size, and number of family members in college. The House Budget proposal would drop those levels to between 45% and 153% of poverty.

<i>IPA Levels and Comparisons to Poverty by Student Type³</i>		
Student Type	Scheduled 2018-2019 IPA levels relative to current (2017) poverty levels	Estimated 2018-19 IPA levels after rollback, relative to current (2017) poverty levels
Dependents and their parents⁴	\$6,570 for dependent student + \$15,180 - \$33,240 for parents	\$3,630 for dependent student + \$15,180 - \$33,240 for parents
	95% - 153% of poverty level	95% - 153% of poverty level
Independents without dependents other than a spouse	\$10,220 - \$16,380	\$7,320 - \$11,740
	63% - 101% of poverty level	45% - 72% of poverty level
Independents with dependents	\$ 21,450 - \$46,940	\$15,380 - \$33,650
	102% - 163% of poverty level	73% - 117% 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 levels of income protection proposed by the House Budget 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.⁵ Families of three with incomes up to 118% to 314% of poverty were eligible for state child care assistance in 2016 (depending on the state).⁶

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

- **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. 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 more than 15-20 hours a week are more likely to struggle academically and/or drop out of college than those working fewer hours.⁷

¹ U.S. House of Representatives, Report of the Committee on the Budget, "Concurrent Resolution on the Budget – Fiscal Year 2018," <https://www.gpo.gov/fdsys/pkg/CRPT-115hrpt240/pdf/CRPT-115hrpt240.pdf>.

² The College Cost Reduction and Access Act of 2007 (CCRAA), Public Law 110-84.

³ This analysis includes families with up to five members and up to five students in college. For scheduled 2018-2019 IPA levels, see: "Federal Needs Analysis Methodology for the 2018-2019 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. 82, No. 82 <https://ifap.ed.gov/fregisters/attachments/FR050117.pdf>. Estimated 2018-19 IPA levels after rollback were calculated by TICAS. Current poverty levels for 2017 poverty levels are from "Annual Update of the HHS Poverty Guidelines," U.S. Department of Health and Human Services, Federal Register, Vol. 82, No. 19.

<https://www.federalregister.gov/documents/2017/01/31/2017-02076/annual-update-of-the-hhs-poverty-guidelines>. Poverty levels are for the continental United States and DC.

⁴ Levels for parents of dependent students as those levels were not adjusted by the College Cost Reduction and Access Act in 2007.

⁵ U.S. Department of Agriculture, "Child Nutrition Programs: Income Eligibility Guidelines," Federal Register, Vol. 82, No. 67. <https://www.gpo.gov/fdsys/pkg/FR-2017-04-10/pdf/2017-07043.pdf>.

⁶ National Women's Law Center, "Red Light Green Light: State Child Care Assistance Policies 2016," Table 1A. <https://nwlc.org/wp-content/uploads/2016/10/NWLC-State-Child-Care-Assistance-Policies-2016-final.pdf>.

⁷ King, J.K. (2002). *Crucial choices: How students' financial decisions affect their academic success*. American Council on Education.

Washington, DC; Perna, L., Cooper, M.A., & Li, C. (2007). Improving educational opportunities for students who work. In St. John, E.P. (Ed.) *Confronting Educational Inequality: Reframing, Building Understanding, and Making Change* (109–160). New York: AMS Press.