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March 12, 2013

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House FY14 Budget Proposal Makes College Less Affordable: Cuts Pell Grants and Doubles Student Loan Interest Rates

As students and families across the nation struggle to keep up with college costs and pay off their student loans, the House Budget Committee's fiscal year 2014 budget would make college even less affordable.

It slashes Pell Grants, which help more than nine million students get to and through college. The proposed budget freezes the maximum grant for 10 years while cutting student eligibility. The maximum Pell Grant already covers less than one-third of the cost of attending a public four-year college this fall—the lowest share since the start of the program. Freezing it for 10 years would lower its value even further, to 17% of college costs by 2023.

Like last year's House budget it also reduces eligibility for Pell Grants, including by penalizing work for students who have to support themselves and their families, and adding uncertainty and complexity to the aid process for very needy students. Moreover, it eliminates all mandatory funding for Pell Grants, which was already paid for through student loan reforms. Limited to discretionary funding alone, Pell Grants would be even more vulnerable to cuts in addition to those assumed by this budget. TICAS and many other organizations have instead recommended that all funding for Pell Grants be mandatory.

While the Committee's budget expresses alarm over rising student debt loads, it would do nothing to stop subsidized student loan interest rates from *doubling* this July, from 3.4% to 6.8%. Burdening students with 6.8% loans when interest rates in the economy are at historic lows makes no sense. In contrast, TICAS' recent white paper proposes constructive changes to keep federal student loans affordable, simplify the program, and better target benefits. Student loans must be affordable—and students need to know that they will *remain* affordable—if we want to make sure that students of all backgrounds can stay in school and graduate.

The vast majority of Pell Grant recipients have family incomes under $40,000, and they already have to borrow more than other students to complete college. Nearly nine out of 10 Pell Grant recipients who graduate from four-year colleges have student loans, and their average debt is $3,500 more than their higher income peers.

With an educated workforce more crucial than ever to our nation's future, now is clearly the time to do more, not less, to make college affordable.

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An independent, nonprofit organization, The Institute for College Access & Success works to make higher education more available and affordable for people of all backgrounds. The Institute's 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.projectonstudentdebt.org and www.ticas.org.