Budget Work Makes for Busy Week on Capitol Hill

The Senate passed its FY 2005 budget resolution by a vote of 51 to 45 in the wee hours of March 12, after three days of debate. The resolution preserves for now the $8.7 billion reserve fund for the education committee, which will enable it to make changes to the student loan programs and eliminate the Pell Grant shortfall, but its outlook is uncertain.

Much of the excitement around the Senate budget resolution happened behind the scenes. A turf battle between the appropriators and budgeteers ensued over the issue of changing the scoring of the Pell Grant program.

The resolution that was brought to the floor included a provision that would require the education appropriations bill to fully account for the cost of the Pell Grant program. Budgeteers believe this provision, along with the elimination of the Pell Grant shortfall, makes the program financially viable and will help to avoid funding shortfalls in the future.

Senators have never been particularly worried about paying off the shortfall (and there is no requirement to do so). They feel this provision makes it impossible for them to ever increase the maximum grant. They also don’t like the Budget Committee telling them how they should spend their money.

In response, Senator Arlen Specter (R-Pa.), chairman of the education appropriations subcommittee, filed an amendment to strike the scoring provision. He gained bipartisan support from Senators Robert Byrd (D-W.Va.), Tom Harkin (D-Iowa), Thad Cochran (R-Miss.) and others. On the other side of the debate were Budget Committee Chairman Don Nickles (R-Okla.) and Senator Judd Gregg (R-N.H.)—chairman of the education committee, and member of the Budget and Appropriations Committees.

The higher education community found itself in the middle of this debacle, concerned about how such a provision would work from year to year, and what kind of pressure would be put on the ability to increase the maximum grant. At the same time, the community did not want to risk losing the elimination of the $3.7 billion shortfall or the $5 billion reserve fund for student loan improvements.

But the amendment never came up for a vote. Nickles cut a deal with Specter, agreeing to strike the provision in the final hours of debate. In return, Specter watered down his amendment to increase funding for the National Institutes of Health.

With the scoring provision gone, but linked to the elimination of the Pell Grant shortfall, we are concerned that we could lose the reserve fund for the shortfall and student loans when the resolution goes to conference with the House. We will need your help to fight this in the next few weeks.

Funding amendments

Other action on the Senate budget resolution included a series of amendments to increase funding for education programs.

• Senator Ted Kennedy (D-Mass.) offered an amendment to increase the maximum Pell Grant to $5,100—a figure selected because President Bush had promised it in his 2000 campaign. This amendment failed by a 44-53 vote.

• Senator Norm Coleman (R-Minn.) proposed increasing the Pell Grant maximum to $4,500. It passed by a voice vote. While we

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appreciate Coleman’s support for the NAICU and Student Aid Alliance Pell request, his amendment would cut funding for other programs to pay for it—an offset that we do not support.

- Senator Jack Reed (D-R.I.) offered an amendment to increase funding for student aid by $3 billion, to encompass the entire Student Aid Alliance request list. It failed on a voice vote.
- Senators Hillary Rodham Clinton (D-N.Y.) and Bob Graham (D-Fla.) offered, then withdrew, an amendment to expand the Pell Grant program to better serve nontraditional students, and provide for a year-round Pell Grant. This issue will be discussed further in reauthorization of the Higher Education Act.
- Senator Barbara Mikulski (D-Md.) offered an amendment to provide a reserve fund for a tuition tax credit, which passed. The Democratic amendments generally were paid for by reducing the tax cut for the highest income levels. They spent an equal amount on deficit reduction.

**Other amendments**

Early in the debate, the Senate agreed 95-4 to an amendment by Armed Services Committee Chairman John Warner (R-Va.) to increase defense spending by $7 billion, matching the president’s request. This raises the spending total from $814 billion to $821 billion.

Senator Russ Feingold (D-Wis) was successful in reinstating the pay-as-you-go (PAYGO) rules for tax cuts and entitlement spending on the Senate resolution. This means that any extension of the current tax cuts, and any future tax cuts, must be offset by increases in other taxes or reductions in entitlement spending.

This is quite a controversial move, since Feingold was originally working with former Budget Committee Chairman Pete Domenici (R-N.M.) to reinstate PAYGO for tax cuts and entitlement spending (except for the expiring tax cuts). However, Domenici stepped away when Feingold insisted that the rules be even tighter.

**House resolution**

While the Senate was debating its budget resolution on the floor, the House Budget Committee was just beginning to write its version. The mark-up got off to a late start on March 10, because the Republican leadership was working out its response to the reinstatement of the PAYGO rules.

Chairman Jim Nussle (R-Iowa) said the committee would work until the first round of amendments was done or until six o’clock, whichever came first. The committee will return on March 17 to complete the mark. At that time, the committee will report out a budget resolution and separate legislation for budget reform provisions, including what to do with the extension of PAYGO rules.

Nussle’s mark includes $819 billion for total discretionary spending, about $4 billion less than the president’s request. For Defense, the House would provide $402 billion; for Homeland Security, $31 billion; and for everything else, $386 billion. It provides a $50 billion reserve fund for military operations in Iraq, and projects a FY 2005 budget deficit of $377 billion, which it would cut in half by 2008.

For education, training, and social services (Function 500) the resolution provides $80.6 billion, or $2.8 billion over last year. The committee has provided no background materials, beyond tables outlining how the numbers add up. Presumably the increase mirrors the president’s request for $1 billion for Title I, $1 billion for special education, and $800 million for Pell Grant spending, but does not assume the president’s cuts. The details, of course, will be left to the Appropriations Committee.

The resolution also asks the Education and the Workforce Committee to save $5 million in areas of “waste, fraud, and abuse.” This is a complete reversal of last year’s proposal to cut almost $10 billion from student loans and child nutrition programs.

On the tax side, the resolution instructs the Ways and Means Committee to write a tax cut reconciliation bill for $138 billion, which would cover the marriage penalty, child tax credit, 10 percent bracket expansion, and more.

One amendment on education was offered the first day of the mark-up. Democratic Representatives Hooley, Jim Moran (Va.), Tammy Baldwin (Wis.), Dennis Moore (Kansas), Bobby Scott (Va.), Harold Ford, Jr. (Tenn.), Lois Capps (Calif.), Thompson, Rahm Emanuel (Ill.), Artur Davis (Ala.), Denise Majette (Ga.), and Ron Kind (Wis.) offered an amendment to increase overall education funding by $6.2 billion, including a $4,500 Pell Grant maximum. It was defeated on a party line vote.

As far as we know, no other student aid-related amendments are slated to come up during the March 17 mark-up. Once the committee reports out the resolution, the House will most likely take the bill to the floor the week of March 22. This would allow one week for conference if Congress wants to complete the budget resolution before the spring break.

For more information, please contact Stephanie Giesecke at NAICU, (202) 785-8866 or stephanie@naicu.edu.
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Will Front-Loading Pell Grants Ensure or Endanger Bachelor’s Degrees for Low-Income Students?

NAICU is preparing a study to provide a timely and reliable research-based response to the current debates on front-loading the Pell Grant awards (limiting Pell Grant awards to the first or second year of postsecondary education). Proponents of front-loading argue that it can give low-income students increased access to postsecondary education by increasing the purchasing power of the Pell Grants in students’ first two years in college. However, opponents argue that it will have a chilling effect on college completion rates, by forcing students to take on additional debt for their third and subsequent years in college. This could cause them to drop out.

Using the longitudinal data of the Beginning Postsecondary Students survey, this study examined when Pell Grant recipients leave their persistence track as compared to nonrecipients. We particularly focused on persistence in a five-year period for first-time freshmen enrolled in four-year institutions as full-time, dependent students.

Finding highlights
• Regardless of whether or not they received Pell Grants, students at private institutions were less likely to leave their persistence track than students at public institutions.
• Of the Pell Grant recipients who left a private four-year institution, most left in the third year (49%), followed by the first year (30%).
• Of the recipients who left a public four-year institution, most left in the first year (37%), followed by the third year (30%).
• Regardless of whether or not students received Pell Grants, black students were most likely to leave a persistence track, followed by Hispanic, white, and Asian students.
• Of the students who left, white students were more likely to depart during the first and second year. Black students were more likely to leave during the third, fourth, and fifth years.

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Secretary Paige Testifies at Appropriations Hearing

On March 11, Secretary of Education Rod Paige defended the administration’s FY 2005 budget request before the House Labor-HHS-Education Appropriations Subcommittee.

Democrats on the subcommittee repeatedly asked the secretary why, for the third year in a row, the administration had not proposed increasing the maximum Pell Grant above $4,050. Paige responded that it would not be wise to increase the maximum grant when the program is running a shortfall, and when the average grant has not increased.

Representative Nita Lowey (D-N.Y.) asked questions about the proposal to add $33 million to the Pell Grant program to expand the State Scholars initiative, which would give Pell recipients who had taken a rigorous high school curriculum an additional $1,000 grant. Lowey asked why the proposal would be limited to students in only 14 states, and to only the first two years of college. Paige said that students drop out of college not because they lack money, but because they are not prepared for the work load. Taking a rigorous curriculum, like that required by the State Scholars program, will help them be more prepared for college.

An hour into the hearing, Paige indicated that he had to leave to attend another event. Subcommittee Chairman Ralph Regula (R-Ohio) was so irritated that he insisted that the secretary return to answer more questions the following week. Paige is tentatively scheduled to reappear March 17.

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Students who left a private four-year institution
• Of the Pell Grant recipients, most departed in the third year, followed by the first year. Most lower income students who did not receive Pell Grants left in their first year. Of the higher income students who did not receive Pell Grants, almost identical percentages of students left their persistence track in the first and third year.

Public four-year institutions
• Of the students who left a public four-year institution, most departed during their first year whether or not they received Pell Grants. Among recipients, approximately the same percentage left in the third year as in the first year.

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were driving new patterns of college attendance. The need to cut costs beyond what has already been achieved is another reason to use the full calendar year. More students could be admitted, he said, while fewer students would be on campus in any given “trimester,” reducing competition for classes and housing, and the need for new facilities. It would also spread out the entrance of graduates into the job market, and could even enable students to graduate in three years, he said.

Virginia Hazen, director of financial aid at Dartmouth College, described the college’s current year-round calendar. It requires students to enroll for 12 terms over four years, but allows individual discretion on which terms to attend.

Michael Lomax, president of Dillard University, spoke on behalf of the United Negro College Fund about the benefits of year-round attendance for students who wanted to spread their courses throughout the year, as well as those who wished to graduate in three years.

Margaret Hesel, executive director of admissions and outreach at the University of California, said providing federal aid during the summer would help both public and private colleges in California. The demand for higher education is greater than the number of seats available or that the state can afford to build.

India McKinney, a student from Vanderbilt, agreed with the potential benefits of attending year-round, but cautioned that it not be mandated. Some students need time off to work or relax, she said.

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