Budget Deal Highlights Pell Grants

At the beginning of the negotiations, House Budget Committee Chairman Jim Nussle (R-Iowa) and his staff dug in their heels. After three weeks of negotiations, congressional budget leaders struck a deal on the FY 2006 budget resolution that highlights a $100 increase in the Pell Grant maximum as a top priority.

The final budget resolution (which guides Congress in spending limits, tax cuts and deficit reduction) passed both chambers late on April 28.

Overall spending is kept to the president’s requested level of $843 billion. While the budget does not include the Senate’s $5.4 billion increase for student aid, it does include a $1 billion increase in the education function to cover two areas: the $100 increase in the Pell Grant maximum, and funding for Community Development Block Grants.

The budget also includes a reserve fund to pay off the $4.3 billion Pell Grant shortfall. The funding shortfall in the Pell Grant program has accumulated over the last few years, and has been an impediment to gaining increases in the maximum grant to students.

Two new accounting provisions regarding Pell Grants are also included in the budget. One indicates that for the purpose of paying off the Pell Grant shortfall this year and in future years, mandatory money will be used to cover the cost. The other ensures that appropriations fully pay for future increases in the maximum grant.

The overall reconciliation instruction to authorizing committees for deficit reduction is $35 billion over five years. The education committees must find $13 billion in savings—$7 billion from student loans and $6 billion from pensions. Committees are required to report deficit reduction legislation to the budget committees by September 16, 2005. Total reconciled tax cuts are set at $70 billion.

Behind the scenes

While the press reported the drama related to cuts to Medicaid and pensions, high-level discussions about what to do with funding for student aid continued behind the scenes throughout the budget negotiations.

The Kennedy amendment approved by the Senate would have increased funding for student aid by $5.4 billion. This would have provided for a $450 increase in the Pell Grant maximum, restoration of cuts in the president’s budget, and increases to the other student aid programs.

While the Kennedy amendment did not survive, the calls, letters, and e-mails to Congress in support of the amendment made a difference in how negotiators approached student aid. They knew the spending cap couldn’t stretch to meet the $5.4 billion increase, but they realized they could not go down to the House levels that would have cut student aid, and they could not have a final budget that didn’t mention student aid.

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heels in an attempt to get the House resolution to become the final deal. However, Senate Budget Committee Chairman Judd Gregg (R-N.H.) insisted throughout the process that the budget had to include at least the $100 increase in the Pell Grant maximum. In addition to Gregg’s support, five of the six Republican senators who voted for the Kennedy amendment wrote a letter to conferees asking for its inclusion.

Perkins Loans
We have assurances from the Budget Committee that elimination of the Perkins Loan program is not assumed in their calculation of $7 billion in cuts to the student loan programs, and Perkins loans are not mentioned in the budget as a way to pay for deficit reduction. However, there is no official language that protects the Perkins loan program either. Until reconciliation and HEA reauthorization are completed, using Perkins as an offset is still a possibility that the administration has pledged to keep pushing to eliminate. If you haven’t taken time to write your member of Congress about the impact of Perkins Loans on your campus, there is still time to do so.

Next steps
The next step in the budget-appropriations process is for the House and Senate Appropriations Committees to divide up the $843 billion among their subcommittees. Through NAICU’s coalition efforts, we will soon contact the chairmen, asking them to increase the education subcommittee’s allocation as much as possible to reflect the support of student aid that has been evident in the budget debate this year.

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Bar Codes for Students?
The U.S. Department of Education recently announced that, in response to concerns about the use of Social Security numbers for its proposed student unit record data tracking system, bar codes could be assigned to students instead. The bar code would contain an individual’s date of birth, citizenship status, race/ethnicity, and a serial number, allowing the Education Department to track all postsecondary students while they are in college, and potentially after they leave.

Instead of alleviating concerns, the bar code proposal only adds to the list of problems that NAICU has noted about protecting individual privacy and insuring the security of data. Furthermore, there is no adequate statement of the need for or use of students’ data that would justify the real threats to identity theft.

Organizations outside of higher education are now beginning to voice their opposition through the news media and to members of Congress. The Eagle Forum recently announced that it objects to such a federal database.

The NAICU Board of Directors remains opposed to this proposal and will keep members informed as developments occur.

For more information, please contact Frank Balz at NAICU, (202) 785-8866 or frank@naicu.edu.
Higher Ed Act Rewrite Gets Going

The prospect of a federal budget plan that will force $7 billion to be cut from the student loan program by mid-September has prompted the education committees to restart the HEA reauthorization process. Both the House and Senate education committees held hearings last month.

In the Senate, Chairman Mike Enzi (R-Wyo.) plans only one hearing of the Health, Education, Labor and Pensions Committee and a round table with college presidents and business leaders later in May. Senate staff also announced an ambitious plan to get a bill through the committee by June, although many veteran Hill observers are skeptical about that time-line. The House is saying that the cuts to the student loan program required by budget reconciliation must come first.

House keeps up college-bashing

On April 12, the House Committee on Education and the Workforce held a hearing titled, “College Access: Is the Government Part of the Solution, or Part of the Problem?”

Witnesses Richard Vedder, professor of economics at Ohio University and adjunct at the American Enterprise Institute, and Donald Heller, associate professor and senior research associate at the Center for the Study of Higher Education at the Pennsylvania State University, took opposite sides in the long-standing debate on whether federal aid drives up tuition.

Vedder’s written testimony included wide-ranging complaints about how the economics of colleges work. Before the committee, however, he described six reasons for increasing college costs:

- lack of a profit incentive
- use of university resources to cross-subsidize nonacademic activities, such as paying professional staff
- tuition discounting
- a decline in productivity, and
- improving the lives of college staff.

He argued that tuition increases should be combated with increased competition, especially from the for-profit sector; less federal aid; aid focused on students, not institutions; restricted tuition tax credits and loan eligibility; and a “performance dimension” for Pell Grant awards.

Heller countered that former Education Secretary Rodney Paige had examined whether increased aid led to increased tuition, and found no relationship. He said federal and state governments should work together to fund higher education, noting that two-thirds of independent and three-quarters of all students receive some type of aid. He also explained that most colleges and universities are trying to reduce the cost of education.

Senate begins expedited reauthorization process

On April 28, Chairman Michael Enzi (R-Wyo.) opened the only hearing the Senate HELP Committee will hold on the HEA reauthorization before legislation is marked up next month.

Five witnesses testified on “Providing Quality Postsecondary Education: Access and Accountability.” The only witness representing higher education was Trinity Thorpe, a student from Pepperdine University with a very compelling story of how Upward Bound programs brought her skills up to grade level and ultimately led her to college.

The first witness was Kati Haycock, director of the Education Trust, and one of the key architects of the 2001 No Child Left Behind Act. She began by citing a decline in the status of education in the United States, which she blamed on the lack of “alignment” of high school and college academic requirements and assessment. She recommended that Congress provide incentive grants to states to fund coordination efforts. She also suggested “providing additional financial aid to low-income students who have completed the college prep curriculum” and restoring the buying power of Pell Grants.

Haycock said that “increases in student financial aid over the last ten years... have disproportionately benefitted upper-middle and middle-class students.” To correct this, she recommended that federal grants to institutions should be based on their success with low-income students. To determine which institutions are most successful, states need to require improved graduation rate measures, especially of subgroups. She also recommended that excessive lender subsidies be eliminated.

In response to a question from a member of the committee, (Continued on page 4)
Student Speaks to House Committee

Ileana Abreu, a Pepperdine University senior, was among the witnesses appearing before the House Appropriations Committee's education subcommittee on April 28. She testified on behalf of ACE and the Student Aid Alliance as well as her own university. Below are excerpts from her testimony on the importance of federal student aid.

Mr. Chairman and Members of the Subcommittee:

On behalf of Pepperdine University, the Student Aid Alliance, the American Council on Education, and most importantly the millions of students supported by federal student aid, I am thrilled to talk to you this morning about the importance of financial aid to America's college students.

My name is Ileana Abreu and I am a senior at Pepperdine University in Malibu, California. On Saturday, I will graduate with a degree in Spanish and International Studies, along with a minor in Non-Profit Management.

As the daughter of Cuban immigrants, I was always taught that education is the key to personal success and fulfillment. I come from a long line of educators. Both of my grandmothers were principals in Cuba, but had to give up their professions to work for the advancement of the family here in the United States... As the daughter of a single mother whose biggest regret was not finishing college, to be here before you today, and to receive my diploma from Pepperdine University, is the American dream come true.

I chose to attend Pepperdine because it is an institution of utmost excellence that prepares its students for lives of purpose, service, and leadership. Despite my hard work, I had very little financial backing for my higher educational pursuits. Ultimately, my education was made possible through the generosity and steadfast faith of President Andrew Benton of Pepperdine University, Mrs. Rubin White, and the administration of Pepperdine University who believed not only in me, but also in the power of the American dream.

I would not be fulfilling my dream to be a graduate of Pepperdine without financial aid... While I didn't invent the current aid system, the partnership between families, students, institutions, states and the federal government... works remarkably well. I am fortunate to have access to such a wonderful system of education....

I can't imagine how difficult it would be to sit in your chair and decide how to spend federal money that benefits the citizens of the United States. But I can tell you, that for a very small amount, on a per person basis, there isn't a better investment than student aid. College graduates will earn more, contribute more to the tax base, are less likely to be unemployed and far less likely to be dependent on social safety-net programs such as some of those funded by this committee. You can't go wrong on this investment—I am living proof. ■