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From: NAICU Presidents Network [mailto:presnet@naicu.edu]

Sent: Thursday, June 30, 2011 11:42 AM

To: NAICU Presidents Network

Subject: [presnet] Legislative Update: Possible Changes to Pell Grant Program

Dear Colleagues,

As you know, the federal budget is in the red, and the biggest story in Washington is whether both political parties can work together to find a solution to get our nation on sound financial footing for the future.

Every item in the federal budget is under review. Student aid is no exception. At the center of this debate is how to keep the Pell Grant program -- with its broad bipartisan support -- sustainable as the foundation of federal student aid. It is no easy question. Since 2008, funding for the Pell Grant program has more than doubled, from \$16 billion to \$34 billion. Total recipients have increased by 3.5 million students to 9.6 million students. And the maximum grant has grown from \$4,731 to \$5,550. Pell Grants, along with the other student aid programs, have helped countless Americans go to and stay in school, even during the longest recession in generations.

NAICU, along with many student aid advocate organizations, has been in conversations with policymakers from both sides of the political aisle, and both ends of Pennsylvania Avenue. Our discussions have focused on how best to ensure the program's future, and to negotiate where to make cuts, if cuts are mandated. Right now, funding for the Pell program is \$11 billion short of the \$34 billion needed to keep the maximum grant at \$5,550. The choice for policymakers is to either keep the current program rules and cut the maximum grant to \$2,850, or trim certain program features to find the \$11 billion in savings necessary to maintain the \$5,550 maximum grant. You should be aware that the new year-round Pell provision already has been eliminated, with little notice, to save \$9 billion, so that the maximum could remain at \$5,550 for the 2011-12 academic year.

As NAICU has participated in conversations with other association colleagues and congressional and administration officials, we have maintained the following principles coming out of NAICU Board discussions in April.

Any changes to the Pell Grant program should:

- Protect the poorest students
- Not eliminate or cut other student aid programs to pay for Pell Grants (each has its own distinct value and purpose)
- Protect program features that are most likely to help students not just go to college, but to complete college
- Support students all the way to baccalaureate degree
- Maintain program integrity
- Maintain bipartisan support

We are near the point in discussions when some of the many ideas that have been floated may start to appear in legislative proposals on Capitol Hill. Let me report to you on some of the proposals that are on the table. Please note that the following are not all supported by NAICU. Those proposals marked with an asterisk are the ones we are most willing to consider in making changes to the Pell Grant program.

- * Revert to the need analysis and related rules (such as income and asset allowances, etc.) that existed pre-2007.
- * Limit Pell Grants for less than half-time students to no more than three semesters.
- * Reduce the total number of years students can receive Pell Grants from its current limit of 9 years to 6 (with some exceptions for students who do remedial work).
- * Reduce the maximum by up to \$500 for first-year students only, but maintain it at \$5,550 for the rest of a student's baccalaureate career (half of all Pell students are first-year students).
- * Add greater program integrity features.
- * Dramatically expand the Perkins loan program to private non-profit colleges, and make it part of the direct loan program, thereby raising revenues for student aid.
- Reduce Pell Grants for fulltime students taking less than 15 credits to 80 percent of their Pell Grant amount.
- Eliminate SEOG and put the savings in Pell.
- Eliminate the in-school interest subsidies on student loans.
- Cut off Pell eligibility above a certain family income level, such as \$50,000.
- Put greater restrictions on institutional eligibility such as lower default rate cut-offs, inserting graduation rate cut-offs; or requiring cash matches by colleges.

** Proposals NAICU is most willing to consider*

It is our understanding at this point that legislation changing the Pell Grant program could be introduced before the August recess. However, timelines shift frequently in Washington, so it well could be fall before the process moves any further.

I will keep you informed of this critical conversation, as it continues to progress.

David

David L. Warren
President, NAICU