

Poor Economy Imperils Pell Grants

By Caralee J. Adam

In his nine years at Cherry Hill High School West, Cigus Vanni has seen the number of students eligible for federal Pell Grants double, in part, because of the poor economy.

Now, when he helps families fill out the Free Application for Federal Student Aid, or FAFSA, the counselor at the Cherry Hill, N.J., school says he would be remiss if he didn't tell them about proposals in Washington to reduce Pell Grants, which provide free aid to high-need students.

"I don't mean to be the party crasher, but I owe it to let them know it's very possible this might not come through," said Mr. Vanni. Then, he explores alternatives: home-equity loans—although many don't own a home—borrowing from family members, or student loans.

The uncertainty of Pell funding is "killing both of us," said Mr. Vanni. "If it were not public school, I'd tell them to pray. But I can't. So, I say to them, keep faith."

Only last spring, the education community was celebrating passage of the landmark Student Aid and Financial Responsibilities Act, or SAFRA, that boosts the maximum Pell Grant to \$5,500 and links grant funding to increases in the Consumer Price Increase. One year later, the power shift in Congress, the growth of the program, and the push to reign in government spending has put the popular program in the mix for possible cuts.

With the help of a newly emboldened Republican majority, the U.S. House of Representatives last month proposed a fiscal 2011 budget that would slash numerous programs including a reduction in the maximum Pell Grant by \$845. The move would not only affect this year's budget, but would lock in the cuts for 10 years, saving an estimated \$65 billion. In a vote yesterday, however, the Senate rejected the House plan. That vote doesn't mean Pell Grants are safe, though.

President Barack Obama's proposed 2012 budget would maintain a maximum grant of \$5,500. But given the growing demand for Pell Grants in the past two years—the program now faces a \$20 billion deficit by the end of 2012—the administration is proposing changes to sustain it. The most significant cost saving would come from ending the recently added option of allowing students who go to summer school to take out two loans in a year. That benefit has proven extraordinarily costly—up to 10 times the original estimate.

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As the largest federal student-aid program, many experts maintain that Pell Grants are essential to achieving the president's goal of leading the world in the percentage of college graduates by 2020.

Growth of Program

In 1973, the first year of the program, a grant covered two-thirds of the cost to attend a four-year public university. Now, it covers one-third. It has been amended several times, and in 1980 was renamed for its sponsor, Claiborne Pell, the late Democratic senator from Rhode Island. Always intended to help those in high need, most awards today are given to students with household incomes of less than \$30,000 a year. Partial awards are also given to students from families with higher incomes.

Pell Grants have not kept up with inflation, and college costs have increased dramatically in recent years, causing a "double whammy" for students, said David Hawkins, the director of public policy and research for the [National Association for College Admission Counseling](#), in Arlington, Va.

SAFRA helped get funding back on track, but so many more people qualified that the program's expenses skyrocketed. In 2007, \$14 billion in aid was available for 5.4 million students, with an average award of \$2,620. In 2010, the program grew to \$32 billion and 8.4 billion awards averaging \$3,865. The administration's [fiscal 2012 budget](#) requests \$41 billion for Pell Grants to help an anticipated 9.6 million students.

An inherent problem with the Pell program is that part of the funding is mandated by law and part is subject to appropriations bills. Projections are not always accurate, and when demand soars, a shortfall results.

"That is clearly not an example of a program run amuck. The economy caused vast numbers to be low-income," Mr. Hawkins said. "This is not a wasteful program."

The economy is fueling the demand for Pell Grants on several fronts, said Joel Packer, the executive director of the [Committee for Education Funding](#), a Washington-based coalition of 100 organizations and agencies advocating federal financial aid. Laid-off workers are going back to school for retraining. The economy has caused incomes to drop, which leads to increased program eligibility. And state budget cuts have forced many universities to raise tuition, which can also increase eligibility.

Surprise Move

Voting to cut the maximum Pell caught Mr. Packer and other education advocates off-guard. "We were definitely surprised," said Mr. Packer. "Pell always had support. It's hard to argue about making college more affordable."

While Mr. Packer said he's relatively optimistic that Congress will restore the money for fiscal 2011, next year will be more challenging because there will be another shortfall.

"Everyone understands the importance of Pell," said Amanda Fitzgerald, the director of public policy for the [American School Counselors Association](#), in Alexandria, Va. "When push comes to shove, they will find money for it."

Although cuts in spending must be made, it's important to make the right cuts, said Rich Williams, the

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higher education advocate for **U.S. PIRG in Washington**. "My general shock is that these choices are only supposed to come after the easy ones."

For many low- and middle- income students, the Pell program is a lifeline to achieving a college degree and pursuing a career and the promise of a better future, said Sen. Tom Harkin, the chairman of the Senate Appropriations Education Subcommittee. "Any reduction to the Pell program would come at a much higher cost for our country down the road, threatening the workforce of the future and our long-term economic recovery," the Iowa Democrat said in a statement.

Some conservatives say Pell is a wasteful program that doles out free money to many students who fail to get a degree.

"This money might encourage a lot more people to enroll in college, but it does very little to improve completion rates," said Neal McCluskey, an education analyst with the libertarian Cato Institute, in Washington. What Pell Grants have done, maintains Mr. McCluskey, is allow schools to raise tuition rates to capture student-aid increases rather than make college more affordable. "Ultimately, these things need to be eliminated," he said. "It should be Pell loan—they need to pay it back."

GOP Rep. Hal Rogers of Kentucky, the chairman of the House Appropriations Committee, said the cuts made so far in the fiscal 2011 budget are about shared sacrifice. "Make no mistake: These cuts will not be easy, and they will affect every congressional district, but they are necessary and long overdue," he said in a statement referring to numerous programs.

NACAC's Mr. Hawkins said investing in education helps spur innovation in the economy. Also, research shows that financial aid improves persistence in college. A study by the National Center for Education Statistics in 2009 showed that Pell Grant recipients got a degree in shorter time than did nonrecipients, when controlling for such factors as transfer history and undergraduate risk characteristics.

Impact on College-Bound

The uncertainty of Pell funding makes it difficult for high school counselors to advise students on their college finances and for colleges to present incoming freshmen with solid numbers about aid, said Mr. Hawkins. "Now more than ever, parents, colleges, and students have to think creatively about the way a student approaches higher education," he said. That might mean attending community college a couple years to save money, going to school part time, or taking out loans.

In 2008, among graduating seniors from four-year colleges and universities, 87 percent had student-loan debt—up 27 percent from 2003, according to the **Project on Student Debt**'s analysis of data from the National Postsecondary Student Aid Study. Among seniors who had Pell Grants, the average debt was \$24,800, nearly \$2,000 more than the average senior graduating with loans. For Pell recipients, a grant is usually only part of their funding, and they often have to take out loans as well.

"High school seniors are deciding right now if they can afford to go to college," said Mr. Williams of PIRG. "For Congress to be cutting financial aid sends the total wrong message. It's discouraging to students."

Pitzer College, a private college with 1,000 students in Claremont, Calif., is sending out financial-aid packages to students as if the full Pell Grant funding will be available—without a qualifier that grant money is contingent on congressional action, said Angel Perez, the director of admissions. "We don't want to freak families out," he said. If there is a drop in the Pell awards, the college will subsidize any gap in the program. "I worry about larger state universities that can't afford to make that commitment," he said.

Reductions in the Pell program would “be a major blow to the hopes and dreams” of many community college students, who are less likely to take out loans and represent about one-third of Pell Grant recipients, said Walter Bumphus, the president of the Washington-based American Association of Community Colleges. “Most realize that Pell Grants have expanded and grown beyond anyone’s wildest imagination, but that also points to the success of it,” he said.

Jesse Yeh, a sophomore at the University of California, Berkeley, would consider working part time or taking out a loan if his financial aid is reduced. Mr. Yeh has received two Pell Grants of about \$5,000 each. His parents, both college graduates, lost their jobs in 2009, limiting their ability to help.

“President Obama talked about this as America’s big moment and I agree with him in that for long term growth, the only way we can do that is to have a have a more college educated people in our workforce,” he said.

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