FOIA Number: 2017-1073-F

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OA/ID Number: 13223

FolderID:

Folder Title:
[HOPE Hope and Opportunity for Postsecondary Education]: Independent Student/Needs Analysis

Stack:	Row:	Section:	Shelf:	Position:
S	15	2	1	2

512,000

already qd $1900+

$600 gain

Income Protection Allowance (single/married/married with both in college)	Minimum HOPE + Pell	Number of new recipients	Cost
$9,150/$12,030/$9,890	$1,500/$1,425/$1,100	218,000	
$8,000/$11,000/$8,000	$1,500/$1,275/$850		
$7,000/$10,000/$7,000	$1,358/$975/$750		
$5,500/$8,500/$5,500	$1,058/$675/$625		
$3,000/$6,000/$3,000	$608/$225/$400	n/a	

What about dependent student earnings? Another group that some have suggested are at risk of being left out are poor families in which a dependent student has earnings (such as from a summer job). The current formula only protects $1,750 of dependent student's earnings, which means that his or her eligibility for Pell Grants could quickly be diminished even if the parents' income is quite low. Fixing this problem costs about $50 million for each $250 that this IPA is increased. Protecting twice as much income ($3,500) as some have suggested would cost

_______________.

[Is there a way that money can be saved in the program? This might be an appropriate time to consider raising the minimum Pell Grant. Currently, someone who is eligible for $200 actually receives a $400 grant. Creating a *true* minimum of $500 (those who are eligible for less get zero) would save about __________. Because of the $300 increase in the maximum grant in FY 1998, *all* current recipients' eligibility will increase by $300 (assuming their income is constant). Therefore, raising the minimum *this* year (rather than another year when the maximum is not increased) will not result in anyone losing eligibility.]

- Consolidation finalized

- Need Analysis - yes

- Pell Ind. St. - yes

55 / 85

ED says $100

CBO - $2200 and loop student earnings.

OR $55/85 + $2250

$53 - CBO

- 2 mo. extension - McKeon wants a straight extension..

- Vax Ohio

Committee on Education and the Workforce

William L. Clay, Ranking Democratic Member
U. S. House of Representatives
2101 Rayburn House Office Building
Washington, D.C. 20515

OFFICE NUMBER - (202) 225-3725
FAX NUMBER - (202) 226-4864

FAX COVER SHEET

DATE: __________

TO: Bob

FROM: Mark

NUMBER OF PAGES IN THIS TRANSMISSION: __________ (including cover)

COMMENTS:

Hope this helps

PLEASE CALL IF THERE ARE ANY PROBLEMS WITH THIS TRANSMISSION

'95 runs using
ED Pell model

Pell Model Simulations

Note: Program cost excludes the administrative allowance amounts (see printouts)

Case #	Description	Cost (in billions)	Recipients (in millions)	Notes
180	$3000 max grant, current law indep ipas	$7.064	3.791	This is the baseline -- just raising the max to $3000
179	$3000 max grant, $6000 single indep (curr law for married singles)	$7.429	3.903	This addresses the truly single independent as Sally proposes -- costs $365 million more than baseline, leaves $163 million to play with from House Approps $528 additional
184	$3000 max grant, $6000 single indep (curr law for married singles), $2500 ipa for dep student (up from $1750)	$7.584	3.970	This raises the income protection allowance for the dependent student to level that consumes additional $155 million
186	$3000 max grant, $6000 single indep (curr law for married singles), $2525 ipa for dep student	$7.589	3.973	This raises the ipa for dep student and consumes additional $160 million
183	$3000 max grant, $6000 single indep (curr law for married singles), $2550 ipa for dep student	$7.594	3.974	This raises the ipa for dep student and consumes additional $165 million ($2 million more than was available)
181	$3000 max grant, $6000 single indep (current law for married singles), $3500 ipa for dep student	$7.755	4.043	Dodd dependent ipa
182	$3000 max grant, $6000 single indep (curr law for married singles), $4200 ipa for dep student	$7.850	4.083	Clay dependent ipa
156	$3000 max grant, Clinton ipas for single indeps (including married	$7.788	4.009	Full Clinton package

Max Pell	Single IPAs	Dep IPA	Dep Recipients	Net Gain in Dep Recipients From Baseline	Indep No Kids Recipients	Net Gain in Indep No Kid Recipients From Baseline	Indep Kids Recipients	Total Recipients	Net Gain in Recipients From Baseline
$3,000	$3/6/3	$1,750	1,680,000	baseline	673,000	baseline	1,439,000	3,792,000	baseline
$3,000	$4/7/4	$3,855	1,843,000	163,000	720,000	47,000	1,439,000	4,002,000	210,000
$3,000	$4.5/7.5/4.5	$3,380	1,812,000	132,000	740,000	67,000	1,439,000	3,991,000	199,000
$3,000	$5/8/5	$2,960	1,782,000	102,000	762,000	89,000	1,439,000	3,983,000	191,000
$3,000	$5.5/8.5/5.5	$2,600	1,756,000	76,000	781,000	108,000	1,439,000	3,976,000	184,000
$3,000	$6/9/6	$2,275	1,728,000	48,000	801,000	128,000	1,439,000	3,968,000	176,000

Pell Cost Estimates

1998-99

Case 6	Maximum Pell	Single, Not Married	Single, Married, Spouse Not Enrolled	Single, Married, Spouse Enrolled	Dependent Student IPA	Cost in billions (includes administrative allowance)	Recipients in millions
		Single Independent Student IPA					
100	$3,000	$3,000	$6,000	$3,000	$1,750	$7.9[illegible]	3.791
200	$3,000	$4,000	$7,000	$4,000	$3,855	$7.511	4.002
190	$3,000	$4,500	$7,500	$4,500	$3,380	$7.51[illegible]	3.991
205	$3,000	$5,000	$8,000	$5,000	$2,960	$7.611	3.983
* 196	$3,000	$5,500	$8,500	$5,500	$2,680	$7.611	3.976
206	$3,000	$6,000	$9,000	$6,000	$2,275	$7.611	3.968

Source: U.S. Department of Education Pell Model, version 98a. Estimates run by CRS.

150 m - 1,000 single indep max

at higher levels, it's lower

200 m for 1,000 for dep.

27-Aug-97

Proposal: Mark Zuckerman's 8/27/97 Requested Options

Proposed Changes to the Student Loan Programs Estimated Relative to CBO Post-Policy March 1997 Baseline Adjusted for Enactment of P.L. 105-33

[Estimates reflect an effective date of October 1997 unless otherwise noted.]

NOTE: All the estimates of the proposals listed below were prepared using general descriptive detail and without legislative language. Thus, the estimates are subject to change as legislative language becomes available.

(preliminary staff estimates, by fiscal year, in millions of dollars)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1998-2002 Total	1996-2007 Total
Entitle borrowers who teach in public elementary or secondary schools in a school district eligible for Title I and in a school with more that 30% of the students from low-income families to have the government pay off or cancel their outstanding student loan debt–15% of the teacher's outstanding debt and accrued interest would be canceled for the first year of teaching, 15% for the second, 20% for each for the third and fourth years, and 30% for the fifth year. (Assumes only new loans to new borrowers are affected.)												
BA	50	110	205	295	325	355	365	375	390	395	985	2,865
O	30	85	160	240	285	310	330	335	350	350	800	2,475
Entitle borrowers who either teach in public elementary or secondary schools in a school district eligible for Title I and in a school with more that 30% of the students from low-income families or who teach math, science, languages, or other priority areas to have the government pay off or cancel their outstanding student loan debt–15% of the teacher's outstanding debt and accrued interest would be canceled for the first year of teaching, 15% for the second, 20% for each for the third and fourth years, and 30% for the fifth year. (Assumes only new loans to new borrowers are affected.)												
BA	55	125	230	335	370	405	410	420	435	450	1,115	3,235
O	35	95	180	270	325	350	365	375	385	405	905	2,785
Beginning in academic year 1996-1999, change the eligibility for subsidized student loans by increasing the income protection allowance on the student income. This allowance would increase from $1,750 to $4,200 for dependent students, from $3,000 to $6,000 for single independent students without dependents and married independent students without dependents where both are students, and from $6,000 to $9,000 for married independent students without dependents where one is a student. (Assumes only new loans as of July 1998 are affected.)												
BA	15	35	35	35	40	40	40	40	40	40	160	360
O	10	25	30	35	35	35	35	35	35	40	135	315

S. A. Noe

09/24/97 12:37:15 PM

Record Type: Record

To: Robert M. Shireman/OPD/EOP

cc: Wayne Upshaw/OMB/EOP, Barry White/OMB/EOP
Subject: Re: I desperately need to know

Different Income Protection Allowance policies

(Current law, $3,000 maximum, February assumptions used.)

	Cost	Total Recipients
Option 1 ($7,000/$10,000/$7,000)	$528 M	3,954,000
Option 2 ($7,000/$11,000/$7,000)	$539 M	3,957,000
Option 3 ($8,000/$11,000/$8,000)	$628 M	3,983,000
Option 1 with a true $500 minimum	$475 M	3,798,000

In comparison to the current minimum policy, a true $500 minimum policy saves money as well as reduces the number of recipients.

At the moment, I do not have the costs of options 2 and 3 with a $500 minimum award policy.

By the way, CBO estimated that the President's policy would cost $8,109 million ($7,325 million for the $3,000 maximum policy; $784 million for the expanded independent student eligibility policy). By constrast, ED estimated (in February) that the $3,000 maximum policy would cost $7,081 million and $725 million for the expanded independent student policy.

Table 1	Single Independents Without Children, $3,000 Pell Maximum, $3,250 Tuition								
1998 Income	$3,000 IPA (Current Law)			$9,150 IPA (ED 1998 Proposal)			$5,500 IPA (Alternate Proposal)		
	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit
$0	$3,000	$0	$3,000	$3,000	$0	$3,000	$3,000	$0	$3,000
1,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
2,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
3,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
4,000	2,733	0	2,733	3,000	0	3,000	3,000	0	3,000
5,000	2,291	0	2,291	3,000	0	3,000	3,000	0	3,000
6,000	1,850	0	1,850	3,000	0	3,000	3,000	0	3,000
7,000	1,412	8	1,419	3,000	8	3,008	2,662	8	2,669
8,000	1,045	158	1,202	3,000	158	3,158	2,295	158	2,452
9,000	678	308	986	3,000	308	3,250	1,928	308	2,236
10,000	400	458	858	3,000	458	3,250	1,561	458	2,019
11,000	0	608	608	3,000	608	3,250	1,195	608	1,802
12,000	0	758	758	2,653	758	3,250	828	758	1,585
13,000	0	908	908	2,286	908	3,194	461	908	1,369
14,000	0	1,058	1,058	1,919	1,058	2,977	0	1,058	1,058
15,000	0	1,208	1,208	1,553	1,208	2,760	0	1,208	1,208
16,000	0	1,358	1,358	1,186	1,358	2,543	0	1,358	1,358
17,000	0	1,500	1,500	819	1,500	2,319	0	1,500	1,500
18,000	0	1,500	1,500	452	1,500	1,952	0	1,500	1,500
19,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
20,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
21,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
22,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
23,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
24,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
25,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500

Table 2 — Married Independents Without Children, One in College, $3,000 Pell Maximum, $3,250 Tuition

1998 Income	$6,000 IPA (Current Law) Pell Grant	HOPE	Federal Benefit	$12,030 IPA (ED 1998 Proposal) Pell Grant	HOPE	Federal Benefit	$8,500 IPA (Alternate Proposal) Pell Grant	HOPE	Federal Benefit
$0	$3,000	$0	$3,000	$3,000	$0	$3,000	$3,000	$0	$3,000
1,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
2,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
3,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
4,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
5,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
6,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
7,000	2,908	0	2,908	3,000	0	3,000	3,000	0	3,000
8,000	2,466	0	2,466	3,000	0	3,000	3,000	0	3,000
9,000	2,024	0	2,024	3,000	0	3,000	3,000	0	3,000
10,000	1,583	0	1,583	3,000	0	3,000	2,833	0	2,833
11,000	1,141	0	1,141	3,000	0	3,000	2,391	0	2,391
12,000	699	0	699	3,000	0	3,000	1,949	0	1,949
13,000	400	75	475	3,000	75	3,075	1,545	75	1,620
14,000	0	225	225	2,943	225	3,168	1,178	225	1,403
15,000	0	375	375	2,576	375	2,951	811	375	1,186
16,000	0	525	525	2,210	525	2,735	445	525	970
17,000	0	675	675	1,843	675	2,518	0	675	675
18,000	0	825	825	1,476	825	2,301	0	825	825
19,000	0	975	975	1,109	975	2,084	0	975	975
20,000	0	1,125	1,125	743	1,125	1,868	0	1,125	1,125
21,000	0	1,275	1,275	400	1,275	1,675	0	1,275	1,275
22,000	0	1,425	1,425	0	1,425	1,425	0	1,425	1,425
23,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
24,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
25,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500

Table 3a	Married Independents Without Children, Both in College, $3,000 Pell Maximum, $3,250 Tuition								
	$3,000 IPA (Current Law)			$9,890 IPA (ED 1998 Proposal)			$5,500 IPA (Alternate Proposal)		
1998 Income	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit
$0	$3,000	$0	$3,000	$3,000	$0	$3,000	$3,000	$0	$3,000
1,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
2,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
3,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
4,000	2,867	0	2,867	3,000	0	3,000	3,000	0	3,000
5,000	2,646	0	2,646	3,000	0	3,000	3,000	0	3,000
6,000	2,425	0	2,425	3,000	0	3,000	3,000	0	3,000
7,000	2,204	0	2,204	3,000	0	3,000	2,829	0	2,829
8,000	1,983	0	1,983	3,000	0	3,000	2,608	0	2,608
9,000	1,762	0	1,762	3,000	0	3,000	2,387	0	2,387
10,000	1,541	0	1,541	3,000	0	3,000	2,166	0	2,166
11,000	1,320	0	1,320	3,000	0	3,000	1,945	0	1,945
12,000	1,100	0	1,100	2,822	0	2,822	1,725	0	1,725
13,000	897	75	972	2,620	75	2,695	1,522	75	1,597
14,000	714	225	939	2,437	225	2,662	1,339	225	1,564
15,000	531	375	906	2,253	375	2,628	1,156	375	1,531
16,000	400	525	925	2,070	525	2,595	972	525	1,497
17,000	0	675	675	1,886	675	2,561	789	675	1,464
18,000	0	825	825	1,703	825	2,528	606	825	1,431
19,000	0	975	975	1,520	975	2,495	422	975	1,397
20,000	0	1,125	1,125	1,336	1,125	2,461	400	1,125	1,525
21,000	0	1,275	1,275	1,153	1,275	2,428	0	1,275	1,275
22,000	0	1,425	1,425	970	1,425	2,395	0	1,425	1,425
23,000	0	1,500	1,500	786	1,500	2,286	0	1,500	1,500
24,000	0	1,500	1,500	603	1,500	2,103	0	1,500	1,500
25,000	0	1,500	1,500	419	1,500	1,919	0	1,500	1,500

corrected: 9/4/97

Table 3b	Married Independents Without Children, Both in College, $3,000 Pell Maximum, $3,250 Tuition								
	$3,000 IPA (Current Law)			$9,890 IPA (ED 1998 Proposal)			$5,500 IPA (Alternate Proposal)		
1998 Income	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit
$0	$6,000	$0	$6,000	$6,000	$0	$6,000	$6,000	$0	$6,000
1,500	6,000	0	6,000	6,000	0	6,000	6,000	0	6,000
3,000	6,000	0	6,000	6,000	0	6,000	6,000	0	6,000
4,500	5,512	0	5,512	6,000	0	6,000	6,000	0	6,000
6,000	4,850	0	4,850	6,000	0	6,000	6,000	0	6,000
7,500	4,187	0	4,187	6,000	0	6,000	6,000	0	6,000
9,000	3,524	0	3,524	6,000	0	6,000	5,437	0	5,437
10,500	2,862	0	2,862	6,000	0	6,000	4,774	0	4,774
12,000	2,199	0	2,199	5,644	0	5,644	4,112	0	4,112
13,500	1,611	150	1,761	5,056	150	5,056	3,449	0	3,449
15,000	1,061	375	1,436	4,506	375	4,506	2,861	150	3,011
16,500	800	600	1,400	3,956	600	3,956	2,311	375	2,686
18,000	0	825	825	3,406	825	3,406	1,761	600	2,361
19,500	0	1,050	1,050	2,856	1,050	3,250	1,211	825	2,036
21,000	0	1,275	1,275	2,306	1,275	3,250	800	1,050	1,850
22,500	0	1,500	1,500	1,756	1,500	3,250	0	1,275	1,275
24,000	0	1,725	1,725	1,206	1,725	2,931	0	1,500	1,500
25,500	0	1,950	1,950	800	1,950	2,750	0	1,725	1,725
27,000	0	2,175	2,175	0	2,175	2,175	0	1,950	1,950
28,500	0	2,400	2,400	0	2,400	2,400	0	2,175	2,175
30,000	0	2,625	2,625	0	2,625	2,625	0	2,400	2,400
31,500	0	2,850	2,850	0	2,850	2,850	0	2,625	2,625
33,000	0	3,000	3,000	0	3,000	3,000	0	2,850	2,850
34,500	0	3,000	3,000	0	3,000	3,000	0	3,000	3,000
36,000	0	3,000	3,000	0	3,000	3,000	0	3,000	3,000
37,500	0	3,000	3,000	0	3,000	3,000	0	3,000	3,000

corrected: 9/4/97

FAX COVER

Education Branch
Executive Office of the President
Office of Management and Budget
Washington, D.C. 20503

TO: Bob Shireman

FAX NUMBER:

FROM: Ronnie Noe

DATE:

TIME:

NUMBER OF PAGES: Cover + 5

Notes:

FYI

Education Branch Fax Number: 202/395-4875
Voice Confirmation: 202/395-5880

UNITED STATES DEPARTMENT OF EDUCATION

WASHINGTON, D.C. 20202-

Facsimile Cover Sheet
Policy, Planning, and Innovation
POLICY, BUDGET, AND ANALYSIS STAFF

600 Independence Avenue, SW, Room 4050, Building ROB-3
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DATE: 9/22 **Number of Pages, Including Cover Page:** 5

TO: ARDMIE NOE **FAX Number:**( ) 395 4875

Policy and Budget Development Unit		*Forecasting and Policy Analysis Unit*	
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Karen Wenk Education Program Specialist		**Steve Carter** Program Analyst	
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Jennifer Kron Program Analyst		**Julie Laurel** Statistician	
Diana Hayman Program Analyst		**Elaine Zimmerman** Managemnet/Program Analyst	

Remarks: TABLES FOR 7,000 - 10,000 - 7,000 and 8,000 - 11,000 - 8,000 IPAs

Note that '6a' shows individual benefit and '6b' shows ~~family~~ family benefit when both spouses are in college

Dan

Table 4

Single Independents Without Children, $3,000 Pell Maximum, $3,250 Tuition

1998 Income	$3,000 IPA (Current Law)			$7,000 IPA (Alternate Proposal)			$8,000 IPA (Alternate Proposal)		
	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit
$0	$3,000	$0	$3,000	$3,000	$0	$3,000	$3,000	$0	$3,000
1,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
2,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
3,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
4,000	2,733	0	2,733	3,000	0	3,000	3,000	0	3,000
5,000	2,291	0	2,291	3,000	0	3,000	3,000	0	3,000
6,000	1,850	0	1,850	3,000	0	3,000	3,000	0	3,000
7,000	1,412	8	1,419	3,000	8	3,008	3,000	8	3,008
8,000	1,045	158	1,202	3,000	158	3,158	3,000	158	3,158
9,000	678	308	986	2,678	308	2,986	3,000	308	3,250
10,000	400	458	858	2,311	458	2,769	2,811	458	3,250
11,000	0	608	608	1,945	608	2,552	2,445	608	3,052
12,000	0	758	758	1,578	758	2,335	2,078	758	2,835
13,000	0	908	908	1,211	908	2,119	1,711	908	2,619
14,000	0	1,058	1,058	844	1,058	1,902	1,344	1,058	2,402
15,000	0	1,208	1,208	478	1,208	1,685	978	1,208	2,185
16,000	0	1,358	1,358	0	1,358	1,358	611	1,358	1,968
17,000	0	1,500	1,500	0	1,500	1,500	400	1,500	1,900
18,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
19,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
20,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
21,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
22,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
23,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
24,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
25,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500

corrected: 9/4/97

Table 5 **Married Independents Without Children, One in College, $3,000 Pell Maximum, $3,250 Tuition**

1998 Income	$6,000 IPA (Current Law)			$10,000 IPA (Alternate Proposal)			$11,000 IPA (Alternate Proposal)		
	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit
$0	$3,000	$0	$3,000	$3,000	$0	$3,000	$3,000	$0	$3,000
1,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
2,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
3,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
4,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
5,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
6,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
7,000	2,908	0	2,908	3,000	0	3,000	3,000	0	3,000
8,000	2,466	0	2,466	3,000	0	3,000	3,000	0	3,000
9,000	2,024	0	2,024	3,000	0	3,000	3,000	0	3,000
10,000	1,583	0	1,583	3,000	0	3,000	3,000	0	3,000
11,000	1,141	0	1,141	3,000	0	3,000	3,000	0	3,000
12,000	699	0	699	2,699	0	2,699	3,000	0	3,000
13,000	400	75	475	2,295	75	2,370	2,795	75	2,870
14,000	0	225	225	1,928	225	2,153	2,428	225	2,653
15,000	0	375	375	1,561	375	1,936	2,061	375	2,436
16,000	0	525	525	1,195	525	1,720	1,695	525	2,220
17,000	0	675	675	828	675	1,503	1,328	675	2,003
18,000	0	825	825	461	825	1,286	961	825	1,786
19,000	0	975	975	0	975	975	594	975	1,569
20,000	0	1,125	1,125	0	1,125	1,125	400	1,125	1,525
21,000	0	1,275	1,275	0	1,275	1,275	0	1,275	1,275
22,000	0	1,425	1,425	0	1,425	1,425	0	1,425	1,425
23,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
24,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500
25,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500

corrected: 9/4/97

Table 6a	Married Independents Without Children, Both in College, $3,000 Pell Maximum, $3,250 Tuition								
	$3,000 IPA (Current Law)			$7,000 IPA (Alternate Proposal)			$8,000 IPA (Alternate Proposal)		
1998 Income	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit
$0	$3,000	$0	$3,000	$3,000	$0	$3,000	$3,000	$0	$3,000
1,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
2,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
3,000	3,000	0	3,000	3,000	0	3,000	3,000	0	3,000
4,000	2,867	0	2,867	3,000	0	3,000	3,000	0	3,000
5,000	2,646	0	2,646	3,000	0	3,000	3,000	0	3,000
6,000	2,425	0	2,425	3,000	0	3,000	3,000	0	3,000
7,000	2,204	0	2,204	3,000	0	3,000	3,000	0	3,000
8,000	1,983	0	1,983	3,000	0	3,000	3,000	0	3,000
9,000	1,762	0	1,762	2,983	0	2,983	3,000	0	3,000
10,000	1,541	0	1,541	2,762	0	2,762	3,000	0	3,000
11,000	1,320	0	1,320	2,541	0	2,541	2,791	0	2,791
12,000	1,100	0	1,100	2,320	0	2,320	2,570	0	2,570
13,000	897	75	972	2,100	0	2,100	2,350	0	2,350
14,000	714	225	939	1,897	75	1,972	2,147	75	2,222
15,000	531	375	906	1,714	225	1,939	1,964	225	2,189
16,000	400	525	925	1,531	375	1,906	1,781	375	2,156
17,000	0	675	675	1,347	525	1,872	1,597	525	2,122
18,000	0	825	825	1,164	675	1,839	1,414	675	2,089
19,000	0	975	975	981	825	1,806	1,231	825	2,056
20,000	0	1,125	1,125	797	975	1,772	1,047	975	2,022
21,000	0	1,275	1,275	614	1,125	1,739	864	1,125	1,989
22,000	0	1,425	1,425	430	1,275	1,705	680	1,275	1,955
23,000	0	1,500	1,500	400	1,425	1,825	497	1,425	1,922
24,000	0	1,500	1,500	0	1,500	1,500	400	1,500	1,900
25,000	0	1,500	1,500	0	1,500	1,500	0	1,500	1,500

corrected: 9/4/97

Table 6b **Married Independents Without Children, Both in College, $3,000 Pell Maximum, $3,250 Tuition**

1998 Income	$3,000 IPA (Current Law)			$7,000 IPA (Alternate Proposal)			$8,000 IPA (Alternate Proposal)		
	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit	Pell Grant	HOPE	Federal Benefit
$0	$6,000	$0	$6,000	$6,000	$0	$6,000	$6,000	$0	$6,000
1,500	6,000	0	6,000	6,000	0	6,000	6,000	0	6,000
3,000	6,000	0	6,000	6,000	0	6,000	6,000	0	6,000
4,500	5,512	0	5,512	6,000	0	6,000	6,000	0	6,000
6,000	4,850	0	4,850	6,000	0	6,000	6,000	0	6,000
7,500	4,187	0	4,187	6,000	0	6,000	6,000	0	6,000
9,000	3,524	0	3,524	5,524	0	5,524	6,000	0	6,000
10,500	2,862	0	2,862	4,862	0	4,852	5,362	0	5,362
12,000	2,199	0	2,199	4,199	0	4,199	4,699	0	4,699
13,500	1,611	150	1,761	3,611	150	3,611	4,111	150	4,111
15,000	1,061	375	1,436	3,061	375	3,250	3,561	375	3,561
16,500	800	600	1,400	2,511	600	3,111	3,011	600	3,250
18,000	0	825	825	1,961	825	2,786	2,461	825	3,250
19,500	0	1,050	1,050	1,411	1,050	2,461	1,911	1,050	2,961
21,000	0	1,275	1,275	861	1,275	2,136	1,361	1,275	2,636
22,500	0	1,500	1,500	0	1,500	1,500	811	1,500	2,311
24,000	0	1,725	1,725	0	1,725	1,725	0	1,725	1,725
25,500	0	1,950	1,950	0	1,950	1,950	0	1,950	1,950
27,000	0	2,175	2,175	0	2,175	2,175	0	2,175	2,175
28,500	0	2,400	2,400	0	2,400	2,400	0	2,400	2,400
30,000	0	2,625	2,625	0	2,625	2,625	0	2,625	2,625
31,500	0	2,850	2,850	0	2,850	2,850	0	2,850	2,850
33,000	0	3,000	3,000	0	3,000	3,000	0	3,000	3,000
34,500	0	3,000	3,000	0	3,000	3,000	0	3,000	3,000
36,000	0	3,000	3,000	0	3,000	3,000	0	3,000	3,000
37,500	0	3,000	3,000	0	3,000	3,000	0	3,000	3,000

corrected: 9/4/97

Federal Pell Grants

IPA Options with a $3,000 Maximum Grant

FY98 Pell Grant Update

Income Protection Policies	Pell Grant Recipients	Estimated Cost (Millions)	BA (Millions) Needed After $96 Million Carryover	Shortage (Millions) Compared to $7,635 Million President's Request	$6,910 Million Senate Committee	$7,438 Million House Committee
Clay's and ACE's proposal	4,155,000	$8,002	$7,906	$271	$996	$468
Clay's proposal but with $3,500 IPA for dependent students	4,114,000	$7,905	$7,809	$174	$899	$371
House Subcommittee Proposal	4,020,000	$7,669	$7,573	($62)	$663	$135
House Subcommittee Proposal with Lower Dependent IPA	3,962,000	$7,535	$7,439	($196)	$529	$1
One Third Increase Alternative	3,945,000	$7,436	$7,340	($295)	$430	($98)
Current Law Allowances	3,842,000	$7,154	$7,058	($577)	$148	($380)
President's Budget Proposal	4,065,000	$7,889	$7,793	$158	$883	$355

Income Protection Allowances	Current Law	President's Proposal	Clay/ACE Proposal	House Subcomittee Proposal	Reduced Dependent IPA	One Third Increase Alternative
Dependent Students	$1,750	$1,750	$4,200	$2,500	$1,850	$2,330
Independent Students without Children						
Single	$3,000	$9,150	$6,000	$5,500	$5,500	$4,000
Married, One in College	$6,000	$12,030	$9,000	$8,500	$8,500	$8,000
Married, Two in College	$3,000	$9,980	$6,000	$5,500	$5,500	$4,000

Budget Service

9/3/97

Barry White
09/23/97 10:14:05 AM

Record Type: Record

To: Robert M. Shireman/OPD/EOP, Barbara Chow/WHO/EOP, Charles E. Kieffer/OMB/EOP

cc:

Subject: A little on the politics of the Pell issue

per Barbara's request.

---------------------- Forwarded by Barry White/OMB/EOP on 09/23/97 10:12 AM ---------------------------

S. A. Noe

09/23/97 09:53:50 AM

Record Type: Record

To: Barry White/OMB/EOP

cc: Wayne Upshaw/OMB/EOP

Subject: Re: Appropriations stuff NEEDED TUESDAY A.M.

I assume that your last question on Pell does not require a written answer on paper. Below is some information I have gathered so far.

House side: When the House included $528 million for Pell independent students, Obey did not expect that authorizers would enact the changes in a timely fashion.

Obey is also not very enthusiastic about recent activities by Clay people. Clay staffers, working with Republican staffers, are trying to introduce some sort of HEA amendment package in the very near future. That package is expected to include student loan consolidation options as well as independent student changes. Clay believes that including independent student changes in that packet would be an important signal to appropriators that authorizers are serious about the independent student policy.

Senate side: Harkins is not very enthusiastic about authorizing the independent student changes and funding the policy, either. However, Sen. Snowe sent to appropriators a letter that independent student changes should be made in this year's appropriation bill. This letter contains 18 Republican members' signitures.

PELL GRANTS -- FY 1998 APPROPRIATIONS

(in millions of dollars)	President Request	House	Senate
BA	$7,635	$7,438	$6,910
OL	$6,531	$6,386	$6,386
[Max award	$3,000	$3,000	$3,000]

House Action: The House Report allows the use of up to $528 million in BA to expand the independent student eligibility, if changes in the Pell grant eligibility are subsequently enacted. The bill is therefore scored with no outlay effect of the $528 million -- that is, no additional outlays are generated beyond the cost of supporting the $3,000 maximum award policy.

Possible Alternative

- Authorize independent student eligibility in the FY 1998 appropriation bill, as requested (not contingent upon the enactment of a HEA reauthorization bill). [Analogous to how the $3,000 maximum award is established]

- Fund the independent student policy at the House funding level ($528 million in BA; $71 million in outlay in FY1998). The specific policy would provide a smaller income protection allowance (IPA) than the President's original policy. (The income protection allowance is a fixed amount of the student's income, based on the student's household size and number of household members in college, that is excluded from need determination for the Federal student aid programs.)

- The alternative policy would provide IPA of $5,500, $8,500 and $5,500, respectively for unmarried, married with one in college, and married with two in college. The President's policy would make the IPA for independent students without children equivalent to what is currently used for other students by raising the IPAs from $3,000, $6,00, and $3,000 to $9,150, $12,030, and $9,890, for unmarried, married with one in college, and married with both in college, respectively.

- Although the alternative policy provide smaller IPA than the President's original policy, the alternative policy would make the treatment of independent students much more equitable than the current law.

UNITED STATES DEPARTMENT OF EDUCATION

WASHINGTON, D.C. 20202-

Facsimile Cover Sheet
Policy, Planning, and Innovation
POLICY,BUDGET, AND ANALYSIS STAFF

600 Independence Avenue, SW, Room 4050, Building ROB-3
Washington, DC 20202/5121
Telephone Number: (202) 708-9069 *FAX Number: (202) 708-9107*

Sally Kirkgasler, Director
Rose Fletcher, Program Assistant

DATE: 9/3 **Number of Pages, Including Cover Page:** 8

TO: BOB SHIREMAN **FAX Number:**( ) 456 2223

Policy and Budget Development Unit		*Forecasting and Policy Analysis Unit*	
David Bergeron Unit Chief		**Daniel Madzelan** Unit Chief	X
Karen Wenk Education Program Specialist		**Steve Carter** Program Analyst	
Ellen Sealey Program Analyst		**Joseph Mike** Program Analyst	
Donald Conner Management/Program Analyst		**Charles Masten** Economist	
Maria Rojtman Management/Program Analyst		**Mary Miller** Management/Program Analyst	
Deborah Santiago Program Analyst		**Adam Ochlis** Management Analyst	
Valentina Tikoff Management/Program Analyst		**Julie Laurel** Statistician	
Diana Hayman Program Analyst			
Jennifer Kron Program Analyst			

Remarks: WE DID NOT ANALYZE ~~DE~~ DEP. STUDENT IPA BECAUSE OF MINIMAL EFFECT (+$100) LET ME KNOW IF YOU NEED ADDITIONAL DATA / ANALYSIS

FY 1998 Pell Grant Program Cost

ED's February 1997 budget submission requested $7.806 billion for Pell grants. This amount would not only finance a $3,000 maximum award (a $300 increase over 1997), but also would expand program eligibility for independent students who have no children of their own. This would be accomplished by raising the income protection allowances (IPAs) for theses students from $3,000—$6,000—$3,000 to $9,150—$12,030—$9,890 for unmarried, married with one in college, and married with both in college, respectively. Under this request, 4.009 million students would receive Pell Grants in 1998.

ED's summer re-estimate increased the anticipated 1998 program cost by about $82 million, to $7.889 billion, for 4.065 million students. Additionally, about $96 million in unused funds from the 1997-98 award year are expected to be available for expenditure in 1998.

Both the House and Senate Appropriations Committees have provided $6.910 billion to fund a $3,000 Pell grant maximum, absent any other need analysis changes. However, the House has reserved an additional $528 million to finance modifications to the student aid eligibility formula. That is, the House Appropriations mark is, at most, $7.438 billion if additional changes to the authorizing legislation, beyond the maximum award, are enacted.

Clearly, neither the Senate nor the augmented House Appropriations marks provide sufficient funding to meet ED's request. However, childless independent student IPAs could be raise somewhat above current levels within the augmented House Appropriations mark. Furthermore, the dependent student IPA (currently $1,750) could similarly be increased to increase eligibility for working dependent students.

Raising the IPAs for independent students who are unmarried, married with one in college, and married with both in college to $5,500—$8,500—$5,500, respectively, and increasing the dependent student IPA by $100 to $1,850 would cost $7.535 billion and provide grants to 3.962 million students. This is just $1 million more than the House mark ($7.438 billion) plus the accumulated Pell surplus ($96 million).

The 1992 HEA Amendments made the need analysis changes that affect these students. The primary goal of the changes was to merge two separate need analyses (one for Pell grants and another for student loans and the campus-based programs) into a single methodology. The consequence was to remove approximately 200,000 students from Pell grant eligibility as well as to reduce (from 18.4 percent to 3.4 percent) the share of Pell grants received by the remaining students in this category who were subject to the new need analysis formula.

The legislative history of this issue shows that Congress, in the Higher Education Technical Amendments Act of 1993, provided for a special authorization to alleviate inequities created by the 1992 need analysis changes. Academic year 1995-96 was the last year for which an appropriation was authorized. No funds were ever appropriated.

Today, a change in the need analysis is essential to avoid a gap in Federal assistance to these low-income students. Under the current need analysis, such students with incomes in the $10,000 to $20,000 range are sometimes "too wealthy" to share the increased Pell grant awards but "too poor" to qualify for much, if any, of the new HOPE and Lifetime Learning tax credits due to low income tax liability. Students with incomes above $20,000 have sufficient tax liability to benefit substantially from the new tax credits.

In addition to lower-income students who are "too wealthy" for Pell grants, there are very low-income students who qualify for only a fraction of the maximum award. Using the Administration's near-term inflation assumptions, the 1998 poverty incomes will be about $8,300 and $11,200 for families with one and two members, respectively. An unmarried independent student with no children and an $8,300 income would be eligible under current law for a $950 Pell grant (assuming a $3,000 maximum). That is, a poverty-level student would get one-third the Pell grant maximum. Under ED's FY 1998 proposed policy, this student would receive the $3,000 maximum grant. The alternative proposal ($5,500 IPA) would provide a $2,200 Pell grant.

The attached Table 1 shows the income distribution of Federal benefits (Pell plus HOPE) for unmarried independent students without children under current law ($3,000 IPA), ED's 1998 proposal ($9,150) and an alternative IPA ($5,500). All cases assume a $3,000 Pell grant maximum and tuition and fees equal to $3,250, the estimated 1998 amount for a public four-year institution.

This analysis is repeated for married students with one in college (Table 2) and when both are enrolled (Tables 3a and 3b). Table 3a displays the benefits for one student though both spouses are enrolled. Table 3b shows the "family" benefits (assuming both students are in their first two years of college). (Note that wider income bands are needed to show the full effect of the maximum $3,000 HOPE tax credit.)

OPE/PPI
September 3, 1997

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON EDUCATION AND THE WORKFORCE

CONGRESSMAN WILLIAM L. CLAY
RANKING DEMOCRATIC MEMBER

EDUCATION CLUSTER
1107 LONGWORTH HOB
Ph: (202) 226-2068
Fax: (202) 225-3614

FAX TRANSMITTAL

TO: Bob Shireman

FAX #:

FROM: David Evans

Pages sent: 3 (including cover)

COMMENTS: Pell Need Analysis stuff

Please forward the attached materials to the addressee as soon as possible.
[illegible] if there is a problem with receipt of this fax.

Pell Cost Estimates

1998-99

Case #	Maximum Pell	Single Independent Student IPAs: Single, Not Married	Single, Married, Spouse Not Enrolled	Single, Married, Spouse Enrolled	Dependent Student IPA	Cost in billions (includes administrative allowance)	Recipients in millions
180	$3,000	$3,000	$6,000	$3,000	$1,750	$7 .083	3.791
208	$3,000	$4,000	$7,000	$4,000	$3,855	$7 .611	4.002
198	$3,000	$4,500	$7,500	$4,500	$3,380	$7 .611	3.991
205	$3,000	$5,000	$8,000	$5,000	$2,960	$7 .611	3.983
* 196	$3,000	$5,500	$8,500	$5,500	$2,600	$7 .611	3.976
206	$3,000	$6,000	$9,000	$6,000	$2,275	$7 .611	3.968

Source: U.S. Department of Education Pell Model, version 98a. Estimates run by CRS.

150 m - 1,000 single indep
max
at higher levels, its lower
200 m for 1,000 for dep.

Max Pell	Single IPAs	Dep IPA	Dep Recipients	Net Gain in Dep Recipients From Baseline	Indep No Kids Recipients	Net Gain in Indep No Kid Recipients From Baseline	Indep Kids Recipients	Total Recipients	Net Gain in Recipients From Baseline
$3,000	$3/6/3	$1,750	1,680,000	baseline	673,000	baseline	1,439,000	3,792,000	baseline
$3,000	$4/7/4	$3,855	1,843,000	163,000	720,000	47,000	1,439,000	4,002,000	210,000
$3,000	$4.5/7.5/4.5	$3,380	1,812,000	132,000	740,000	67,000	1,439,000	3,991,000	199,000
$3,000	$5/8/5	$2,960	1,782,000	102,000	762,000	89,000	1,439,000	3,983,000	191,000
$3,000	$5.5/8.5/5.5	$2,600	1,756,000	76,000	781,000	108,000	1,439,000	3,976,000	184,000
$3,000	$6/9/6	$2,275	1,728,000	48,000	801,000	128,000	1,439,000	3,968,000	176,000

8/27/08

Marrama, Garza (kmk), DE, Mark, Dan, Maureen, Doug
Tim Stedman

Kyle

~~McCain~~ - will use LIHEAP as offset.

~~House~~: mkg an what m do w/ $528

$5800 $5504 $8500

$2600 dep. student income (or $2500)

(- what if did CPI ?? →)

1. problem

2. $1500

3. $528 - getting it...

** OUTLAYS needed

- Callans (R) - ACE proposal clar!

- CBO #s vs. BB new #s ...?

  (Dems) estimates??

DE has CBO runs

- CMA #s & [illegible]

- [illegible] analyses of approach

- 'problem' / [illegible]

- [illegible] prob. in going to [illegible] #s. ..

Ellen [illegible]-[illegible]-[illegible]:

- [illegible] - admin costs on W & W
- [illegible]. [illegible] [illegible]

Tues, then [illegible] on [illegible], then c-offs on Wed. ..

- M.M. [illegible] for [illegible]
- School [illegible]
- dam. [illegible] - [illegible] [illegible]

FAX COVER

Education Branch
Executive Office of the President
Office of Management and Budget
Washington, D.C. 20503

TO: Bob Shireman / Jon Oberg

FAX NUMBER:

FROM: [illegible]

DATE: **TIME:**

NUMBER OF PAGES: Cover +

Notes:

Education Branch Fax Number: 202/395-4875
Voice Confirmation: 202/395-5880

Table 2 From POVERTY.xls, all NPSAS '96 students, weighted

Dependency status for financial aid 95-96	POVERTY1: Income above Poverty Line in 1995	POVERTY1: Income below Poverty Line in 1995	POVERTY1: % with income below Poverty Line in 1995	POVERTY 2: Income-EFC above Poverty Line in 1995	POVERTY 2: Income-EFC below Poverty Line in 1995	POVERTY 2: % with Income-EFC below Poverty Line in 1995	Increase in the number of families that fell below the Poverty Line after EFC was subtracted	Increase in the percent of families that fell below the Poverty Line after EFC was subtracted
Dependent	7,265,739	834,852	10%	7,207,188	893,403	11%	58,551	0.7%
Independent without dependents	3,254,310	1,138,979	26%	2,876,442	1,516,847	35%	377,868	8.6%
Independent with dependents	2,713,820	1,368,987	34%	2,445,415	1,637,392	40%	268,406	6.6%
Total	13,233,869	3,342,818	20%	12,629,045	4,047,642	24%	704,824	4.3%

From POVERTY.xls, NPSAS '96 students whose family imcome was below $2500 + the poverty line, weighted

			POVERTY1			POVERTY 2				
Dependency status for financial aid 95-96	Number of dependents (student) 95-96	Marital status when applied for financial aid 95-96	Income above Poverty Line in 1995	Income below Poverty Line in 1996	% with income below Poverty Line in 1996	Income-EFC above Poverty Line in 1995	Income-EFC below Poverty Line in 1995	% with income-EFC below Poverty Line in 1995	Increase in the number of families that fell below the Poverty Line after EFC was subtracted	Increase in the percent of families that fell below the Poverty Line after EFC was subtracted
Dependent	Zero	Not married or Separated	158,805	834,852	84%	126,437	867,220	87%	32,368	3.3%
Independent, without dependents	Zero	Not married or Separated	292,409	988,795	77%	39,029	1,242,175	97%	253,380	19.8%
		Married	41,772	150,184	78%	17,018	174,938	91%	24,754	12.9%
Total			334,181	1,138,979	77%	56,047	1,417,113	95%	278,134	18.9%
Independent, with dependents	One	Not married or Separated	69,840	520,032	88%	45,086	544,788	92%	24,754	4.2%
		Married	26,952	117,277	81%	16,197	128,032	89%	10,755	7.5%
	Two	Not married or Separated	36,097	266,246	88%	22,713	279,630	92%	13,384	4.4%
		Married	26,333	127,832	83%	18,106	138,069	90%	10,227	6.6%
	Three or more	Not married or Separated	28,679	212,770	88%	11,088	230,363	95%	17,593	7.3%
		Married	23,419	124,830	84%	12,693	135,556	91%	10,726	7.2%
Total			211,320	1,368,987	87%	123,881	1,456,426	92%	87,439	5.5%
Overall Total			704,306	3,342,818	83%	306,365	3,740,759	92%	397,941	9.8%

From POVERTY.xls, NPSAS '96 students whose family imcome was below $5000 + the poverty line, weighted

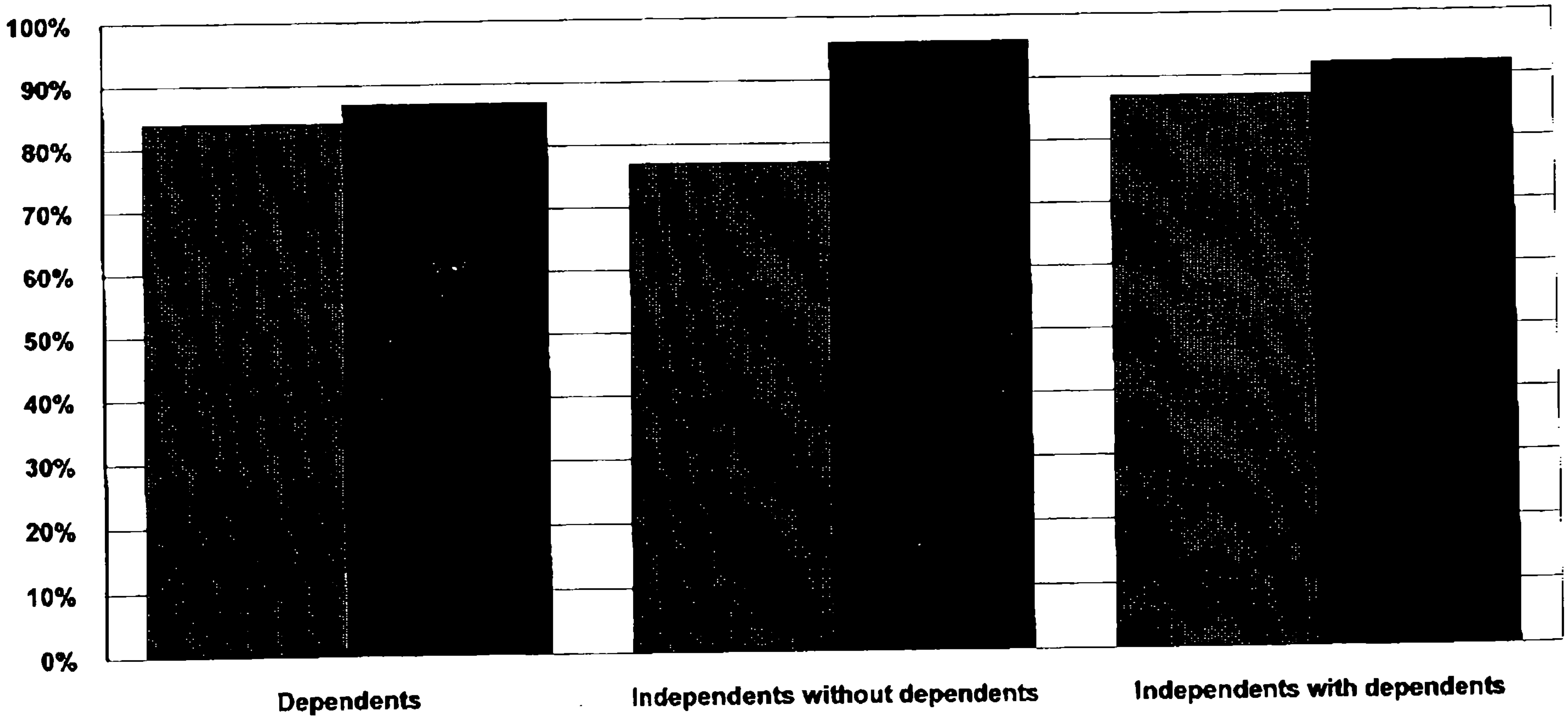
Dependency status for financial aid 95-96	Number of dependents (student) 95-96	Marital status when applied for financial aid 95-96	POVERTY1 Income above Poverty Line in 1995	POVERTY1 Income below Poverty Line in 1995	POVERTY1 % with income below Poverty Line in 1995	POVERTY 2 Income-EFC above Poverty Line in 1995	POVERTY 2 Income-EFC below Poverty Line in 1995	POVERTY 2 % with income-EFC below Poverty Line in 1995	Increase in the number of families that fell below the Poverty Line after EFC was subtracted	Increase in the percent of families that fell below the Poverty Line after EFC was subtracted
Dependent	Zero	Not married or Separated	323,658	834,852	72%	277,909	880,601	76%	45,749	3.9%
Independent, without dependents	Zero	Not married or Separated	518,317	988,795	66%	203,319	1,303,793	87%	314,998	20.9%
		Married	104,527	150,184	59%	60,969	193,742	76%	43,558	17.1%
Total			622,844	1,138,979	65%	264,288	1,497,535	85%	358,556	20.4%
Independent, with dependents	One	Not married or Separated	144,272	520,032	78%	101,324	562,980	85%	42,948	6.5%
		Married	62,908	117,277	65%	43,561	136,624	76%	19,347	10.7%
	Two	Not married or Separated	83,071	266,246	76%	49,429	299,888	86%	33,642	9.5%
		Married	67,142	127,832	66%	51,815	143,159	73%	15,327	7.9%
	Three or more	Not married or Separated	63,680	212,770	77%	31,629	244,821	89%	32,051	11.6%
		Married	57,337	124,830	69%	33,527	148,640	82%	23,810	13.1%
Total			478,410	1,368,987	74%	311,285	1,536,112	83%	167,125	9.0%
Overall Total			1,424,912	3,942,818	70%	653,482	3,914,248	82%	571,430	12.0%

From POVERTY.xls, NPSAS '96 students whose family income was below $7500 + the poverty line, weighted

			POVERTY1			POVERTY 2				
Dependency status for financial aid 95-96	Number of dependents (student) 95-96	Marital status when applied for financial aid 95-96	Income above Poverty Line in 1995	Income below Poverty Line in 1995	% with income below Poverty Line in 1995	Income-EFC above Poverty Line in 1995	Income-EFC below Poverty Line in 1995	% with income-EFC below Poverty Line in 1995	Increase in the number of families that fall below the Poverty Line after EFC was subtracted	Increase in the percent of families that fell below the Poverty Line after EFC was subtracted
Dependent	Zero	Not married or Separated	535,684	834,852	61%	487,604	882,932	64%	48,080	3.5%
Independent, without dependents	Zero	Not married or Separated	754,413	988,795	57%	434,036	1,309,172	75%	320,377	18.4%
		Married	143,551	150,184	51%	99,692	194,043	66%	43,859	14.9%
Total			897,964	1,138,979	56%	533,728	1,503,215	74%	364,236	17.9%
Independent, with dependents	One	Not married or Separated	207,209	520,032	72%	163,630	563,611	77%	43,579	6.0%
		Married	103,264	117,277	53%	81,082	139,459	63%	22,182	10.1%
	Two	Not married or Separated	116,957	266,246	69%	80,367	302,836	79%	36,590	9.5%
		Married	91,700	127,832	58%	74,515	145,017	66%	17,185	7.8%
	Three or more	Not married or Separated	73,245	212,770	74%	35,488	250,527	88%	37,757	13.2%
		Married	83,485	124,830	60%	56,671	151,644	73%	26,814	12.9%
Total			675,860	1,368,987	67%	491,753	1,553,094	76%	184,107	9.0%
Overall Total			2,109,508	3,342,618	61%	1,513,085	3,939,241	72%	596,423	10.9%

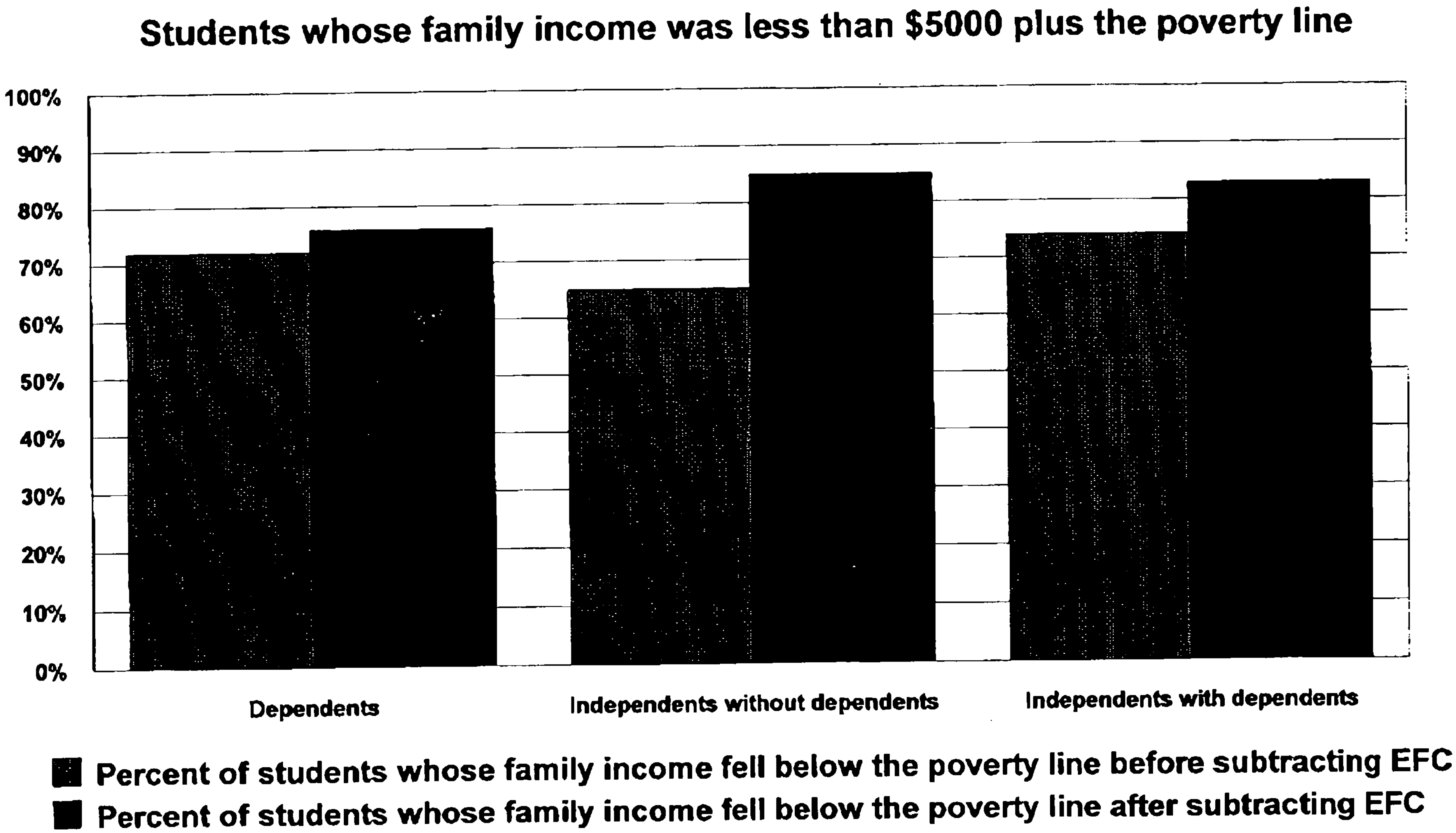
Effect of EFC on the percentage of families under the poverty line, by dependency status

Students whose family income was less than $2500 plus the poverty line



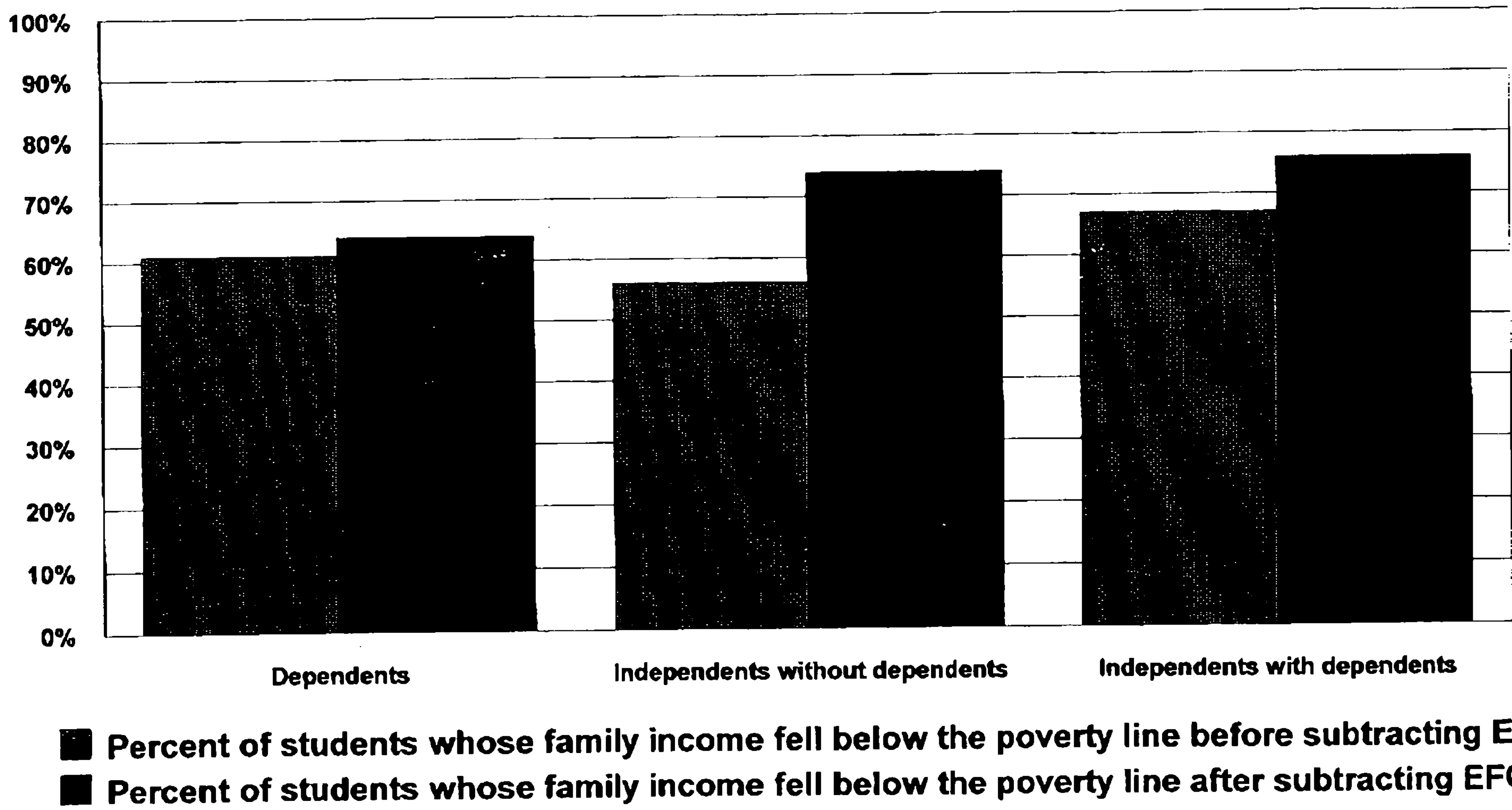
■ Percent of students whose family income fell below the poverty line before subtracting EFC
Percent of students whose family income fell below the poverty line after subtracting EFC

Effect of EFC on the percentage of families under the poverty line, by dependency status



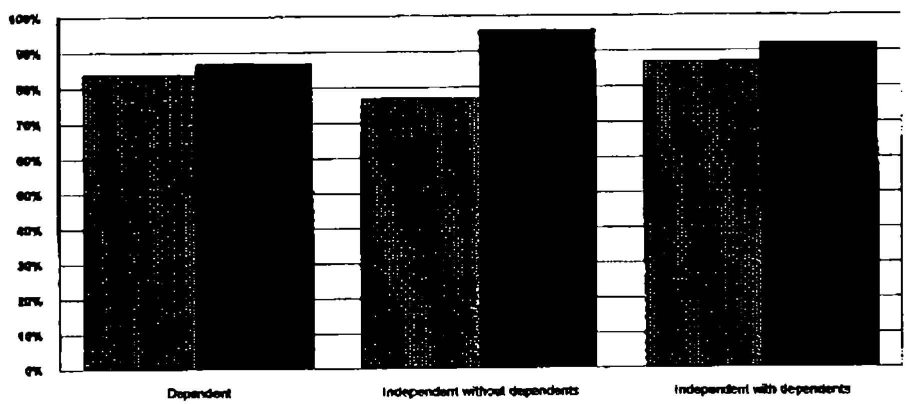
Effect of EFC on the percentage of families under the poverty line, by dependency status

Students whose family income was less than $7500 plus the poverty line



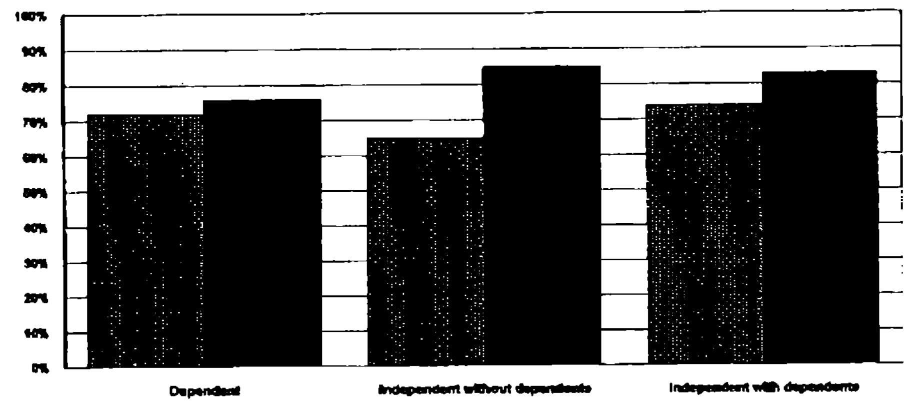
Effect of EFC on the percentage of families under the poverty line, by dependency status

Students whose family income was less than $2500 plus the poverty line



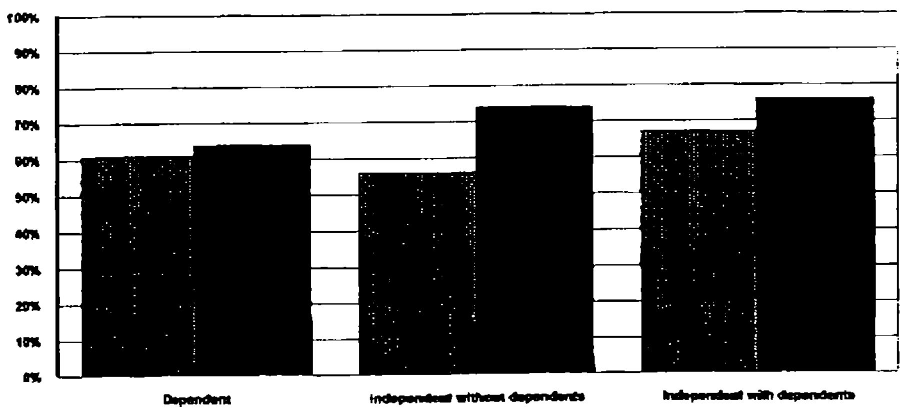
- Percent of students whose family income fell below the poverty line before subtracting EFC
- Percent of students whose family income fell below the poverty line after subtracting EFC

Students whose family income was less than $5000 plus the poverty line



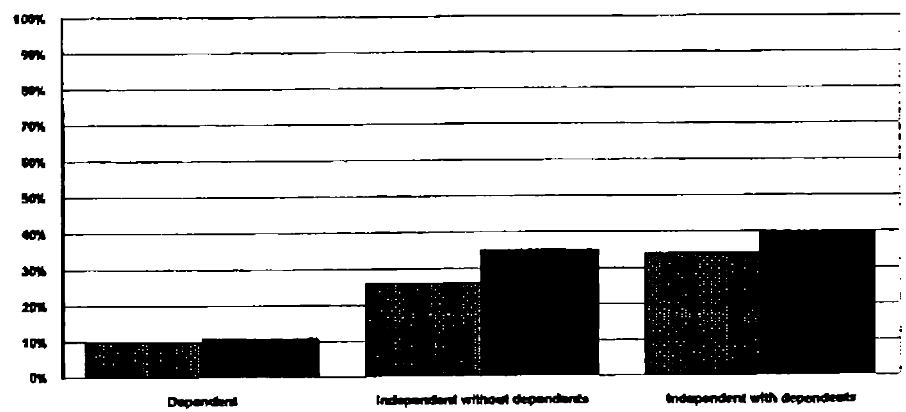
- Percent of students whose family income fell below the poverty line before subtracting EFC
- Percent of students whose family income fell below the poverty line after subtracting EFC

Students whose family income was less than $7500 plus the poverty line



- Percent of students whose family income fell below the poverty line before subtracting EFC
- Percent of students whose family income fell below the poverty line after subtracting EFC

All students



- Percent of students whose family income fell below the poverty line before subtracting EFC
- Percent of students whose family income fell below the poverty line after subtracting EFC

UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202-

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Policy, Planning, and Innovation
POLICY,BUDGET, AND ANALYSIS STAFF

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Rose Fletcher, Program Assistant

DATE: **Number of Pages, Including Cover Page:** 7

TO: Bob Shireman **FAX Number:( )**
Jon Oberg

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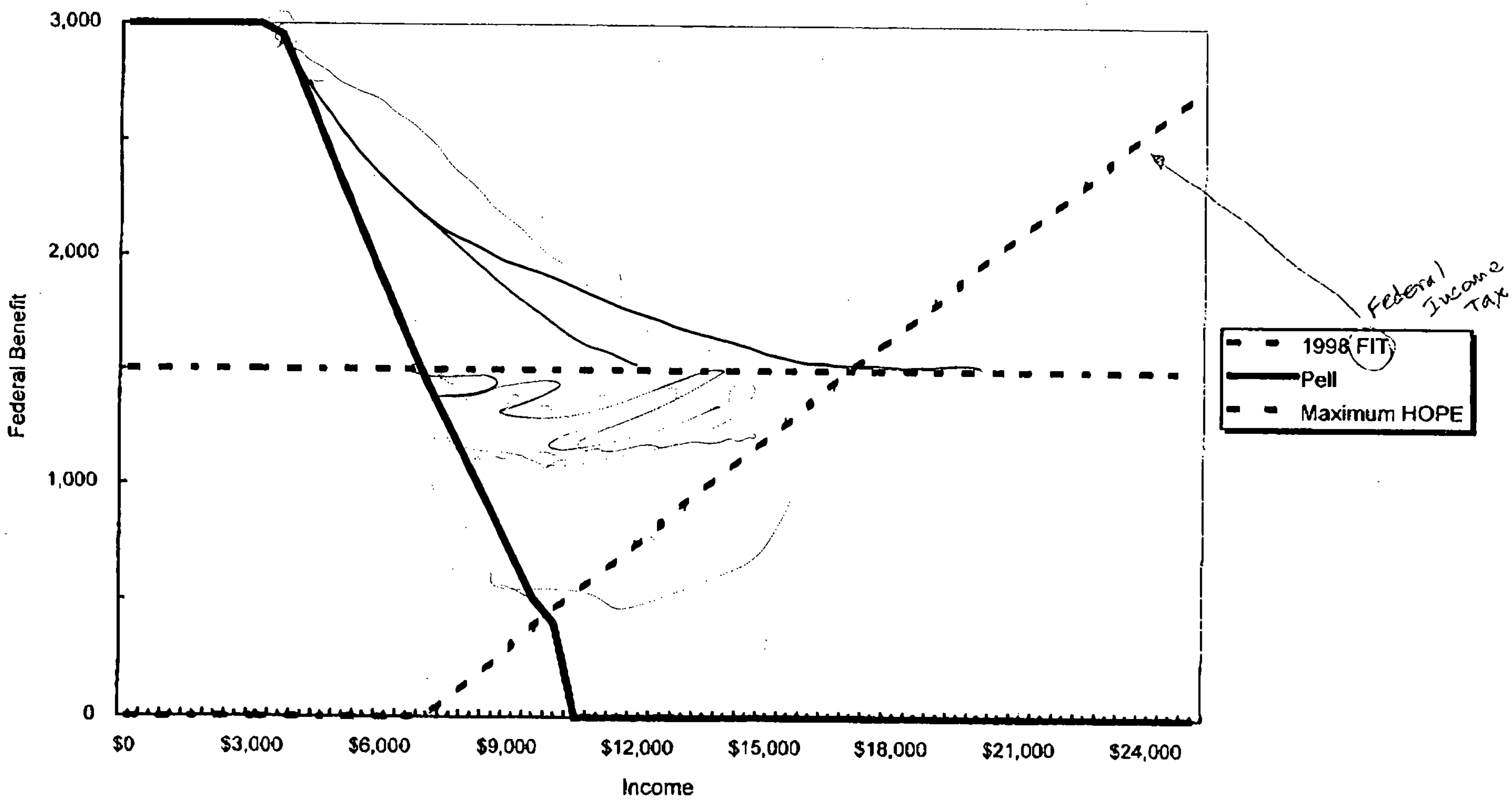
Jennifer Kron Program Analyst			

Remarks:

Current Law: $3000 @ $3000 max

Federal Benefits by Income: Single Independent Students Without Children

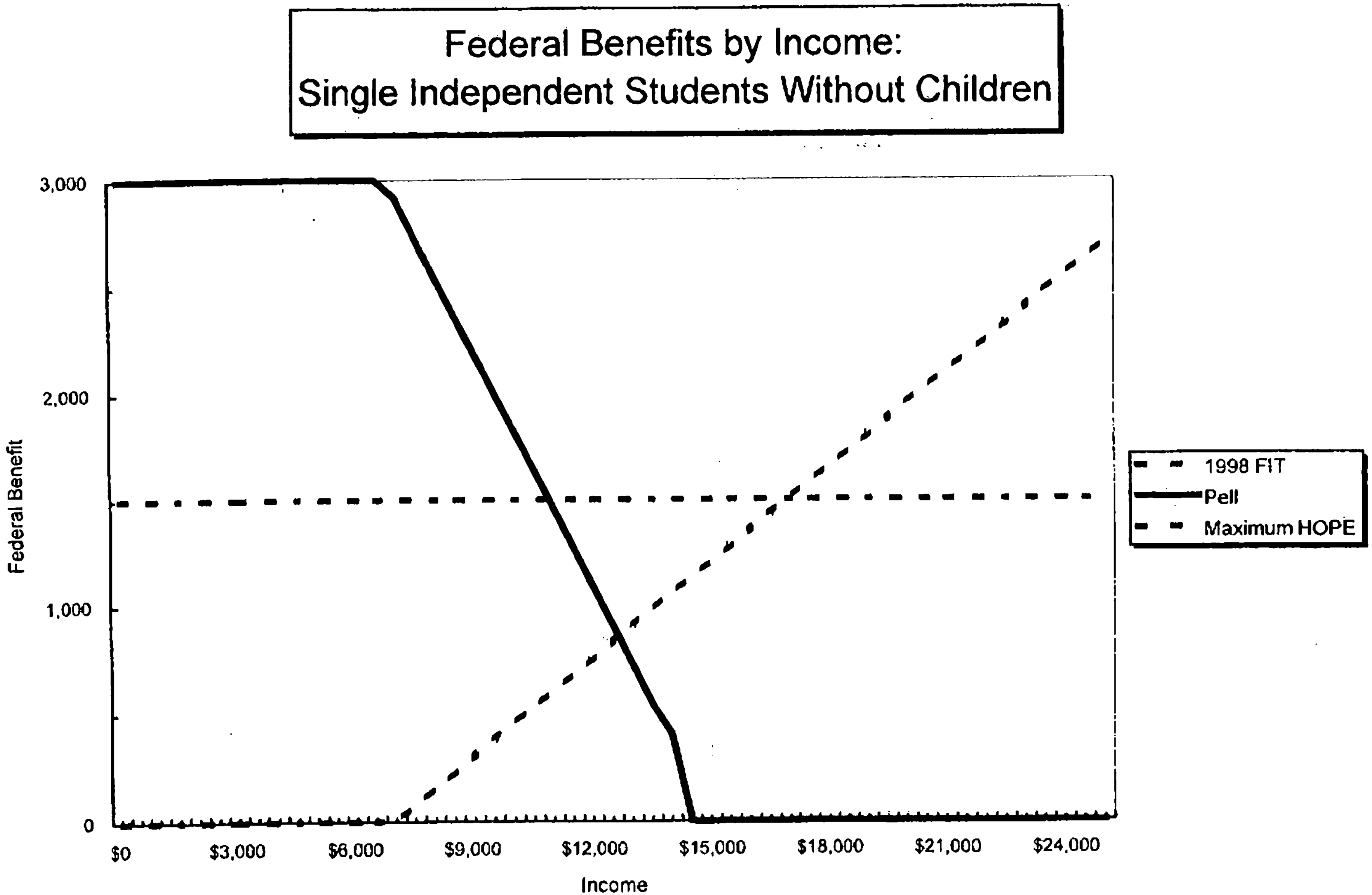


Single Independent, no kids

FY 1998			Pell	
CY 1998 taxes		CY 1997	IPA	$3,000
Std deduction	$4,250	$4,150	STX	4.0%
Exemption	$2,700	$2,650	Maximum	$3,000
Tax rate	15%	15%		

	Income	1998 FIT	EFC	Pell
500	$0	0	0	3,000
	$500	0	0	3,000
	$1,000	0	0	3,000
	$1,500	0	0	3,000
	$2,000	0	0	3,000
	$2,500	0	0	3,000
	$3,000	0	0	3,000
	$3,500	0	46	2,954
	$4,000	0	267	2,733
	$4,500	0	488	2,512
	$5,000	0	709	2,291
	$5,500	0	930	2,070
	$6,000	0	1,151	1,850
	$6,500	0	1,371	1,629
	$7,000	8	1,577	1,423
	$7,500	83	1,761	1,239
	$8,000	158	1,944	1,056
	$8,500	233	2,127	873
	$9,000	308	2,311	689
	$9,500	383	2,494	506
	$10,000	458	2,678	400
	$10,500	533	2,861	0
	$11,000	608	3,044	0
	$11,500	683	3,228	0
	$12,000	758	3,411	0
	$12,500	833	3,594	0
	$13,000	908	3,778	0
	$13,500	983	3,961	0
	$14,000	1,058	4,145	0
	$14,500	1,133	4,328	0
	$15,000	1,208	4,511	0
	$15,500	1,283	4,695	0
	$16,000	1,358	4,878	0
	$16,500	1,433	5,061	0
	$17,000	1,508	5,245	0
	$17,500	1,583	5,428	0
	$18,000	1,658	5,612	0
	$18,500	1,733	5,795	0
	$19,000	1,808	5,978	0
	$19,500	1,883	6,162	0
	$20,000	1,958	6,345	0
	$20,500	2,033	6,528	0
	$21,000	2,108	6,712	0
	$21,500	2,183	6,895	0
	$22,000	2,258	7,079	0
	$22,500	2,333	7,262	0
	$23,000	2,408	7,445	0
	$23,500	2,483	7,629	0
	$24,000	2,558	7,812	0

Clay/ACE: $6000 @ $3000 max

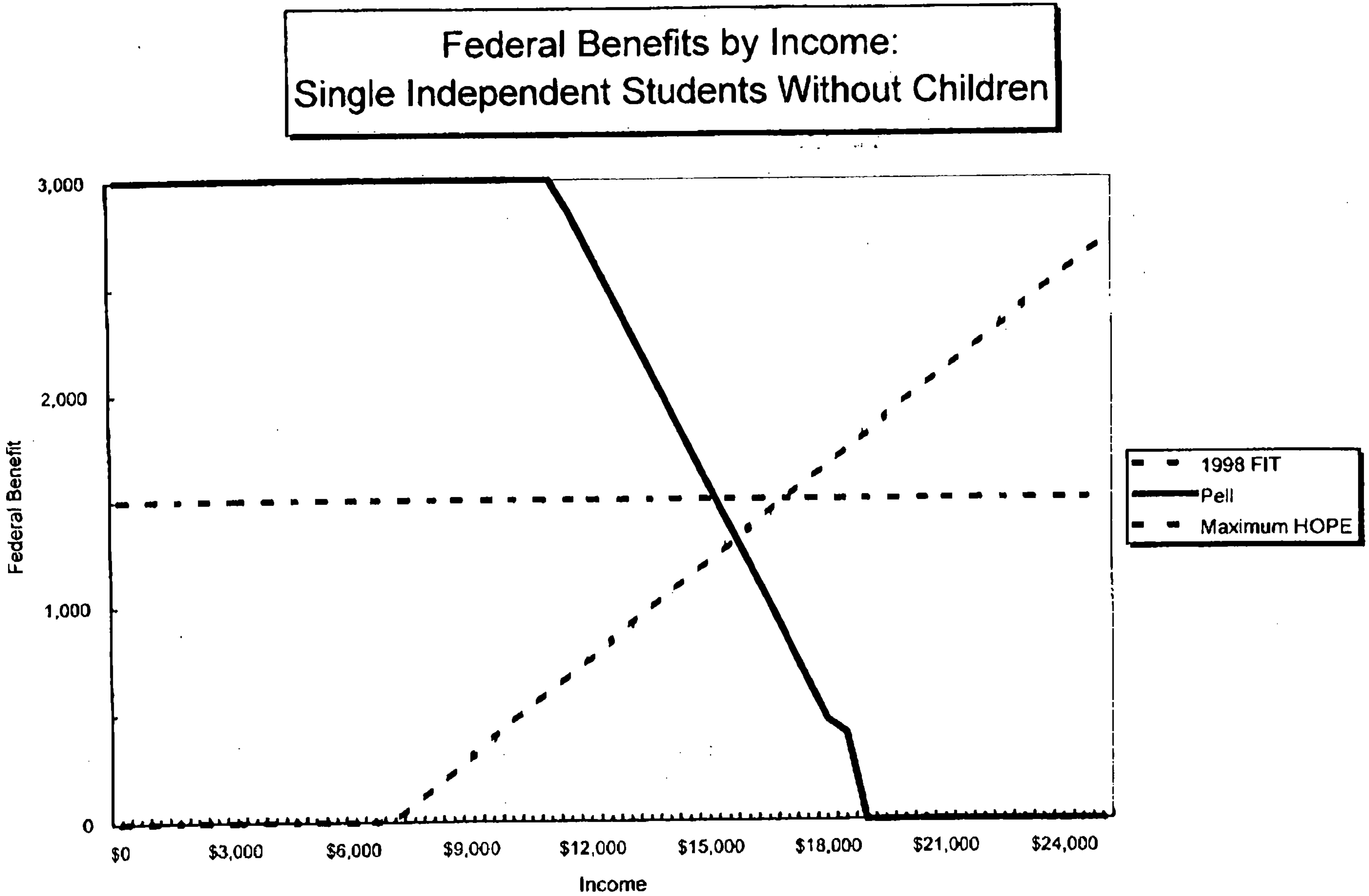


Single Independent, no kids
FY 1998

			Pell	
CY 1998 taxes		CY 1997	IPA	$6,000
Std deduction	$4,250	$4,150	STX	4.0%
Exemption	$2,700	$2,650	Maximum	$3,000
Tax rate	15%	15%		

	Income	1998 FIT	EFC	Pell
500	$0	0	0	3,000
	$500	0	0	3,000
	$1,000	0	0	3,000
	$1,500	0	0	3,000
	$2,000	0	0	3,000
	$2,500	0	0	3,000
	$3,000	0	0	3,000
	$3,500	0	0	3,000
	$4,000	0	0	3,000
	$4,500	0	0	3,000
	$5,000	0	0	3,000
	$5,500	0	0	3,000
	$6,000	0	0	3,000
	$6,500	0	0	3,000
	$7,000	8	77	2,923
	$7,500	83	261	2,739
	$8,000	158	444	2,556
	$8,500	233	627	2,373
	$9,000	308	811	2,189
	$9,500	383	994	2,006
	$10,000	458	1,178	1,823
	$10,500	533	1,361	1,639
	$11,000	608	1,544	1,456
	$11,500	683	1,728	1,272
	$12,000	758	1,911	1,089
	$12,500	833	2,094	906
	$13,000	908	2,278	722
	$13,500	983	2,461	539
	$14,000	1,058	2,645	400
	$14,500	1,133	2,828	0
	$15,000	1,208	3,011	0
	$15,500	1,283	3,195	0
	$16,000	1,358	3,378	0
	$16,500	1,433	3,561	0
	$17,000	1,508	3,745	0
	$17,500	1,583	3,928	0
	$18,000	1,658	4,112	0
	$18,500	1,733	4,295	0
	$19,000	1,808	4,478	0
	$19,500	1,883	4,662	0
	$20,000	1,958	4,845	0
	$20,500	2,033	5,028	0
	$21,000	2,108	5,212	0
	$21,500	2,183	5,395	0
	$22,000	2,258	5,579	0
	$22,500	2,333	5,762	0
	$23,000	2,408	5,945	0
	$23,500	2,483	6,129	0
	$24,000	2,558	6,312	0

Proposed Policy: $9150 @ $3000 max



Single Independent, no kids
FY 1998
CY 1998 taxes

	CY 1998	CY 1997	Pell	
			IPA	$9,150
Std deduction	$4,250	$4,150	STX	4.0%
Exemption	$2,700	$2,650	Maximum	$3,000
Tax rate	15%	15%		

	Income	1998 FIT	EFC	Pell
500	$0	0	0	3,000
	$500	0	0	3,000
	$1,000	0	0	3,000
	$1,500	0	0	3,000
	$2,000	0	0	3,000
	$2,500	0	0	3,000
	$3,000	0	0	3,000
	$3,500	0	0	3,000
	$4,000	0	0	3,000
	$4,500	0	0	3,000
	$5,000	0	0	3,000
	$5,500	0	0	3,000
	$6,000	0	0	3,000
	$6,500	0	0	3,000
	$7,000	8	0	3,000
	$7,500	83	0	3,000
	$8,000	158	0	3,000
	$8,500	233	0	3,000
	$9,000	308	0	3,000
	$9,500	383	0	3,000
	$10,000	458	0	3,000
	$10,500	533	0	3,000
	$11,000	608	0	3,000
	$11,500	683	153	2,847
	$12,000	758	336	2,664
	$12,500	833	519	2,481
	$13,000	908	703	2,297
	$13,500	983	886	2,114
	$14,000	1,058	1,070	1,931
	$14,500	1,133	1,253	1,747
	$15,000	1,208	1,436	1,564
	$15,500	1,283	1,620	1,380
	$16,000	1,358	1,803	1,197
	$16,500	1,433	1,986	1,014
	$17,000	1,508	2,170	830
	$17,500	1,583	2,353	647
	$18,000	1,658	2,537	464
	$18,500	1,733	2,720	400
	$19,000	1,808	2,903	0
	$19,500	1,883	3,087	0
	$20,000	1,958	3,270	0
	$20,500	2,033	3,453	0
	$21,000	2,108	3,637	0
	$21,500	2,183	3,820	0
	$22,000	2,258	4,004	0
	$22,500	2,333	4,187	0
	$23,000	2,408	4,370	0
	$23,500	2,483	4,554	0
	$24,000	2,558	4,737	0

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Comments: CRS work on need analysis for independent students, for meeting tomorrow 10:00 438 Dirksen

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Memorandum

August 20, 1997

TO : Senate Labor and Human Resources Committee
Attention: Marianna Pierce

FROM : James B. Stedman
Specialist in Social Legislation
Education and Public Welfare Division

SUBJECT : **Background on Single Independent Students and Working Dependent Students**

This memorandum provides background information on single independent students and working dependent students at the postsecondary education level. It considers in particular: (1) the current treatment of these students by the Higher Education Act's (HEA) need analysis formula; (2) selected income data for these students; and (3) proposed alternatives for their treatment under federal need analysis.

Current Treatment

At the outset, it is important to define these student types. The terms *dependent* and *independent* refer here to students' eligibility status for federal financial aid. For students considered dependent, parental income and assets must be included in the calculation of the amount expected to be contributed toward the cost of attendance. For purposes of federal need analysis, a student is classified as dependent unless he or she: is 24 years of age or older; is married; is enrolled in a graduate or professional program; has a dependent other than a spouse; is an orphan or ward of the court (or was a ward until age 18); or is a veteran. Of special interest for this memorandum is the student considered to be a single independent student. This student falls into one of three categories: he or she is single and has no dependents (referred to subsequently as a *single childless independent student*); he or she is married without any dependents other than a spouse who is not enrolled in postsecondary education (referred to subsequently as a *married independent student with an unenrolled spouse*); or he or she is married without any dependents other than a spouse who is enrolled (referred to subsequently as a *married independent student with an enrolled spouse*).

The HEA's need analysis (Title IV, Part F) determines what a student and his or her family is expected to contribute toward college costs. In general, it does so by calculating contributions to be made from available income and from available assets. The income contribution is calculated by determining the total income of a student and his or her family, calculating available income by subtracting a series of allowances from total income, and then considering a percentage of that available income as an income contribution toward postsecondary education costs.[1] A contribution from assets is similarly calculated. The combination of the available income contribution and asset contribution divided by the number of individuals in the family enrolled in college constitutes the expected family contribution (EFC).[2]

Among the allowances provided against total income are so-called "income protection allowances" (IPAs); generally these are intended to reserve a portion of income for living expenses, protecting it from being expected in contribution toward education costs. Of current interest are the IPAs applied to the income of single independent students and to that of working dependent students. For the former, the statute provides three fixed (i.e., not adjusted annually for inflation) allowances: $3,000 for single childless independents; $6,000 for married independents with unenrolled spouses; and $3,000 for married independents with enrolled spouses. Working dependent students have a fixed IPA of $1,750 applied to their own total income.

These IPAs were established by the Higher Education Amendments of 1992 when it created a single need analysis formula for federal need-based student aid programs. Immediately prior to that time, there were two federal need analysis formulas in statute — a family contribution schedule (FCS) for Pell Grants, and the congressional methodology (CM) for other HEA, Title IV need-based aid. These two formulas differed with regard to a host of factors, including the size of various allowances against income and the amounts expected from available income and assets to be contributed toward education costs.[3]

To create the need analysis in current law, the Higher Education Amendments of 1992 relied primarily on the CM. In doing so, it had to resolve substantial differences between the systems. The FCS allowances for single childless independent students and for dependent students were substantially larger than those provided by the CM.[4] For single childless

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[1] This last element — percentage contribution — is identified subsequently in this memorandum as an *assessment rate*.

[2] Clearly, the description above omits significant details. For a precise delineation of of the EFC calculations, see: U.S. Department of Education. *EFC 1997-98: The EFC Formula Book.* Washington 1996. For dependent students, the EFC is a combination of the contribution expected from parental income and assets, and the contribution from the student's own income and assets.

[3] For a discussion of these differences see: U.S. Library of Congress. Congressional Research Service. *Student Aid Application and Need Analysis: the Higher Education Amendments of 1992.* CRS Report for Congress: 93-385 EPW by Margot A. Schenet. Washington, 1993 (hereafter cited as Schenet, *Student Aid Application and Need Analysis*); and Fischer, Frederick J. Some Arguments for Using a Single Need Analysis or, Virtue May Be More That Its Own Reward. Draft. *Proceedings for the Seventh Annual Conference of the NASSGP/NCHELP Research Network.* Washington, 1990.

[4] Under the CM, a single childless independent student had an allowance for living expenses of up to $600 for each month when not enrolled (i.e., $1,800 for three summer months). In contrast, the FCS applied an allowance for living expenses to these same students ($6,400 for 1992) that was calculated no differently from the allowances it applied to any other independent student or to a dependent student family. This allowance reflected some measure of annual living expenses and was updated each year for inflation. Similarly, the CM provided any independent student, other than a single childless independent student, with an income allowance for living expenses determined under the same rules as its allowances for a dependent student family — covering annual living expenses and (continued...)

independent students under the CM, it was assumed that the cost of attendance included sufficient allowance for living expenses for these students during the school year. In contrast, the FCS provided the single childless independent with an annual living allowance while the Pell award calculation was largely unaffected by the cost of attendance. For the working dependent students, it was assumed that the more generous allowances for family living expenses under the CM obviated any need for an allowance against their own income.

Nevertheless, the actual impact of these differences on the overall expected contribution and eligibility for aid for individual students under either of these need analysis systems was strongly influenced by a host of other aspects, such as differences in assessment rates and whether a minimum contribution toward college expenses was expected for all students regardless of their income or assets (true for the CM, but not for the FCS).[5]

Significantly, although the 1992 amendments moved toward the CM treatment of allowances for these particular groups of students, they did not do so fully. The single childless independent student's allowance is not calculated to cover just living expenses during the summer months as it was under the CM, although it is fixed at a relatively low level. Also, current law has a dependent student income allowance, unlike the CM which offered no such allowance. This only partial adoption of CM practices stemmed in part to an effort to limit the potentially negative impact that application of the CM allowances (or absence of allowances) might have had on Pell eligibility of single independent students and working dependent students.

Despite these efforts, Pell eligibility has been adversely affected for some students. For example, according to the U.S. Department of Education, single independent students' share of total Pell grants awarded dropped by over 6% and their average award fell by 15% between 1992-1993 (under the FCS) and 1994-1995 (latest year for which detailed data are available under the new need analysis system).[6]

The IPAs under the current need analysis system for single independent students significantly limits the range of income over which these students will receive the maximum Pell Grant compared to dependent students and independent students with children. Figure 1 below compares the size of the Pell Grant that a single childless independent student, a dependent student with no income of his or her own, and an independent student with a child would receive in 1998-1999, assuming a maximum Pell Grant of $3,000 with the IPAs provided in current law. Costs of attendance are assumed to be sufficiently high not to affect the calculation of the Pell Grant.[7]

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[4](...continued)
inflated annually. With regard to dependent student's income, the CM had no allowance for living expenses against that income; the FCS provided an indexed allowance ($4,200 in 1992 for an unmarried dependent student).

[5] For a discussion of the interplay of some of these elements, see Schenet, *Student Aid Application and Need Analysis*, p.8-10.

[6] U.S. Department of Education. *Fiscal Year 1998: Justifications of Appropriation Estimates to the Congress*. Volume 2. p. L-23. Washington, 1997.

[7] Under this assumption, the size of a student's Pell Grant is equal to the maximum Pell Grant (continued...)

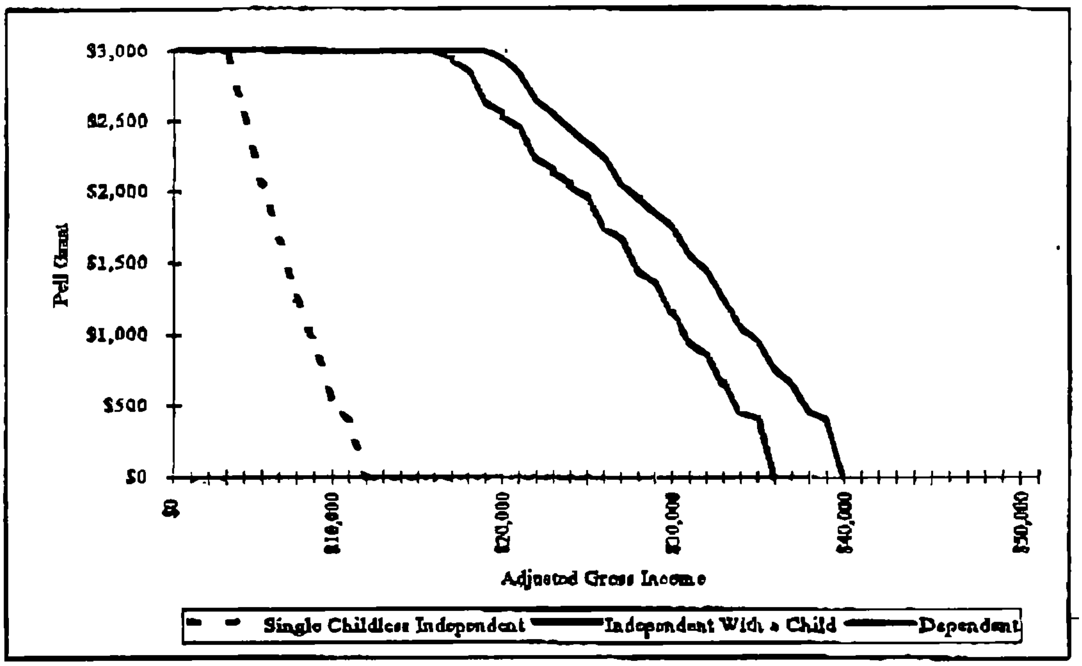

Figure 1 Pell Grant Awards for Different Types of Students

To illustrate the impact of the IPA for a dependent student's own income, the figure below shows the Pell Grant awards for a dependent student whose own earnings are $1,750 (the current IPA) and for a dependent student with income of $4,500 (slightly less than the average own income of dependent students). As shown in this figure, when the dependent student's own income rises above the IPA, the result can be a precipitous decline from the maximum Pell Grant occurring as the parents' income first exceeds $12,000[8] and a reduction in assistance for subsequent levels of parental income.

[7](...continued)
minus the EFC. A number of other simplifying assumptions have been made in order to calculate the Pell Grant levels in this and other figures in this memorandum. Among these assumptions are the following: individuals and families are assumed to have no assets; all income is from employment; and students are assumed to be enrolled full-time. For the dependent student, it is assumed that there are two parents and two children, only one of whom is enrolled in college. Finally, it should be noted that in calculating the EFC for each student, the Earned Income Tax Credit was included under those circumstances in which it could be taken.

[8] For parental income up through $12,000, the need analysis automatically provides these families with a zero EFC.

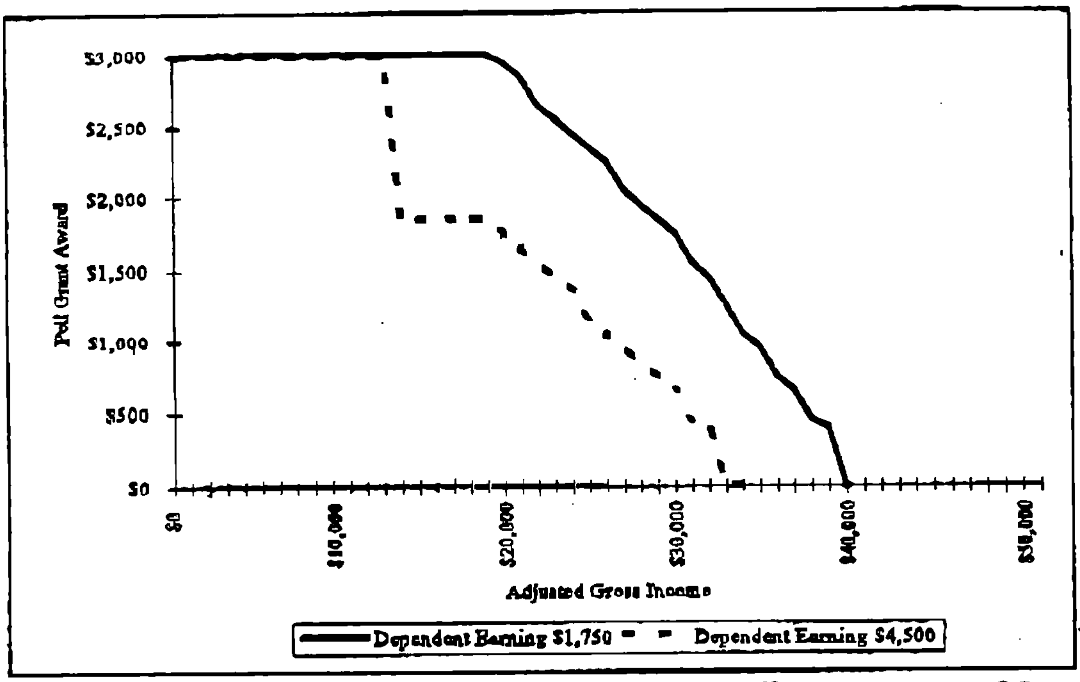

Figure 2 Pell Grant Awards for Dependent Students with Different Amounts of Own Income at Different Levels of Parental Adjusted Gross Income, 1998-99

The recent enactment of the Hope Scholarship has been identified as an issue for consideration of aid to these groups of students. The Hope Scholarship is a non-refundable tuition tax credit for 100% of the first $1,000 of *qualified* tuition and fees and 50% of the next $2,000 of *qualified* tuition and fees.[9] *Qualified* tuition and fees are those amounts of tuition and fees not covered by certain other financial aid, including Pell Grants. The bulk of the Hope Scholarship benefits are targeted to individuals with incomes above those typically eligible for Pell Grants. This may increase the importance of considering the level of Pell Grant assistance being made available to low income members of the groups of students under analysis in this memorandum.

To the extent that the eligibility for Pell Grants is expanded for these groups of students, their receipt of Hope Scholarships may be adversely affected. Although the Administration's original proposal of a one-for-one reduction in the size of the Hope Scholarship for each dollar of Pell assistance received was not adopted, the receipt of Pell aid can work to reduce the allowable Hope Scholarship. This may occur, for example, when the Pell Grant is increased sufficiently to reduce qualified tuition and fees below the applicant's federal income tax liability. **Table 1** below compares the distribution of Pell Grant awards in 1998-1999 (assuming a maximum Pell of $3,000) and Hope Scholarships to a single childless independent enrolled in a public 4 year college under two different IPAs — current law ($3,000) and the level proposed in the FY1998 budget request ($9,150). The reduction of the Hope Scholarship can be seen for incomes between $9,000 and $12,000 (e.g., at $9,000 in adjusted gross income and the current law IPA the Hope Scholarship is $348; it falls to $220 at that income level when the IPA is raised to the budget request level). Nevertheless, the loss in

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[9] See: Joint Committee on Taxation. *Summary of Revenue Provisions of H.R. 2014, The "Taxpayer Relief Act of 1997"*. JCX-40-97. August 1, 1997. This is available online at: http://www.house.gov/ways_means/jttaxsum.htm

Hope Scholarship assistance at this higher IPA appears to be outweighed by the increased amount of Pell assistance received.

Table 1. Eligibility of Single Childless Independent Student for Pell Grants and Hope Scholarships by Adjusted Gross Income up to $20,000, Attendance at 4 Year Public College, 1998-1999

	Income Protection Allowance Under Current Law			Income Protection Allowance Proposed in FY1998 Budget Request		
1997 Adjusted Gross Income	Pell Grant	Hope Scholarship	Total	Pell Grant	Hope Scholarship	Total
$0	$3,000	$0	$3,000	$3,000	$0	$3,000
$1,000	$3,000	$0	$3,000	$3,000	$0	$3,000
$2,000	$3,000	$0	$3,000	$3,000	$0	$3,000
$3,000	$3,000	$0	$3,000	$3,000	$0	$3,000
$4,000	$2,550	$0	$2,550	$3,000	$0	$3,000
$5,000	$2,050	$0	$2,050	$3,000	$0	$3,000
$6,000	$1,650	$0	$1,650	$3,000	$0	$3,000
$7,000	$1,250	$39	$1,289	$3,000	$39	$3,039
$8,000	$950	$194	$1,144	$3,000	$194	$3,194
$9,000	$550	$348	$898	$3,000	$220	$3,220
$10,000	$400	$503	$903	$3,000	$220	$3,220
$11,000	$0	$657	$657	$2,950	$270	$3,220
$12,000	$0	$812	$812	$2,550	$670	$3,220
$13,000	$0	$966	$966	$2,150	$966	$3,116
$14,000	$0	$1,121	$1,121	$1,750	$1,121	$2,871
$15,000	$0	$1,275	$1,275	$1,450	$1,275	$2,725
$16,000	$0	$1,430	$1,430	$1,050	$1,430	$2,480
$17,000	$0	$1,500	$1,500	$650	$1,500	$2,150
$18,000	$0	$1,500	$1,500	$400	$1,500	$1,900
$19,000	$0	$1,500	$1,500	$0	$1,500	$1,500
$20,000	$0	$1,500	$1,500	$0	$1,500	$1,500

Note: Tuition and fee level for 4 year public college is estimated to be $3,220 for 1998-1999. Maximum Pell Grant is set at $3,000. Current law income protection allowance for single childless independent is $3,000; FY1998 budget request proposes an increase to $9,150.

Income Data for Single Independent and Dependent Students

This section provides some data on the income of single independent students and working dependent students. These data were derived from the U.S. Department of Education's (ED's) 1995-1996 National Postsecondary Student Aid Study (NPSAS:96).[10]

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[10] This is a study of student and parental financing of postsecondary education based on a nationally representative sample of students. At this juncture, these data are preliminary and unofficial.

Single Independent Students. The three groups of single independent students differ significantly in the number of such students in the undergraduate student population and their average level of total income. There are over 3.5 million single independent students enrolled in postsecondary education at the undergraduate level. Most of them are single childless independent students (80%), while a much smaller portion are married with unenrolled spouses (16%) or married with enrolled spouses (3%). Average income is markedly higher for married independent students with unenrolled spouses ($31,000), nearly double that for the other two groups of students (between $16,300 and $17,200).

As shown in the table below, the current IPAs cover the full income of relatively modest portions of these students — 13.4% of the single childless independent students (that is, this percentage of these students have income that falls below the relevant IPA level of $3,000); 8.3% of the married independent students with unenrolled spouses (cumulative percentage with income below $6,000); and 5.7% of married independent students with enrolled spouses (the percentage with income below $3,000). The most expansive liberalizing of the single independent student IPAs proposed to date is that of the Administration's FY1998 budget request.[11]

Table 2. Income Data of Single Independent Undergraduate Students, 1995-1996

	Single Childless Independent Students	Married Independent Students With Unenrolled Spouses	Married Independent Students With Enrolled Spouses
All Income Levels			
Total Number of Students	2,828,000	582,000	123,000
Average Total Income	$16,300	$31,400	$17,200
Percent of Students in Different Income Ranges			
Below $3,000	13.4%	4.6%	5.7%
$3,000 to $5,999	12.0%	3.7%	19.5%
$6,000 to $8,999	12.5%	4.5%	8.9%
$9,000 to $11,999	10.0%	4.5%	8.9%
$12,000 to $14,999	9.7%	7.9%	13.8%
$15,000 and above	42.2%	74.7%	43.1%

Source: CRS calculations from NPSAS:96.

Dependent Students. According to NPSAS:96, there are 8.2 million dependent students enrolled in postsecondary education at the undergraduate level. On average, each

[11] The single childless independent IPA would be $9,150 for 1998-1999; $12,030 for married independents with unenrolled spouses; and $9,980 for married independents with enrolled spouses.

of these students has approximately $4,510 in own income. For 34% of them, their own income is at or below the current IPA of $1,750. Table 3 below shows the average own income of dependent students by various levels of parental income. In general, the average level of dependent students' own income rises as parental income rises. For example, when parental income is less than $12,000, the average own income for dependent students is $3,230; at a parental income level of between $20,000 and $24,999, the average own income for dependent students is $4,190; and, at a parental income level of $50,000 or more; average dependent student income is $5,030.

Table 3. Average Own Income for Dependent Undergraduate Students by Parental Income, 1995-1996

Parental Income	Dependent Students' Average Own Income
All income levels	$4,510
Less than $12,000	$3,230
$12,000 to $19,999	$3,720
$20,000 to $24,999	$4,190
$25,000 to $29,999	$4,450
$30,000 to $39,999	$4,260
$40,000 to $49,999	$4,540
$50,000 and above	$5,030

Source: CRS estimates from NPSAS:96.

Table 4 below provides a more detailed breakdown of the distribution of dependent students by their level of own income and their parents' income. Over a third (36.5%) of all dependent students have own income that is below $2,000. Well over half (58.9%) have income that falls below $4,000 (36.5% plus 22.4%). The limited amount of own income for dependent students from low-income families is shown by this table. Slightly more than a tenth (10.5%) of all dependent students come from families with parental income below $12,000; over half of these students have own income of less than $2,000 (5.6% is 53.3% of 10.5%). In contrast, for the 46.9% of dependent students who come from families with incomes of $50,000 or more, fewer than a third have income below $2,000 (14.5% is 30.9% of 46.9%).

Table 4. Distribution of Dependent Students by Own Income and Parental Income, 1995-1996

	Dependent Student's Own Income						
	Below $2,000	$2,000 to $3,999	$4,000 to $5,999	$6,000 to $7,999	$8,000 to $9,999	$10,000 and above	Total
Parental Income							
Below $12,000	5.6%	2.1%	1.0%	0.6%	0.3%	1.0%	10.5%
$12,000 to $19,999	3.7%	1.7%	1.1%	0.6%	0.5%	0.7%	8.3%
$20,000 to $24,999	2.4%	1.2%	0.9%	0.6%	0.3%	0.5%	6.0%
$25,000 to $29,999	2.2%	1.2%	0.7%	0.5%	0.4%	0.7%	5.7%
$30,000 to $39,999	4.1%	2.7%	1.6%	0.9%	0.6%	1.2%	11.1%
$40,000 to $49,999	4.0%	2.6%	1.9%	0.8%	0.8%	1.4%	11.5%
$50,000 and above	14.5%	10.9%	7.9%	4.0%	2.9%	6.7%	46.9%
Total	36.5%	22.4%	15.1%	8.0%	5.9%	12.1%	100.0%

Source: CRS estimates from NPSAS:96.

Proposed Alternatives to Treatment of Single Independent Students and Working Dependent Students Under Federal Need Analysis

Efforts to increase the IPAs for single independent students and working dependent students are being undertaken during the 105th Congress largely in the context of expanding Pell Grant assistance. The discussion below begins with a consideration of the alternatives included in the President's FY1998 budget request, in H.R. 1435 (College Access and Affordability Act of 1997) introduced by Representative Clay, et al., and in S. 426 (Better Financial Aid for Working Students Act of 1997) introduced by Senator Dodd.

In his FY1998 budget, President Clinton called for an amendment to the HEA need analysis formula to expand single independent students' eligibility for Pell Grants and other federal need-based aid by providing them with IPAs calculated in the same fashion as those for all other students. For 1998-1999, the IPAs would be $9,150 for single childless independent students; $12,030 for married independents with unenrolled spouses; and $9,980 for married independents with enrolled spouses. These changes are part of a broader effort by the President in the area of college aid which includes increasing the maximum Pell to $3,000 for 1998-1999 (from $2,700 for 1997-1998) and creating new postsecondary tuition tax credits. The House and Senate Appropriations Committees have reported FY1998 appropriations legislation for ED which includes funds to raise the maximum Pell Grant to $3,000. In addition, the House Appropriations Committee has also included $528 million. According to the House Committee:

> This additional amount will remain available to finance changes in the Pell grant eligibility if subsequently enacted. The Committee notes that the authorizing committee of jurisdiction is currently considering changes to the Higher Education Act and specific revisions in the eligibility provisions for both independent and dependent students. The Committee encourages the authorizing committee to enact

a reauthorization proposal expeditiously so that students may receive the benefit of the additional appropriations provided for student aid in this bill.[12]

H.R. 1435 proposes changes to the single independent students' IPAs and to the working dependents' IPA. For the former, the bill would change the current IPAs to $6,000 for single childless independents and married independents with enrolled spouses, and $9,000 for married independents with unenrolled spouses. The IPA for dependent students would be raised to $4,200. S. 426 would raise the dependent student IPA to $3,500.[13]

Any of the proposed changes discussed above would increase Pell Grant eligibility and participation for these groups of students. Those changes would come with immediate and potential long term financial costs. To assist you in considering the immediate costs of changes to the IPAs for these students, we have prepared a series of preliminary cost estimates of some of the alternatives described earlier, as well as others, using ED's Pell Grant Model (version 98a).[14] The first estimate below (option 1) is for the Pell Grant program as it would be funded by the House and Senate Appropriations Committees (maximum grant of $3,000; no change in IPAs). Option 2 is a variant on S. 426 (dependent student IPA raised, but no change made to the assessment rate). Option 3 applies the single independent IPAs proposed in H.R. 1435 as well as the S. 426 increase in the dependent IPA. Option 4 applies the two changes proposed by H.R. 1435. Options 5 through 7 make $1,000 increments in the single independent student IPAs, starting from the current law level. The dependent student IPA in each of these options (5-7) is set at a level sufficiently high enough for the aggregate changes in IPAs to consume the $528 million that the House Appropriations Committee has provided for such changes. As a result, for these options the dependent IPA drops as the single independent IPAs rise. Finally, option 8 shows the estimated costs for changes to single independent students' IPAs proposed in the Administration's FY1998 budget request.

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[12] U.S. House of Representatives. House Appropriations Committee. *Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Bill, 1998.* House Report 105-205 to accompany H.R. 2264. Washington, 1997. p.163

[13] The bill also would change the assessment rate currently applied to dependent students' available income from 50% to 35% for available income of $1,500 or less, and 50% for available income in excess of $1,500.

[14] As you know CRS does not make official cost estimates of federal programs or legislative proposals. This is the responsibility of the Congressional Budget Office which uses a different model to estimate costs of the Pell Grant program.

Table 5. Impact of Changes in Income Protection Allowances on Pell Grant Program Costs, 1998-1999

Option #	Maximum Pell Grant	IPA for Single Childless Independent	IPA for Married Independent, Spouse Not Enrolled	IPA for Married Independent, Spouse Enrolled	IPA for Dependent Student	Estimated Program Costs (in billions)	Estimated Recipients (in millions)
1 no Δ	$3,000	$3,000	$6,000	$3,000	$1,750	$7.083	3.791
2 ~ Dodd	$3,000	$3,000	$6,000	$3,000	$3,500	$7.409	3.932
3 Clay/Dodd	$3,000	$6,000	$9,000	$6,000	$3,500	$7.826	4.060
4 Clay	$3,000	$6,000	$9,000	$6,000	$4,200	$7.922	4.100
5	$3,000	$4,000	$7,000	$4,000	$3,855	$7.611	4.002
6	$3,000	$5,000	$8,000	$5,000	$2,960	$7.611	3.983
7	$3,000	$6,000	$9,000	$6,000	$2,275	$7.611	3.968
8 Adam.	$3,000	$9,150	$12,030	$9,980	$1,750	$7.788	4.009

Note: Estimates program costs include administrative cost allowances.
Source: Estimates by CRS using U.S. Department of Education Pell Grant Model 98a.

Based on the estimates presented above and other estimates we have made, the costs of the Pell Grant program appear to increase more for each $1,000 increase in the dependent student's IPAs than for each $1,000 increase in the single independent students' IPAs (a simultaneous $1,000 increase in each IPA). It costs approximately $180 to $200 million for each $1,000 increase in the dependent student IPA. This appears to be relatively constant regardless of the IPA level from which one begins. In contrast, changes of $1,000 in the single independent student IPAs (a $1,000 change in each) are less costly and appear to diminish somewhat in cost at higher IPA levels. For example, moving from single independent IPAs of $3,000/$6,000/$3,000 (IPA levels for single childless independents, unmarried independents with unenrolled spouses, and unmarried independents with enrolled spouses, respectively) to $4,000/$7,000/$4,000 would cost approximately $149 million. But shifting from $4,000/$7,000/$4,000 to $5,000/$8,000/$5,000 has a price tag of only roughly $139 million, or 7% less than the previous estimate.

With regard to future costs of the Pell program, liberalizing IPAs will raise the cost of subsequent increases in the size of the maximum Pell Grant. These increased costs arise, in part, from the expansion in the number of Pell recipients at higher IPA levels. Each of these newly eligible recipients will themselves receive larger Pell awards if the maximum award is raised, fueling growth in costs. The increase in estimated recipients is shown in Table 5 above. For example, increasing the single independent IPAs to $6,000/$9,000/$6,000 and the dependent IPA to $3,500 (option 3) boosts the estimated number of Pell recipients by an estimated 269,000 students above the number of recipients estimated for the Pell configuration funded so far by the House and Senate Appropriations Committees for FY1998 (option 1). The impact of large numbers of recipients on the costs of increasing the maximum grant can be roughly measured by holding constant the IPAs of options 1 and 3 and raising the Pell Grant maximum.[15] An increase of $300 in the maximum (up to $3,300) for option 1 raises the estimated program costs by $903 million to $7.985 billion. Increasing the maximum to $3,300 for option 3 without change to the IPAs pushes up estimated program costs by $961 million to $8.787 billion. Thus, the $300 increase in the maximum grant cost $58 million more under option 3 than under option 1.

Concluding Observations

Determining where it is appropriate to set the IPAs for single independent students and working dependents depends upon a host of factors. As was delineated above, the levels set in 1992 were a compromise between the levels set in the FCS and the CM need analysis systems. An underlying assumption behind the CM system appears generally to have been that dependent students' own income and that of single independent students should be largely devoted to educational expenses, and that school year living expenses would be reflected in the calculation of students' costs of attendance. This approach was carried somewhat into the new system created in 1992. The changes made that year have had adverse consequences for some students, particularly single independents.

The preceding analysis of the income distribution of single independent students and dependent students shows that the current IPAs for single independent students cover all income for a relatively small portion of all such students and a more significant portion of dependent students. The various proposed changes in the IPAs could substantially increase the portion of each of these groups of students whose income would be equal to, or less than, their respective IPA.

Somewhat complicating the choice of new IPAs are the financial consequences of the various alternatives considered above. At the outset, changes in IPAs generate immediate, substantial increases in Pell Grant program costs. Further, given the expansion of the Pell Grant recipient pool due to higher IPAs, the cost of subsequent increases in the maximum Pell Grant is raised.

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[15] In addition, increases in the maximum Pell, by themselves, increase the number of recipients, contributing to higher costs as well.

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Comments: Some draft bullets that go beyond CRS analysis. Are these arguments we want to make?

DRAFT *** DRAFT *** DRAFT

Arguments in favor of increasing the income protection allowance for independent students without dependents other than a spouse.

- The President's FY98 budget includes funds to add more than 200,000 low income students to the ranks of Pell grant eligibles by increasing the income protection allowance (IPA) for the statutory category "independent students without dependents other than a spouse" (Section 476, HEA).

- This addition, which costs approximately $700 million, was part of the Budget Agreement to increase Pell appropriations by $1.7 billion in FY98. (Increasing the Pell maximum grant to $3000 represents the balance.)

- This change in the HEA Part F Need Analysis is essential to avoid a gap in assistance to these low income students, whose incomes in the $10,000 - $20,000 range disqualify them from sharing in the Pell increases, but is too low qualify for much, if any, of the new HOPE and lifelong learning tax credits. This is a violation of "vertical equity", because higher income students will be receiving both more Pell and tax benefits.

- Based on OMB's analysis of NPSAS 96 survey data (for academic year 1995-96), approximately 1.1 million students in the Section 476 category have incomes below the poverty line, but only 502,000 qualified for Pell grants. ?

- Based on further OMB analysis, an additional 377,000 Section 476 students fell under the poverty line after subtracting their Expected Family Contribution (EFC), which is based on the income protection allowance. (The percentage of students moved below the poverty line after subtracting the EFC is larger for Section 476 students than for any other dependent or independent category.)

- The effects of the 1992 HEA Amendments, which made the need analysis changes that have disadvantaged these students, were not fully anticipated by Congress. The primary goal of the changes was to merge two separate need analysis methods into one. The consequence, however, was not only to remove approximately 200,000 students from Pell grant eligibility entirely but to reduce, from 18.1% to 3.4%, the share of Pell grants received by the remaining students in this category who were subject to the new need analysis formula.

- The legislative history of this issue shows that Congress, in the Technical Amendments of 1993, provided for a special authorization to alleviate inequities created by the 1992 need analysis changes. This provision still exists as Section 479A of the HEA, although the last academic year for which an appropriation was authorized was 1995-96. No funds were ever appropriated.

- The 1992 Amendments also created questionable social policy incentives. The need analysis formula penalizes marriage but rewards students who become parents with or without benefit of marriage.

- This IPA change is needed to end the disadvantageous treatment of veterans, orphans, wards of a court, and other students who are classified as independent by statute. While independent status may help such students who do not work, it can put those who work at a disadvantage compared to comparable working dependent students from low income families. This is a violation of "horizontal equity" because others in the same situation, except for their statutory status, may receive more benefits. — ud. than lr ime ?

- The American Council on Education (ACE), the National Association of Student Financial Aid Administrators (NAASFA), the National Association of Independent Colleges and Universities (NAICU), the American Association of State Colleges and Universities (AASCU), and other higher education organizations have all endorsed increases in the IPA for independent students without dependents other than a spouse.

Universal access to two years of college: filling the gap to make it a reality

The primary purpose of the HOPE Scholarship proposal was to make "two years of college universally available," by making the middle class eligible for HOPE while increasing the Pell Grant for poorer families. *But there is a gap in coverage*. When we decided to make the HOPE tax credit non-refundable, we saw that there are a category of students who do not have income tax liability -- so they won't benefit from HOPE -- *and* they are not eligible for a Pell Grant. In order to fill that gap, the FY 1998 Budget proposed to change independent students' Pell Grant eligibility (this change was made as an explicit trade-off in order to be able to drop refundability). With HOPE going into effect next January, this needs to be fixed in the FY 1998 appropriation to make the President's promise of universal access a reality.

To: Kathy

Fr: Bob

Single Independent Student without Children

Income	Pell Grant	HOPE/Tax Liability
$2,500	$3,000	$0
$5,000	$2,341	$0
$7,500	$1,320	$113
$10,000	$428	$488
$12,500	$0	$863
$15,000	$0	$1,238
$17,500	$0	$1,613
$20,000	$0	$1,988

Married Independent Student without Children

Income	Pell Grant	HOPE/Tax Liability
$2,500	$3,000	$0
$5,000	$3,000	$0
$7,500	$3,000	$0
$10,000	$2,558	$0
$12,500	$1,069	$45
$15,000	$615	$420
$17,500	$160	$795
$20,000	$0	$1,170
$22,500	$0	$1,545
$25,000	$0	$1,920
$27,500	$0	$2,295
$30,000	$0	$2,670

Single Independent Student without Children

Income	Pell Grant	HOPE/Tax Liability
$2,500	$3,000	$0
$5,000	$2,341	$0
$7,500	$1,320	$113
$10,000	$428	$488
$12,500	$0	$863
$15,000	$0	$1,238
$17,500	$0	$1,613
$20,000	$0	$1,988

$7k - $16k

Married Independent Student without Children

Income	Pell Grant	HOPE/Tax Liability
$2,500	$3,000	$0
$5,000	$3,000	$0
$7,500	$3,000	$0
$10,000	$2,558	$0
$12,500	$1,069	$45
$15,000	$615	$420
$17,500	$160	$795
$20,000	$0	$1,170

$11k - 22k
or 32k if 2 in college

- Clay for indep
- $7500 for dep

7/30/97

Single Independent Student without Children
Federal Pell Grant Program
1998-99 Award Year
Pell Grant Award By Student Income

$10,400

so 4100
PE 2650
6750

Tax Calculating

Student Income:		Current Law	Administration Proposal	Clay/ACE Proposal
	$2,500	$3,000	$3,000	$3,000
	$5,000	$2,341	$3,000	$3,000
	$7,500	$1,320	$3,000	$2,820
~~0~~	$10,000	$428	$3,000	$1,928
$375	$12,500	$0	$2,611	$1,036
750	$15,000	$0	$2,052	$144
1125	$17,500	$0	$827	$0
1500	$20,000	$0	$0	$0

+6900 / 12650 (3%)

Income Protection Allowances:

	Current Law	Administration Proposal	Clay/ACE Proposal
Single	$3,000	$9,150	$6,000
Married, One in College	$6,000	$12,030	$9,000
Married, Two in College	$3,000	$9,980	$6,000

Married Independent Students without Children - One In College
Federal Pell Grant Program
1998-99 Award Year
Pell Grant Award By Student Income

6990
2650
2650
12290

	Student Income:	Current Law	Administration Proposal	Clay/ACE Proposal
	$2,500	$3,000	$3,000	$3,000
	$5,000	$3,000	$3,000	$3,000
	$7,500	$3,000	$3,000	$3,000
	$10,000	$2,558	$3,000	$3,000
0	$12,500	$1,069	$3,000	$3,000
$300	$15,000	$615	$3,000	$2,115
$675	$17,500	$160	$3,000	$1,660
$1050	$20,000	$0	$2,371	$856

Income Protection Allowances:

	Current Law	Administration Proposal	Clay/ACE Proposal
Single	$3,000	$9,150	$6,000
Married, One in College	$6,000	$12,030	$9,000
Married, Two in College	$3,000	$9,980	$6,000

Married Independent Students without Children - Two In College
Federal Pell Grant Program
1998-99 Award Year
Pell Grant Award By Student Income

Student Income:	Current Law	Administration Proposal	Clay/ACE Proposal
$2,500	$3,000	$3,000	$3,000
$5,000	$2,889	$3,000	$3,000
$7,500	$2,349	$3,000	$3,000
$10,000	$2,029	$3,000	$2,779
$12,500	$1,503	$3,000	$2,034
$15,000	$1,047	$2,802	$1,807
$17,500	$830	$2,575	$1,580
$20,000	$428	$2,173	$1,178

Income Protection Allowances:

Single	$3,000	$9,150	$6,000
Married, One in College	$6,000	$12,030	$9,000
Married, Two in College	$3,000	$9,980	$6,000

97-101 EPW

CRS Report for Congress

Pell Grants: Background and Issues

Updated April 4, 1997

Margot A. Schenet
Specialist in Social Legislation
Education and Public Welfare Division

CRS

Congressional Research Service • The Library of Congress

Budget Enforcement Act (P.L. 101-508), since the entitlement provisions proposed did not include sources of funds to offset the significantly increased new spending that would have been required. The 1992 amendments consequently moved more modestly to restore grant aid by increasing the authorized maximums; for the 1993-94 award year, the authorized maximum was increased to $3,700, with increases in $200 increments up to $4500 in the 1997-98 academic year[4]. The minimum grant was increased to $400 with students eligible for awards of $200 to $400 to receive $400.

Award Rules

Pell Grant award rules were also modified in 1992. Prior to the 1992 HEA reauthorization, the amount of a Pell Grant a student received was the lesser of 60% of the cost of attendance, the cost of attendance minus the expected family contribution, or the maximum grant minus the expected family contribution. Because many argued that the 60% rule unfairly restricted the amount of the grant for the poorest students who attended the least expensive schools, the amendments eliminated this rule. At the same time, in a gesture towards tuition sensitivity (i.e., making the award level reflect differences in tuition charges at different institutions), the new award rules provided that when the maximum increased above $2,400, the additional amount would be split between a living allowance and an amount dependent to some extent on tuition charges[5]. Thus, according to the current award rules, the amount of an individual student's award is based on three factors: the maximum award as established by law, the "expected family contribution" (EFC) calculated in the need analysis formula, and the cost of attendance. For the 1996-97 award year, the student award is the lesser of the maximum ($2,470) minus the EFC or the cost of attendance minus the EFC.

Need Analysis

The 1992 amendments made significant changes in the need analysis formula that calculates the EFC used in the Pell Grant program award rules. Prior to reauthorization, concern was raised that the federal student aid application process had become increasingly complex and was itself creating barriers to an equitable student aid delivery system. Two separate formulas had been used to assess the extent to which families could contribute to the costs of a student's education, resulting in different "expected family contribution" amounts for the Pell Grant program and the other federal student aid programs authorized by title IV of the HEA. The result of the Pell Grant formula was called the Pell Grant Index (PGI). The need analysis formulas used information about the student and his or her family's income and assets to determine the amount the family could reasonably be expected

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[4] See the section below on program funding for a discussion of the difference between authorized and actual maximum awards.

[5] The statute provides that when the maximum is over $2,400, the maximum is first calculated as the sum of $2,400 and one-half the amount above $2,400 and the lesser of the other half or tuition plus other special expenses. See Section 401(a)(3). This is unlikely to have any real impact on recipient award levels in the foreseeable future. Even at the authorized maximum of $4,300 in 1996-97, the rule would lower the maximum only for those students with tuition costs below $950.

to contribute toward the cost of attendance at a postsecondary institution. The formulas also varied by the dependency status of the student. Independent students who were defined by certain fixed criteria, such as age (over 24-years old), or by meeting certain conditions, such as self-sufficiency, were not required to include their parents' income and assets, and their income was assessed at different rates than dependent students.

As amended in 1992, a single need-analysis formula is used for the calculation of financial need for all Title IV programs in place of the previous separate formulas for Pell Grants and the other aid programs. This formula is based on the Congressional Methodology formula previously used for guaranteed student loans and campus-based aid. Because the resulting expected family contribution amounts would have varied significantly from the previous Pell Grant assessment schedules, adjustments to the formula were made to ensure the minimum change in the distribution of Pell Grant recipients and award amounts. In addition, the 1992 amendments eliminated the conditional definitions of independence, and increased eligibility for a simplified needs test that excludes assets from consideration[6].

Generally, the changes in the need analysis formula were expected to have a negative impact primarily on independent recipients without dependents other than a spouse, some of whom would no longer be eligible for an award. In addition, the change in the definition of independence also resulted in excluding from eligibility those former recipients who had qualified under one of the conditional definitions but were now required to include their parents' income in assessing their EFC. The new formula also assessed the earnings of dependent students at a higher rate. The 1993 Technical Amendments to the HEA (P.L. 103-208) recognized the potential impact by providing that **subject to appropriations**, the students most affected could have Pell award amounts adjusted by financial aid administrators. However, no appropriations for this purpose were made.

In the first year following the change in the formulas, total Pell Grant recipients dropped from 4,002,045 to 3,755,675, although the drop in the maximum award from \$2,400 to \$2,300 accounts for some of the decline. As table 1 indicates, there were substantial shifts in the distribution of recipients between 1992-93 and 1993-94. The proportion of independent recipients without dependents other than a spouse qualifying under the regular need analysis formula declined from 18% to 3%; there was less change for those qualifying under the simplified formula that does not take assets into consideration. At the same time, the proportion of recipients who were independent with dependents increased, and the picture was mixed for dependent students.

The Administration's FY1998 budget request includes a proposed change in the calculation of the EFC for independent students without dependents other than a spouse. The proposed change would treat these students more favorably than even

[6] For additional discussion of the changes in the need analysis formula and the impact on Pell Grant recipients, see *Student Aid Application and Need Analysis: the Higher Education Amendments of 1992.* CRS Report 93-385 EPW, by Margot A. Schenet. Washington, 1993.

the pre-1992 Pell Grant formula. The Administration estimates that over 200,000 students would be newly eligible for Pell Grants because of the change.[7]

Table 1. Changes in Distribution of Pell Grant Recipients 1992-93 and 1993-94

	1992 - 93			1993 - 94		
Recipients	%	Average Income	PGI*	%	Average Income	EFC*
Dependent						
regular formula	28.8	$21,449	$756	23.0	$20,502	$701
simplified	9.0	$ 8,350	$73	17.8	$14,803	$313
Independent, without dependents						
regular formula	18.1	$17,181	$471	3.4	$ 5,051	$691
simplified	18.4	$ 6,974	$37	16.6	$ 3,767	$485
Independent with dependents						
regular formula	5.6	$ 6,314	$342	13.6	$16,364	$296
simplified	20.0	$ 4,739	$211	25.6	$10,258	$110
Total #	4,002,045			3,755,675		

*PGI = Pell Grant Index. EFC = Expected Family Contribution.

Note: Data are from ED, Office of Postsecondary Education, Policy, Budget and Analysis Unit.

Characteristics of Recipients

According to Pell Grant historical statistics, the number of recipients has increased from 176,000 in 1973-74 to over 2.7 million in award year 1980-81 and an estimated 3.6 million recipients in 1995-96. The growth in recipients has been due to a number of factors, including legislative changes in the need analysis formulae that expanded the number of applicants deemed eligible, and growth in overall postsecondary enrollment, particularly of nontraditional students, many of whom are older, independent students with low incomes eligible for Pell Grants. Although some of the changes in the need analysis formula made in the 1992 HEA amendments broadened access; as noted above, the overall impact combined with small increases

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[7] For details, see *The Budget of the U.S. Government, Fiscal Year 1998, Appendix*, p. 426, and U.S. Department of Education *Budget Justifications, FY1998*, pp. L18-L25.

tax return under section 6012(a)(1) of the Internal Revenue Code of 1986; and

(B) the sum of the adjusted gross income of the student and spouse (if appropriate) is less than or equal to the maximum amount of income (rounded annually to the nearest thousand dollars) that may be earned in 1992 or the current year, whichever is higher, in order to claim the maximum Federal earned income credit.

An individual is not required to qualify or file for the earned income credit in order to be eligible under this subsection.

(20 U.S.C. 1087ss) Enacted October 17, 1986, P.L. 99-498, sec. 406(a), 100 Stat. 1472; amended June 3, 1987, P.L. 100-50, sec. 14(23)-(25), 101 Stat. 352; amended April 9, 1991, P.L. 102-26, sec. 11, 105 Stat. 129; amended July 23, 1992, P.L. 102-325, sec. 471(a), 106 Stat. 604; amended December 20, 1993, P.L. 103-208, sec. 2(g)(10)-(15), 107 Stat. 2472-73.

SEC. 479A. DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS.

(a) IN GENERAL.--Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances. Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students. In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information.

(b) ADJUSTMENTS TO ASSETS TAKEN INTO ACCOUNT.--A student financial aid administrator shall be considered to be making a necessary adjustment in accordance with subsection (a) if--

(1) the administrator makes adjustments excluding from family income any proceeds of a sale of farm or business assets of a family if such sale results from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or an involuntary liquidation; or

(2) the administrator makes adjustments in the award level of a student with a disability so as to take into consideration the additional costs such student incurs as a result of such student's disability.

(c) ADJUSTMENTS FOR SPECIAL CIRCUMSTANCES.--

(1) IN GENERAL.--A student financial aid administrator shall be considered to be making an adjustment for special circumstances in accordance with subsection (a) if--

(A) in the case of a dependent student--

(i) such student received a Federal Pell Grant as a dependent student in academic year 1992-1993 and the amount of such student's Federal Pell Grant for academic year 1993-1994 is at least $500 less than the amount of such student's Federal Pell Grant for academic year 1992-1993; and

(ii) the decrease described in clause (i) is the direct result of a change in the determination of such student's need for assistance in accordance with this part that is attributable to the enactment of the Higher Education Amendments of 1992; and

(B) in the case of a single independent student--

(i) such student received a Federal Pell Grant as a single independent student in academic year 1992-1993 and qualified as an independent student in accordance with section 480(d) for academic year 1993-1994, and the amount of such student's Federal Pell Grant for academic year 1993-1994 is at least $500 less than the amount of such student's Federal Pell Grant for academic year 1992-1993; and

(ii) the decrease described in clause (i) is the direct result of a change in the determination of such student's need for assistance in accordance with this part that is attributable to the enactment of the Higher Education Amendments of 1992.

(2) AMOUNT.--A financial aid administrator shall not make an adjustment for special circumstances pursuant to this subsection in an amount that exceeds one-half of the difference between the amount of a student's Federal Pell Grant for academic year 1992-1993 and the amount of such student's Federal Pell Grant for academic year 1993-1994.

(3) ACADEMIC YEAR LIMITATION.--A financial aid administrator shall make adjustments under this subsection only for Federal Pell Grants awarded for academic years 1993-1994, 1994-1995, and 1995-1996.

(4) SPECIAL RULE.--Adjustments under this subsection shall be made in any fiscal year only if an Act that contains an appropriation for such fiscal year to carry out this subsection is enacted on or after the date of enactment of the Higher Education Technical Amendments of 1993.

(5) LIMITATION.--Adjustments under this subsection shall not be available for any academic year to any student who, on the basis of the financial circumstances of the student for the current academic year, would not have been eligible for a grant under this section in academic year 1992-1993.

(20 U.S.C. 1087tt) Enacted October 17, 1986, P.L. 99-498, sec. 406(a), 100 Stat. 1472; amended June 3, 1987, P.L. 100-50, sec. 14(26), 101 Stat. 352; amended December 19, 1989, P.L. 101-239, sec. 2009, 103 Stat. 2122-2123; amended July 23, 1992, P.L. 102-325, sec. 471(a), 106 Stat. 605; amended December 20, 1993, P.L. 103-208, sec. 2(g)(16), 107 Stat. 2473.

SEC. 479B. DISREGARD OF STUDENT AID IN OTHER FEDERAL PROGRAMS.

Notwithstanding any other provision of law, student financial assistance received under this title, or under Bureau of Indian Affairs student assistance programs, shall not be taken into account in determining the need or eligibility of any person for benefits or assistance, or the amount of such benefits or assistance, under any Federal, State, or local program financed in whole or in part with Federal funds.

(20 U.S.C. 1087uu) Enacted October 17, 1986, P.L. 99-498, sec. 406(a), 100 Stat. 1472; amended June 3, 1987, P.L. 100-50, sec. 14(27), 101 Stat. 353; amended July 23, 1992, P.L. 102-325, sec. 471(a), 106 Stat. 606.

SEC. 479C. NATIVE AMERICAN STUDENTS.

In determining family contributions for Native American students, computations performed pursuant to this part shall exclude--

(1) any income and assets of $2,000 or less per individual payment received by the student (and spouse) and student's parents under the Per Capita Act or the Distribution of Judgment Funds Act; and

Jon_Oberg @ ed.gov
07/10/97 01:00:00 PM

Record Type: Record

To: Robert M. Shireman, Patricia A. Smith

cc:

Subject: $700 Million for Pell Needs Analysis: Update

In the past 24 hours, there have been several developments with regard to prospects for getting the $700 in the President's budget for Pell needs analysis changes.

Maureen and I met with Senate minority staff late p.m. yesterday and found the patient dying. We were able only to put it on temporary life-support.

Present were Marianna Pierce, Suzanne Day, Amy Abraham, Bev Schroeder (Harkin) and Marsha Simon (Harkin Appropriations staff).

Marsha Simon presented a formidable case against the item: it is not authorized; the appropriations majority wants to spend it elsewhere (IDEA and NIH) and the minority finds their priorities reasonable and will agree; the "ed groups" have also agreed; if the Administration wants to help needy Pell grant recipients, we should go into the tax conference and make HOPE refundable (Senate minority position all along).

To which we responded that we were sticking to the President's budget and to the budget agreement that calls for $1.7 billion for Pell, that the higher ed groups had not signed off, that refundability was not on the table, and that we could solve the authorization problem by putting the item into the spending reconciliation, by consensus if Kennedy and Jeffords would agree, since Goodling and McKeon have endorsed the needs-analysis change (Clay version) in their June 26th letter and would hardly be in a position to back away. Maureen presented numbers on how we could do all of Clay (independent students) or part (independent plus some dependent students), if that was their desire.

(Amy A. said this would be Byrd-able, but agreed that if it were done by consensus it is doubtful anyone would raise the issue.)

We encouraged, at a minimum, that they give thought to a Senate L & HR Committee letter to Appropriations, endorsing funds for the needs-analysis change, as Goodling, McKeon, Clay, and Kildee have already done.

Marianna asked for technical assistance, to have ready for the spending reconciliation conference, a needs-analysis amendment should they want to move in that direction. She has since called me, asking that as a starting point it include both independents and dependents, and that she is going to take it up with Jeffords' people today.

She also said the higher ed groups have since weighed in (AASCU and USSA). But, as I said, this is still on life-support unless the higher ed groups get behind the President's $1.7 for Pell instead of chasing lost causes elsewhere. --Jon

June 17, 1997

MEMORANDUM FOR GENE SPERLING

FROM: **Bob Shireman**

SUBJECT: **$1.7 Billion Pell Grant Increase**

I wanted to alert you to some dynamics that may ultimately lead to an effort, within the Administration, to accept less than the $1.7 billion increase in the Pell Grant program.

As you know, in our Budget we funded education and training at fairly high levels, and left some other programs for Congress to take care of. Now, the Appropriations Committees have used *our* numbers for their 602(b) allocations to subcommittees. That means that if the Function 500 portion of the Labor-HHS-Education bill is fully funded, as called for in the budget agreement, there will not be enough money for an *extra* boost for NIH and other programs that, Apfel says, the President will want to support (even though it wasn't in his Budget).

The Pell Grant increase is more than a third of the Labor-HHS-Education subcommittee's increase. Ken does not want to rule out the possibility of doing something less for independent students in Pell in order to provide funds for special education, NIH, or other items that the subcommittees will feel a need to fund.

It would not be outrageous to do something less for independent students. The higher education groups and Rep. Clay have suggested that our "fix" went a little too far, and that a portion of that money should be used to fix another problem: the need analysis formula currently taxes dependent student earnings starting at only $1,750, meaning that a student from a poor family who works hard over the summer could very easily work his way out of Pell Grant eligibility (and would not have tax liability in order to benefit from HOPE).

My assumption has been that we would use the whole $1.7 billion in order to address **both** of these problems. Ken is likely to propose that we be prepared to propose the lesser fix for independent students, and do nothing for dependent student earnings, thereby freeing up perhaps $300 million or so for other purposes. For now, Ken has agreed that we need to continue to send the message that the $1.7 is a non-negotiable part of the budget agreement. But down the road, do you want to:

___Continue with a $1.7 billion-and-no-less strategy; or

___Look at options for spending less?

UNITED STATES DEPARTMENT OF EDUCATION
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Fax Cover Sheet

Number of pages following cover sheet: 1

TO: Bob Shireman **FAX:** 401-1438
Pauline Abernathy 401-9027
Charlotte Flags 456-2223

FROM:

Maureen A. McLaughlin ✓ Francine Picoult ___

Lynn Mahaffie ___ Sandy Wood ___

Tia Cosey ___

MESSAGE:

Pell Grants

	Award Year					
	1998-99	1999-00	2000-01	2001-02	2002-03	5-Yr Total
Maximum Award:	$3,000	$3,000	$3,000	$3,040	$3,100	
Program Cost (Millions)						
IPA Policy						
Current Law	$7,081	$7,186	$7,257	$7,435	$7,618	$36,578
President's Policy	$7,806	$7,938	$8,033	$8,238	$8,452	$40,468
Incremental Cost	$725	$752	$776	$803	$834	$3,890
ACE Proposal*	$7,920	$8,080	$8,205	$8,446	$8,688	$41,340
Incremental Cost	$114	$142	$172	$208	$236	$872
Lower Dep IPA**	$7,825	$7,978	$8,098	$8,331	$8,567	$40,799
Incremental Cost	($95)	($103)	($108)	($115)	($121)	($541)
$400 Min w/no Bump	$7,790	$7,942	$8,061	$8,293	$8,530	$40,617
Incremental Cost	($35)	($36)	($37)	($38)	($37)	($182)
Number of Awards (Thousands)						
IPA Policy						
Current Law	3,791	3,853	3,891	3,939	3,966	19,441
President's Policy	4,009	4,081	4,130	4,186	4,219	20,626
Incremental Awards	218	229	239	247	252	1,185
ACE Proposal*	4,100	4,184	4,252	4,326	4,373	21,234
Incremental Awards	90	103	121	140	154	608
Lower Dep IPA**	4,060	4,142	4,205	4,276	4,321	21,004
Incremental Awards	(40)	(43)	(47)	(50)	(51)	(231)
$400 Min w/no Bump	3,958	4,036	4,097	4,165	4,213	20,467
Incremental Awards	(102)	(106)	(108)	(111)	(109)	(537)

my recommendation

Δ Pres Policy – Proposal = -1yr +$19m -5yrs +$431

could offset this Pellback (about 1/2) w/ ↑ $400m

ACE IPA Proposal
$6,000 for Independents without Children (Single or Spouse Attending College)
$9,000 for Married Independents without Children (Spouse not Attending College)
$4,200 for Dependent Student Income
Beginning in 1998 and Indexed for Inflation

* ACE Proposal is identical to Clay Proposal in terms of IPA.

**Dependent IPA is $3,500 in 1998-99 and Indexed for Inflation.

June 17, 1997

MEMORANDUM FOR GENE SPERLING

FROM: **Bob Shireman**

SUBJECT: **$1.7 Billion Pell Grant Increase**

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My assumption has been that we would use the whole $1.7 billion in order to address **both** of these problems. Ken is likely to propose that we be prepared to propose the lesser fix for independent students, and do nothing for dependent student earnings, thereby freeing up perhaps $300 million or so for other purposes. For now, Ken has agreed that we need to continue to send the message that the $1.7 is a non-negotiable part of the budget agreement. But down the road, do you want to:

___Continue with a $1.7 billion-and-no-less strategy; or

___Look at options for spending less?

Maureen_McLaughlin @ ed.gov
06/18/97 07:38:00 AM

Record Type: Record

To: Robert Shireman

cc:
Subject: Re: Clay need analysis costing

See below. I'll also fax the table to you. Maureen

_______________ Forward Header _______________

Subject: Re: Clay need analysis costing
Author: Maureen McLaughlin at WDCA01
Date: 6/18/97 8:36 AM

Thanks for this info, Jeff's note and your fax. I woudl recommend a lower dependent offset--$3500 as we are considering in reauthorization--than the offset proposed by ACE and included in the Clay bill. This combined with the lower independent student income protection allowance--which I think is sufficient; I think our proposal was too generous--would increase costs by $19 mill in the first year and $431m over 5 years compared with the President's policy. This increase could be partially offset--about one-half--by a true $00 minimum.

_______________ Reply Separator _______________

Subject: Clay need analysis costing
Author: Robert Davidson at WDCT02
Date: 6/17/97 12:21 PM

We are in luck! Mike Carpenter had worked up a nice chart on the Clay proposal, along with other options (including use of #3,500 as the dependent student income offset). Rachael is FAXing it to you right now. Note that Clay policy incremental cost (above current ED policy) is some $142 mil. in FY 1999, and $541 mil. over 5 years.

I agree with Jeff that the rationale for Clay's treatment of dep. student earnings is weak. It would yield a dependent student income protection allowance ($4,200) higher than the average yearly earnings of dep. students ($4,000). Remember that one of our themes is student RESPONSIBILITY in financing their own education. This policy would say to students-- we don't expect you to contribute much from your own earnings (none at all if your earnings are at or below the average). Also, ED should avoid being seen as abandoning the proposal made earlier for single independents. Jeff will send you info. on this issue. BD

single or 1 in college; married, both in college; married, 1 in college

Current Law

- IPA for independent students without children: $3,000 or $6,000, 3000
- IPA for dependent students: $1,750
- Bumping mechanism in the Pell mininum award rule: Yes ($200 to $400)

President's Policy

- IPA for independent students without children: $8,000, $10,520 or $8,720
- IPA for dependent students: $1,750
- Bumping mechanism in the Pell mininum award rule: Yes ($200 to $400)

Option 1 (Clay's ~~/ACE's~~ proposal)

- IPA for independent students without children: $6,000, $9,000 or $6,000
- IPA for dependent students: $4,200
- Bumping mechanism in the Pell mininum award rule: Yes ($200 to $400)

Option 2

- IPA for independent students without children: $6,000, $9,000 or $6,000
- IPA for dependent students: $3,500
- Bumping mechanism in the Pell mininum award rule: Yes ($200 to $400)

Option 3

- IPA for independent students without children: $6,000, $9,000 or $6,000
- IPA for dependent students: $3,500
- Bumping mechanism in the Pell mininum award rule: No

Option 4

- IPA for independent students without children: $6,000, $9,000 or $6,000
- IPA for dependent students: $1,750
- Bumping mechanism in the Pell mininum award rule: Yes ($200 to $400)

Option 5

- IPA for independent students without children: $6,000, $9,000 or $6,000
- IPA for dependent students: $1,750
- Bumping mechanism in the Pell mininum award rule: No

PELL OPTIONS

	1998 - 99	1999 - 00	2000 - 01	2001 - 02	2002 - 03	5-Yr Total
Max Award	$3,000	$3,000	$3,000	$3,040	$3,100	
Program Cost (millions)						
Current Law	$7,081	$7,186	$7,257	$7,435	$7,618	$36,578
President's Policy	$7,806	$7,938	$8,033	$8,238	$8,452	$40,468
Option 1	$7,920	$8,080	$8,025	$8,446	$8,668	$41,340
Option 2	$7,825	$7,978	$8,098	$8,331	$8,567	$40,799
Option 3	$7,790	$7,942	$8,061	$8,293	$8,530	$40,617
Option 4	$7,497					
Option 5						
Number of Awards (thousands)						
Current Law	3,791	3,853	3,891	3,939	3,966	19,441
President's Policy	4,009	4,081	4,130	4,186	4,219	20,626
Option 1	4,100	4,184	4,252	4,326	4,373	21,234
Option 2	4,060	4,142	4,205	4,276	4,321	21,004
Option 3	3,958	4,036	4,097	4,165	4,213	20,467
Option 4						
Option 5						

Maureen_McLaughlin @ ed.gov
06/17/97 08:29:00 AM

Record Type: Record

To: Robert Shireman

cc:
Subject: - no subject (01IK6AR4HAAA003GHH) -

I am sending this again.

_______________ Forward Header _______________
Subject:
Author: Maureen McLaughlin at WDCA01
Date: 6/16/97 6:18 PM

I talked with Mike today on the issue of whether we would support the Clay proposal to increase the income protection allowance for dep students and independent students but include a smaller increase for indeps than in our budget proposal. He was definitely inclined to do so, saying that he felt we increased the allowance too much for indeps without deps in our budget proposal. I do not have a cost estimate but will check in the am.

He was also inclined to go along wth an increase in the minimum award while the max was being increased if we did not loose any recipients in the process. A true minimum of $400 woudl reduce costs by $33 million in one year.

If either of these are included in the appropriations bill this year we would need to be sure that they are also included in any reauthorization bill to ensure permanent enactment.

- $1.14 million more this yr
5 yrs - $847?
$2800 instead of $4200?

Recommendations for Reauthorization of the Higher Education Act

Submitted by:

American Council on Education
American Association of Colleges for Teacher Education
American Association of Collegiate Registrars and Admissions Officers
American Association of Community Colleges
American Association of State Colleges and Universities
Association of American Universities
Association of Catholic Colleges and Universities
Association of Governing Boards of Universities and Colleges
Association of Jesuit Colleges and Universities
Coalition for International Education
Coalition of Higher Education Assistance Organizations
Council for Advancement and Support of Education
Council of Graduate Schools
Council of Independent Colleges
Council for Higher Education Accreditation
National Association for College Admission Counseling
National Association for Equal Opportunity in Higher Education
National Association of College and University Business Officers
National Association of Graduate-Professional Students
National Association of Independent Colleges and Universities
National Association of State Universities and Land-Grant Colleges
National Collegiate Athletic Association
National Council of Educational Opportunity Associations
The College Fund/UNCF
University Continuing Education Association

Adjust the minimum @ the same [illegible]...

March 19, 1997

This report has been prepared to help the House and Senate authorizing committees as they undertake the reauthorization of the Higher Education Act. We have organized our suggestions around 15 goals that we believe are the most appropriate for federal higher education policy.

1) <u>Maintain and strengthen the focus on financially needy and moderate income students</u>. The Higher Education Act (HEA) has helped open the doors of higher education to millions of students who otherwise would have lacked the resources to enroll. Today, thanks to the availability of federal student assistance, a larger percentage of low-income students than ever before are participating in higher education. In 1970, 46 percent of students from the lowest-income families went to college. By 1994, 58 percent of the students from the same income group were enrolled. In an era in which it is commonplace to question the value of federal programs, it is clear that we have made progress. But we can, and should, do better. The Higher Education Act is the indispensable tool to accomplish this goal.

The Pell Grant program embodies the federal policy objective of achieving equal education opportunity However, the constant-dollar value of the maximum Pell Grant award peaked in the mid-1970s. Nearly 25 years after its inception, the program has been far outstripped by the federal loan programs as the chief means of financing higher education for low-income students.

Several factors have contributed to the decline of the purchasing power of Pell Grants and the concomitant rise in federal student loans as a financing mechanism for higher education Foremost among them is the fact that, unlike loans, Pell Grants are funded through the annual appropriations process. Appropriated funds must be stretched each year as far as they can go to cover all eligible recipients While reauthorization amendments consistently have expanded the authorized annual maximum awards, appropriations never have kept pace with authorized increases. Moreover, Congress has increased the number of students eligible to participate in the program. Broadened eligibility, combined with stagnant appropriations, has created a situation in which, by 1992, 4.2 million Pell Grant recipients shared essentially the same amount of money in constant dollars that was distributed among 2.9 million students in 1987.

Other policy changes increased the utilization of federal student loans In 1992, for example, the creation of the unsubsidized loan program, the expansion of student aid eligibility to more middle-income families, and increased borrowing limits guaranteed that more students would turn to loans to help pay for their postsecondary education. Thanks in large part to these changes, the number of student loans made annually increased from 4.6 million in 1991-92 to 7.1 million in 1995-96.

We urge Congress to restore the Pell Grant program as the central focus of federal student aid to low-income students. Keeping the focus of Pell Grants on the financially needy should be one of the most important objectives in the coming reauthorization. Enactment of several ideas currently under consideration would be a valuable step in this direction.

Independent students -- We applaud the President's decision to boost funding for the Pell Grant program in the fiscal year 1998 budget by $1.7 billion. The President's proposal would increase the income protection allowance (the amount of money that students are assumed to need for basic living expenses) for single independent students from $3,000 to $9,150; from $6,000 to $12,030 for married independent students without dependents when one spouse is enrolled in college; and from $3,000 to $9,950 for married independent students without dependents when both spouses are enrolled in college. Approximately $700 million would be required to make these changes.

We believe that the proposed increases in the income protection allowances are extremely generous and recommend that Congress address the needs of both independent and dependent students, using the same amount of money the President proposes to spend on independent students alone. Specifically, we recommend that Congress increase the income protection allowance for single independent students, and for married independent students when both are in school, from $3,000 to $6,000, and for married independents students without dependents from $6,000 to $9,000. In addition, Congress should raise the dependent student earning allowance from the current level of $1,750 to a more reasonable $4,200. We believe that the current earning allowance is unreasonably low and acts as a disincentive to student employment. Increasing the allowance as we have proposed will provide the proper incentive. All changes we recommend can be accomplished for the same amount of money the President has proposed to spend on independent students.

In the 1992 Amendments, Congress modified the Pell Grant award rule to make a student's award sensitive to the tuition charged at the institution. At present, no consensus exists within the higher education community over what degree of tuition sensitivity is desirable. Some associations believe that the current award rule provides a more than adequate level of tuition sensitivity, while others contend that the rule should be made more tuition sensitive.

2) Strengthen campus-based programs so that, together with Pell Grants, they will help reduce student borrowing. The Supplemental Educational Opportunity Grant (SEOG) program, the Federal Work-Study (FWS) program, and the Perkins Loan program allow campus financial aid officers to provide funds directly to students who need resources beyond Pell Grants and student loans to meet college costs. These programs are flexible and work well.

COMMITTEE ON APPROPRIATIONS
MINORITY STAFF
1016 LONGWORTH HOB
WASHINGTON, DC 20515

Telephone: (202)225-3481
Facsimile: (202)225-9476

FAX COVER SHEET

TO: Bob Shireman

FAX #:

FROM: Mark Mioduski

DATE:

PAGES (including cover):

Comments:

Recommendations for Reauthorization of the Higher Education Act

Submitted by:

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Council for Higher Education Accreditation
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Barry White
06/10/97 03:29:56 PM

Record Type: Record

To: Robert M. Shireman/OPD/EOP

cc:
Subject: More on Clay's proposal

---------------------- Forwarded by Barry White/OMB/EOP on 06/10/97 03:30 PM ---------------------------

S. A. Noe

06/10/97 02:43:32 PM

Record Type: Record

To: Barry White/OMB/EOP, Kathryn B. Stack/OMB/EOP

cc: Patricia A. Smith/OMB/EOP
Subject: More on Clay's proposal

- Clay's proposal would be more expensive than the President's. Compared to the President's, Clay's proposal costs $114 million more in FY1998 and $872 million more for a five-year period (1998-2002).

- In FY 1998, Clay's proposal would serve 180,000 more dependent students and 90,000 fewer independent students without children than the President's. As a result, Clay's proposal would serve about 90,000 more students than the President's. For a five-year period, Clay's proposal would serve 608,000 more students than the President's.

- Clay's proposal seems to help dependent students from lower-middle- or middle-class families at the expense of poor independent students.

o In comparison to the President's proposal, Clay's proposal would provide lower grants to fewer independent students without children (especially students with an income of $10,000 or more).

o A large number of new students served under Clay's proposal are dependent students with a family income of $25,000 or more. Also, under Clay's proposal, most (or all) dependent students would receive more grants than under the President's.

You asked for Pell reestimates. But ED does not have information to do its reestimates. At the earliest, their estimates will be available on Thursday or Friday. ED speculates about a $50 million (or less) downward change to the FY98 outlays.