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Committee on Education and the Workforce
William L. Clay, Ranking Democratic Member
U.S. House of Representatives
2101 Rayburn House Office Building

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Mem

August 20, 1997

TO

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 1992-93 (under the FCS) and 1994-95 (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 1998-99, 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...)

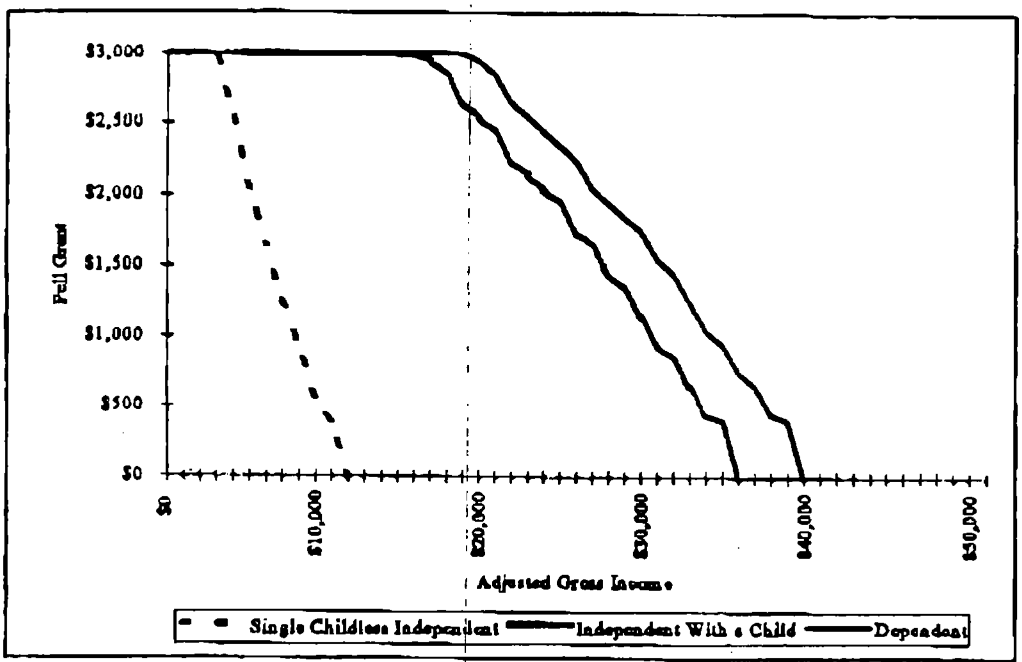

Figure 1 Pell Grant Awards for Different Types of Students

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.

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[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.

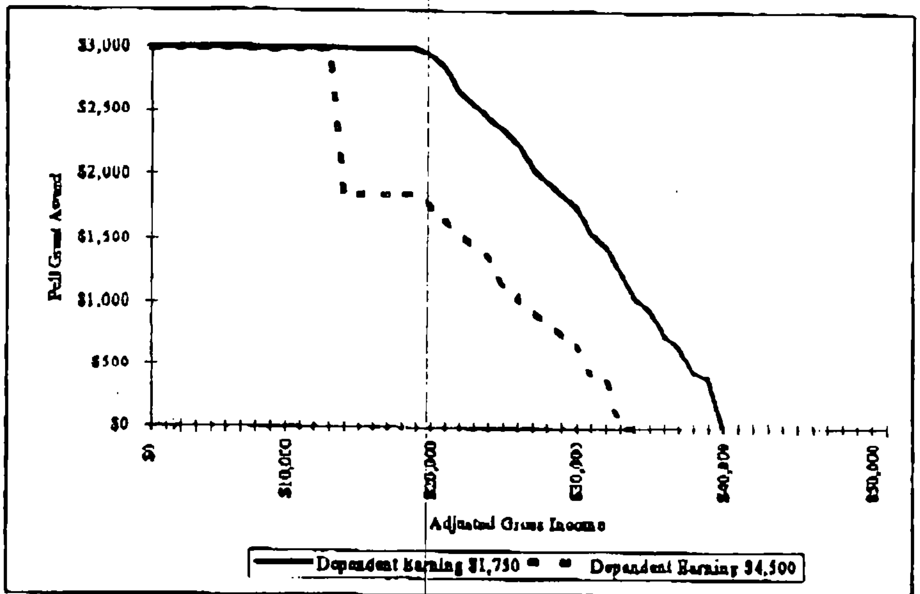

Figure 2 Pell Grant Awards for Dependent Students with Different Amounts of Own Income at Different Levels of Parental Adjusted Gross Income, 1998-99

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 1998-99 (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, 1998-99

	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 1998-99. 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) 1995-96 National Postsecondary Student Aid Study (NPSAS:96).[10]

[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, 1995-96

	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 1998-99; $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, 1995-96

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, 1995-96							
	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 1998-99, 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 1998-99 (from $2,700 for 1997-98) 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 those 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, 1998-99

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	$3,000	$3,000	$6,000	$3,000	$1,750	$7.083	3.791
2	$3,000	$3,000	$6,000	$3,000	$3,500	$7.409	3.932
3	$3,000	$6,000	$9,000	$6,000	$3,500	$7.826	4.060
4	$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	$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. But, given that those changes have had adverse consequences for some students, the compromise reached seven years ago is now under debate.

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.

---

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

September 29, 1997

To: Barbara Chow

From: Barry White Barry

Subject: Materials for appropriators

Pell grants. We promised the appropriations staff paper on the Pell grant Independent Student issue. Bob Shireman and my staff and Education have agreed on a graphic and text presentation of our first alternative for Pell Grants/Independent students: $528 million (the House BA amount over the amount needed for the $3,000 max award), all for Independents. Attached are:

> Graphs (as Mioduski asked) that compare (a) current law, independents and dependents; and (b) how the "gap" for independents would be filled by our alternative.
>
> A text explanation in greater detail.

If you think now is the time to get these to the Hill, here they are.

America Reads under current law. We have layouts for how to do this with one authority (title I demos or FIE), two authorities (Eisenhower + FIE), or three authorities (Eisenhower + FIE + the Extended Time and Learning authority). There are also sub-options using the National Institute for Literacy for some functions. Jack was especially interested in the Eisenhower + 1 approach, which we have. Shireman needs a little more time here to work with ED on the right presentation. We'll be back to you later today, I hope, with something.

Charter Schools. Cheryl Smith was especially negative on the increase for Charter Schools, citing significant management or quality issues that have arisen in a number of sites. We said we would get her something on this. We have a two-pager, also attached, that does this, noting in particular that of the 500 Charter Schools now out there, only 19, none of which got Federal funds, have been revoked, are in hearings, or failed to get underway. It also notes the provisions in the Federal law that help forestall such problems. I don't know that anyone other than Cheryl needs this, but you can supply it to all of them.

DOL Welfare to Work S&E. You should have gotten the paragraph Larry worked out with DOL to support making "the majority" of the 75 FTE term appointments or temporaries, to be available for the grant application/approval rush, the remainder to be there for monitoring through the program period. Darla should have gotten this up there Saturday; I've attached it as well.

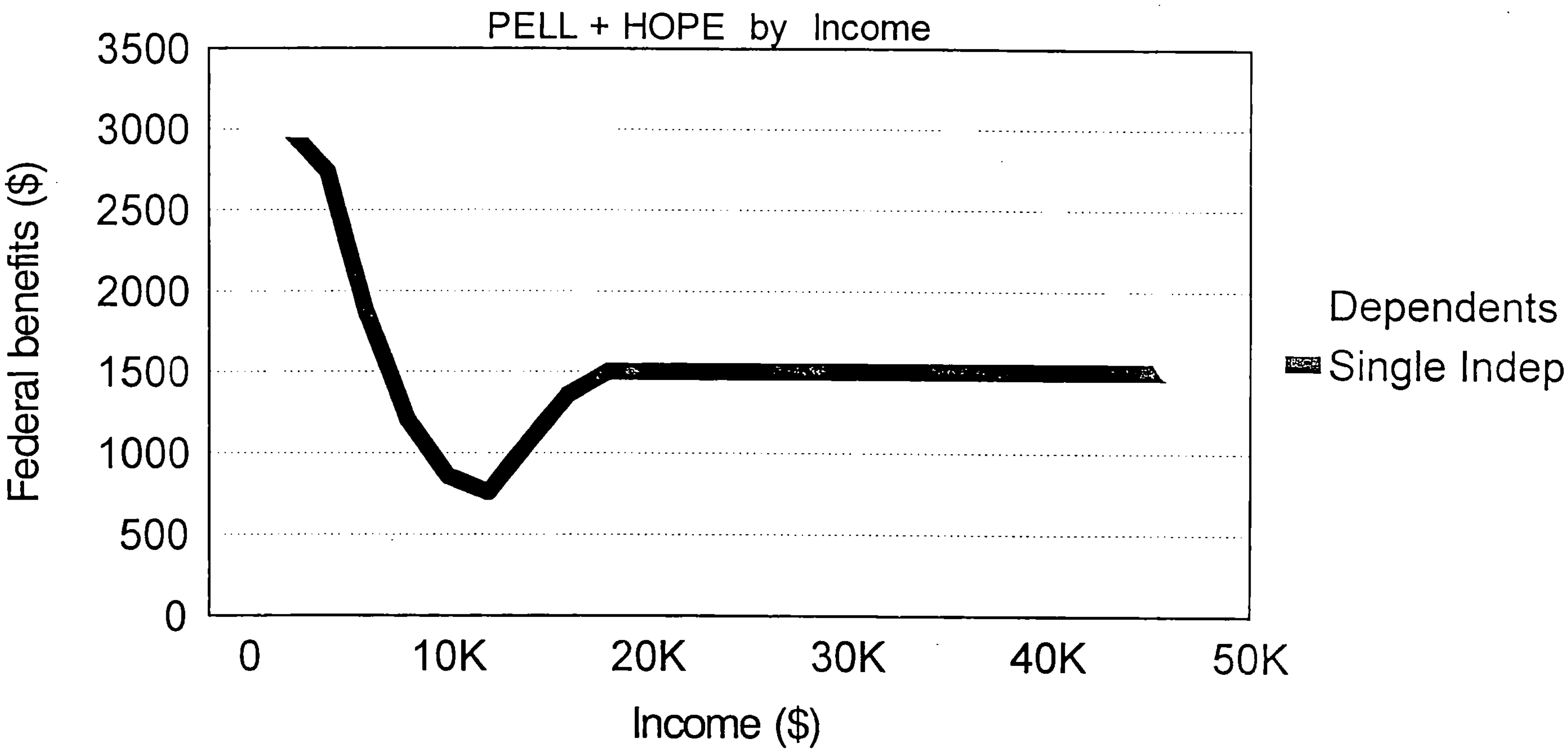
I don't think we owe any other paper, but if I've missed something, please let me know.

c: Shireman, Lew, Upshaw, Keiffer

The Gap in Pe   Grants for   ıdependent Students and HOPE Scholarships

Effect of Current Income Protection Allowance:

Single Independent Students without children vs. Dependent Students



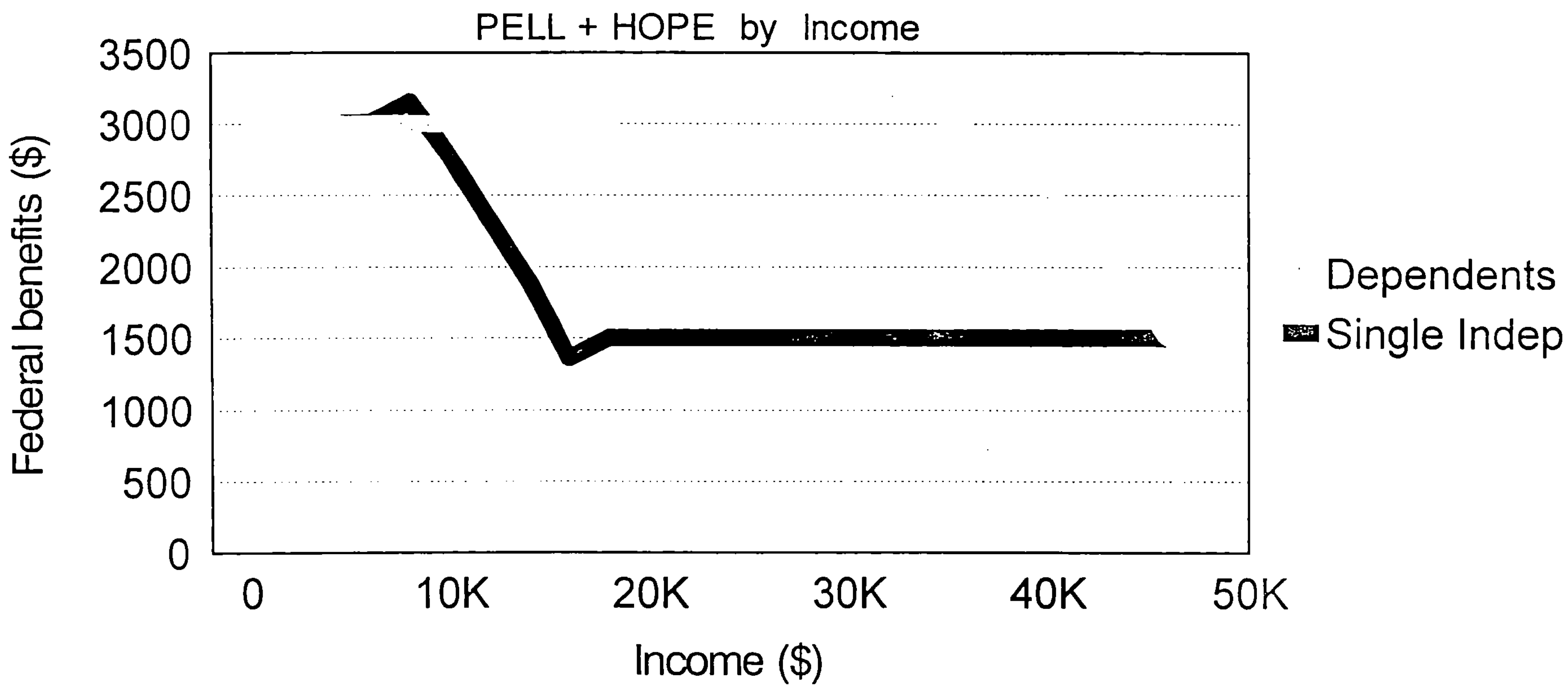
Current IPA: $1,750 for Dependents and $3,000 for Independent s without children

Proposed $3,000 max imum Pell

Dependent s: Family of four - Both parents working, One in college; Student earnings = $2,000

Fixing tl e gap ˉn Pe Grants for ndependent Students with $528 million

Single Independent Students without children at Alternative Income Protection Allownance
vs.
Dependent Students at Current Incom Protection Allowance



Current IPA: $1,750 for Dependents and $7,00 for Independents without children

Proposed $3,000 max imum Pell

Dependents: Family of four - Both parents working, One in college; Student earnings = $2,000

FILLING THE STUDENT AID GAP:
Pell Grants for Independent Students without Children

What is the problem? Under the current student aid formula, some adult students (those who are over 24 or veterans, and are either single or married without dependent children) can be quite poor but still not eligible for a Pell Grant. This result is due to a change in the 1992 reauthorization of the Higher Education Act that everyone involved now agrees went too far in restricting the independent student eligibility for aid. The current formula protects only $3,000 of a single independent student's income before assuming that a substantial portion can be used for college expenses (this "Income Protection Allowance" or IPA is $6,000 for a married couple without children, if one is going to college, and $3,000 if both are going to college). Under the current formula, even with a $3,000 maximum grant:

- A single, minimum wage worker ($11,000/year), age 26, receives **no** Pell Grant.
- A married student whose family income is only $14,000 receives **no** Pell Grant.

How many people are affected? The low IPAs for these categories of students both result in lower Pell Grants for some of the poorest students, and no Pell Grant for many others (like the above examples). More than half a million current students are short-changed by the current policy (a portion of the 673,000 current recipients, and 218,000 more independent students who would become newly eligible under the Administration's proposal).

But won't they receive the HOPE Scholarship? They will be eligible for little or no HOPE Scholarship because their income is so low that they do not pay enough taxes to be able to benefit substantially from a tax credit.

Why fix it now? The historic education tax cuts and increases in Pell Grants open the doors of college to virtually all lower and middle income individuals . . . *except to this group*. The Administration recognized this problem, proposed to fix it, and fought to include it in the Budget Agreement. ***This is a major category of students who will not be able to enjoy a $1,500 benefit from either HOPE or Pell.*** The job of opening the doors of college to all must be finished by ensuring that the needs of a whole category of students are not ignored.

How much help do they need? The goal of the Administration's plan (increasing to IPAs of $9,150/$12,030/$9,890) is to ensure that all low-income students, through HOPE, Pell, or a combination of both, would be eligible for at least $1,500. The Administration plan is almost precisely what is needed to accomplish that goal for the single independent student and a married student whose spouse is not in school. It doesn't go far enough for those couples where both are in college. There is *no* extra room: lower IPAs simply move these students further from the goal of at least $1,500 in aid that has been set out for virtually all other lower and middle income students.

Income Protection Allowance (single/married/married with both in college)	Minimum HOPE + Pell (goal is $1,500/$1,500/$1,500)	Number of new recipients	Additional Cost
$9,150/$12,030/$9,890	$1,500/$1,425/$1,100	218,000	$725 million
$8,000/$11,000/$8,000	$1,500/$1,275/$850	192,000	$628 million
$7,000/$10,000/$7,000	$1,358/$975/$750	163,000	$528 million
$5,500/$8,500/$5,500	$1,058/$675/$625	109,000	$355 million

Current IPA	Minimum HOPE + Pell	Number of recipients	Baseline Cost
$3,000/$6,000/$3,000	$608/$225/$400	673,000	$1,155 million

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 $350 million.

Public Charter Schools

Although nearly 70% of the nation's 500 charter schools are less than two years old, early evidence indicates that charter schools are an effective component of school reform. Perhaps most important, many charter schools appear to focus on the needs of at-risk students and other youth who traditional schools may not serve well. Nonetheless, recent press reports have highlighted fiscal mismanagement and other problems in a few charter schools (none of which receive Federal funds); in reality these problems involve less than 1% of the existing 500 charters schools (see below for details).

The Administration believes that charter schools make a significant contribution to innovative reform and to expanding parental choice. The Administration supports the approach that charter schools offer: they combine holding schools accountable for improving student achievement, extensive parental involvement, programs tailored to meet the specific needs of students, and motivated teachers who have a stake in school decisions -- in short, components that research shows generally lead to effective reform.

Charter School Achievements

Several recent studies and reports draw positive conclusions about charter schools. The following information is drawn from the first report from Department of Education charter schools evaluation (that evaluation will provide student achievement data beginning next year), from Hudson Institute studies, and from a variety of press reports.

The reports have found:

o Improved student achievement. According to a Hudson Institute report on charter school parents' assessment of their children's performance, special education and LEP students are making gains in their charter schools. Special education students performing in at "excellent" and "above average" categories increased by 21%, and for LEP students by 20%. Achievement in specific schools has improved, for example, in the Vaughn Learning Center in Los Angeles, the median 4th grade reading score among English-speaking students rose from the 19th percentile in 1994-95 to the 37th percentile in 1995-96 on the California Test of Basic Skills.

o No evidence of creaming. Charter schools include about the same proportion of high poverty students as regular schools (about one-third) and many charter school States give preferences in granting charters to schools that serve at-risk students. Over 40% of families who choose charter schools have annual incomes below $30,000. About one-fifth of the charter school parents say their child is a slow learner and needs extra help.

o High level of racial diversity. Charter schools have far higher minority representation than regular schools -- about half (48.4%) of charter school pupils belong to minority groups, compared to one-third in regular schools. Most States include strong equity provisions to ensure racial balance. In addition, minority families often find that charter schools serve their children better than traditional schools. Of families with children in charter schools, African Americans and Native Americans were most likely to feel that their children's needs were not being met in their previous school; Hispanic and Asian parents are more likely to report that their child's previous school was unsafe.

o High level of parent satisfaction. In Massachusetts, 80% of parents found the charter school their child attends to be better than their previous school and 95% planned to continue to send their children to charter schools.

Recent Controversies

o Four schools have lost charters; accountability mechanisms seem to be working. Of the nearly 500 charter schools, four have lost their charters, one is now going through a hearing process, and 14 charters in Michigan were revoked because the planned schools were never established. None of these receive Federal charter school funds. Here are the details:

* two were closed due to financial mismanagement, one in Arizona and one in California
* one in California was closed because the partnership between a community-based organization the school's teachers fell apart.
* one in California was closed due to safety violations and failure to meet its enrollment goals
* one in Washington, D.C. is in the hearing process due to an incident between the school's principal and a reporter.
* the 14 charters in Michigan were revoked because the schools were never established and the limited number of charters were needed for other applicants.

Some believe that the swift closure of problematic charter schools is a sign that oversight and accountability mechanisms are working.

o Test scores in Michigan not a valid comparison. A recent *Education Week* article (9-24-97) reported that students in charter schools didn't do as well as students in regular schools on the State's tests. The article also pointed out that the data is not particularly useful since many of the charter schools had only been open a few months and the charter schools serve a disproportionate number of at-risk students.

The Federal Program Helps Ensure Quality

The President's request of $100 million will help establish up to 500 new charter schools in addition to those supported in 1997. The request level helps support the dramatic growth in the demand for charter schools and also provides more funds per school to address the biggest obstacle to estalishing new schools, the lack of start-up funds. Because the Federal program includes certain requirements and assurances, it also helps establish charter schools that are of high quality and that serve the needs of their communities. These include requiring grant recipients to have an academic program that helps all students meet challenging State standards and to provide all students in the community equal access to the charter schools.

WELFARE TO WORK ADMINISTRATION

The conference agreement includes $131,793,000 for Program Administration. The funding provided includes $6,200,000 to support 75 FTE to design, implement, and administer the new Welfare-to-Work grants program. The conferees expect that the majority of these new positions created will be filled by term Federal appointments lasting no more than three years. The primary workload for this new program will consist of administering the large volume of grant and contract proposals in fiscal years 1998 through 2000. In fiscal year 2001, about half of the 75 positions will be required for grant and contract closeout, and evaluation activities.

g:\data\wtowork\confadm.926

Marianna

- Susan Harran -

$528 - $7000 / $10,000 / $7000

$500 → $2000
minimum

$6 / $9 / $8

$2250

Susan Harran - 224-6770
Jenny Snelson & Scarp Giles...

Prog. cost 7609
+ $528 × 171 samples

→ $2250
6/9/6

over '96

$640 mil.

- offset
- Redlining...

S. A. Noe

10/03/97 09:22:59 AM

Record Type: Record

To: Robert M. Shireman/OPD/EOP

cc: Wayne Upshaw/OMB/EOP

Subject: Re: America Reads and Pell Grants

FYI -- More precise estimates

Based on February assumptions

IPA Levels		Min	Cost ($M)	Recips (000)
Single/Married Indep	Dep.			
6500/9500	2250	true 500	$7,609	3,828
6000/9000	2250	current 400	$7,609	3,965

*$7,609 million equals $7,438 million (House funding level) plus $171 million in surplus (old projection).

Based on Midsession assumptions

IPA Levels		Min	Cost ($M)	Recips (000)
Single/Married Indep	Dep.			
5250/8250	2250	true 500	$7,534	3,829
4850/7850	2250	current 400	$7,534	3,972

*$7,534 million equals $7,438 million (House funding level) plus $96 million in surplus (new projection).

i/9 7. true

current

- Secy may go higher [illegible]

$140 million bugs $1250 ↑ indep.

$50 for dep

At $317 million, w/

⇒ $169 million   → $4250 - 4300

→ Price minimum $350

S. A. Noe

10/03/97 11:06:47 AM

Record Type: Record

To: Robert M. Shireman/OPD/EOP, Wayne Upshaw/OMB/EOP

cc:
Subject: Independent constant

Using a rule of thumb:
$140 million for an increase of $1,250 for independent IPAs
$50 million for an increase of $250 for dependent IPAs

Based on February assumptions

IPA Levels		Min	Cost ($M)
Single/Married Indep	Dep.		
6890/9890	1750	current 400	$7,609

*$7,609 million equals $7,438 million (House funding level) plus $171 million in surplus (old projection).

Based on Midsession assumptions

IPA Levels		Min	Cost ($M)	Recips (000)
Single/Married Indep	Dep.			
5740/8750	1750	current 400	$7,534	3,972

*$7,534 million equals $7,438 million (House funding level) plus $96 million in surplus (new projection).

MEMORANDUM

To: Sarah, Maureen
From: Melanie
Date: October 16, 1997
Re: Pell Models -- True Minimums and Independent/Dependent Fixes

With so many possibilities for change, I thought it would help to look at the impact of changes individually. This helps look at incremental changes and how they interact... these are the changes at the margins of the current proposals so the increments will shift but it helps...

Some basic guidelines on the impact of changes:

- $400 True Minimum: Frees up approximately $38 million - loss of 111,635 recips (Note: $300 increase in max Pell: gain 141,273 recips -- net gain of approx. 30,000)
- $500 True Minimum: Frees up approximately $62 million - loss of 173,980 recips (Note: net LOSS of 30,000 from $300 increase in max)
- Cost of raising Indep IPA $100 -- $12 million, brings in 3,700 new recips
- Cost of raising Dep IPA $100 -- $20-22 million, brings in 9,000 new recips
- Single Independent IPA to $5000: Costs $254.5 million -- 77,388 new recipients
- Dependent Student Fix to $3000: Costs $245.6 million -- 105,821 new recipients
- Together the IPA fixes cost $500.0 million

Some Distribution options:

	Option	Cost	Recipients
1	Single Indep. IPA $5,000 Dep. IPA $3,000 No True Min	$500mil	183,209 new Recipients
2.	Single Indep. IPA $5,000 Dep. IPA $3,000 True Min $400	$464 mil	78,000 new Recipients
3.	Single Indep. IPA $4500 Dep IPA $2750 No True Min	$397 mil	146,630 new recipients
4.	Single Indep IPA: $4500 Dep IPA $2750 True Min $400	$360 mil	40,732 new recipients

Revised10/16)

U.S. HOUSE OF REPRESENTATIVES

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

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

FAX COVER SHEET

TO: Barbara Chow 456 2604
Bob Shireman 456 2223

FAX #:

FROM: Mark Mioduski

DATE:

PAGES (including cover):

Comments:

please give me your thoughts ASAP - I don't want to share with Repubs until I hear from you that this approach is in the ball park.

Pell estimates
$3,000 max grant, current law

bill lang draft

	current law	President's Budget	indep only House orig. est	ind & dep House orig. est.	indep only House revised	inc & dep House revised	60% split original	60% split revised	Senate original	Senate revised
appropriation		7635 a/	7438	7438	7438	7438	7227	7227	6910	6910
surplus		171 b/	171 b/	171	96	96	271	96	171 b/	0
program level		7806	7609	7609	7534	7534	7498	7323	7081	6910
cost, current law		7081	7081	7081	7154	7155	7154	7154	7081	7154
suplus/deficit		725	528	528	380	379	344	169	0	-244
POLICY CHANGE FINANCED WITH SURPLUS:										
IPA single	3,000	9150/9980	7,000	6,000	5,650	4850		4,120		
IPA married	6,000	12,030	10,000	9,000	8,650	7850		7,120		
IPA dependent	1,750			2,250		2250				
income cutoff single	10,000	18,000	15,000	14,000	13,500	11500		11,500		
income cutoff married	16,500	28,500	22,000	20,500	20,000	19000		18,000		
income cutoff dependent										
total recipients	3661	4009	3791					3395	3791	

possible reduction see authority

a/ current est of needed appropriation is $7889 M
b/ actual original surplus was $271, and $100 cushion built into cost.

Add the following to general provisions:

SEC. XXX. (a) Except at provided in subsection (b), for the purposes of determining need for Federal student financial assistance pursuant to part F of title IV of the Higher Education Act of 1965 for academic year 1998-1998—

(1) section 475(g)(2)(D) of such Act shall be applied by substituting "$2,250" for "$1,750"; and

(2) section 476(b)(1)(A)(iv) of such Act shall be applied—

(A) by substituting "$6,000" for "$3,000" each place it appears in subclauses (I) and (II); and

(B) by substituting "$9,000" for "$6,000" in subclause (III).

(b) If the application of subsection (a) of this section would require the Secretary of Education to determine, prior to the publication of the payment schedule for Pell Grant awards for award year 1998-1999, that the amount available under the appropriation for such awards for such award year, and any amount available from the fiscal year 1997 appropriation for Pell Grant awards, are insufficient to satisfy fully all such awards for which students are eligible at a maximum Pell Grant of $3,000, then the Secretary shall, before making any reduction in such maximum Pell Grant, reduce the substituted amounts required by subsection (a) by specified dollar amounts as necessary to avoid a reduction in such maximum Pell Grant amount.

Add the following proviso to the Pell Grant appropriation:

Provided, further, That notwithstanding section 401(b)(5) of the Act, no Pell Grant shall be awarded to a student if the amount of the Pell Grant for which that student is eligible for award year 1998-1999 is less than $500.

Aramie

~~$7268~~

— Jeffords & Kennedy staffers — carrying a deal, not including us...

House Level | BA + $96 surplus

→ Dependent: $2250

→ Ind. student 4850 / 7880

If old assumptions:

Dep. 2250

→ 6000 / 9000

$528 7 / 10,000

Dep. 2000 $60 → minimum..

Pell estimates
$3,000 max grant, current law

	current law	President's Budget	House original	House revised	2/3 split original	2/3 split revised	Senate original	Senate revised
propriation		7635	7438	7438	7227	7227	6910	6910
rplus		171 a/	171 a/	96	271	96	171 a/	0
ɔgram level		7806	7609	7534	7498	7323	7081	6910
st, current law		7081	7081	7154	7154	7154	7081	7154
plus/deficit		725	528	380	344	169	0	-244

ɔLICY CHANGE FINANCED WITH SURPLUS:

	current law	President's Budget	House original	House revised
A single	3,000	9150/9980	7,000	5,650
A married	6,000	12,030	10,000	8,650
ɔome cutoff single	10,000	18,000	15,000	13,500
ɔome cutoff married	16,500	28,500	22,000	20,000

actual original surplus was $271, and $100 cushion built into cost.

Congressional Research Service • Library of Congress • Washington, D.C. 20540

Memorandum

September 29, 1997

TO : House Appropriations Committee
Labor-HHS and Education Subcommittee
Attention: Mark Mioduski

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

SUBJECT : **Estimated Distribution of Pell Grants and HOPE Scholarships in 1998-1999**

This memorandum was prepared in response to your request for several figures showing the distribution of two forms of federal financial aid for postsecondary education attendance: Pell Grants and HOPE Scholarships. The Pell Grant is a need based grant that, for the model cases depicted below, is calculated by subtracting a student's Expected Family Contribution (EFC)[1] from the maximum allowable Pell Grant (assumed to be $3,000 for 1998-1999). The HOPE Scholarship is a *non-refundable* tuition tax credit for 100% of the first $1,000 of *qualified* tuition and related expenses and 50% of the next $2,000 of *qualified* tuition and related expenses. A *non-refundable* tax credit can be taken by a taxpayer only up to the amount of tax liability he or she has. *Qualified* tuition and related expenses are those amounts of tuition and related expenses not covered by certain other financial aid, including Pell Grants.[2]

The cases modeled in these figures are:

- a dependent student from a family of four (two parents and two children, only one of whom is enrolled in college), and

---

[1] The EFC is the amount that a student and his or her family is expected to contribute toward the student's costs of attendance. It is determined on the basis of a statutorily defined need analysis system.

[2] For background information on these two sources of financial aid for postsecondary education costs, see: U.S. Library of Congress. Congressional Research Service. *Tax Benefits for Education in the Taxpayer Relief Act of 1997.* CRS Report for Congress by Bob Lyke. Forthcoming; and U.S. Library of Congress. Congressional Research Service. *Pell Grants: Background and Issues.* CRS Report for Congress 97-101 EPW by Margot A. Schenet. Washington, 1997.

The student in each case was assumed to be enrolled full-time in his or her first or second year at a 4-year public college (the average tuition and fee level for such an institution was projected to be $3,270 in 1998-1999).[4]

For purposes of calculating the EFC, simplifying assumptions were made with respect to family finances. Among these assumptions were the following:

- all income was from employment;
- no assets were available (or taken into account); and,
- in the two-parent family, it was assumed that only one spouse was employed

With regard to the calculation of federal tax liability for these cases, it was assumed that the standard deduction was used rather than itemized deductions. Further, it was determined that the alternative minimum tax did not apply to these income ranges.

With regard to federal tax credits, the following applies:

- it was estimated that in all cases shown here the HOPE Scholarship tax credit was worth more to the taxpayer than the Lifetime Learning credit, and it was assumed that the credit was taken in the 1998 tax year for expenses paid for the fall and spring semesters of the 1998-1999 school year;[5]
- the Earned Income Tax Credit was included in calculating the EFC under those circumstances in which it could be taken;
- the new Child Tax Credit was **not** included in any calculations to derive these graphs (due to uncertainty about stacking rules for this credit); and
- the tax credit for child and dependent care expenses was **not** included.

---

[3](...continued)
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. There are three type of single independent student: 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; or he or she is married without any dependents other than a spouse who is enrolled. The analysis below focuses only on the first of these single independent student types.

[4] This projected 1998-1999 tuition and fee level was based on estimated 1997 1998 tuition and fees recently published by The College Board ("1997-1998 Increases in College Tuition and Fees Average Five Percent; Student Financial Aid at Record High," Press Release, The College Board, 1997). It was assumed that the same 5% rate of increase would apply between 1997-1998 and 1998-1999.

[5] Qualified tuition and related expenses paid by a taxpayer during the current tax year for an academic period that begins within the first three months of the next tax year are treated as though they were paid during the current tax year.

These last two credits, together, could reduce the otherwise allowable HOPE credit by as much as $900 in our dependent student family

Estimates of dependent student's income depicted in these figures were based upon estimates of actual income for dependent students in the 1995-1996 school year.[6] The estimated average level of own income for all dependent students whose parents' income was between $12,000 and $20,000 was $3,720 in 1995-1996. The estimated average for all dependent students, regardless of parental income, was $4,510

Finally, it should be stressed that, for the figures below, no change was assumed in the income protection allowances specified in current law for the single independent student or for the dependent student (i.e., the income protection allowance against his or her own income).[7]

There are four figures below. The first shows the distribution of Pell Grant and HOPE Scholarship aid to a single childless independent student at a 4-year public college in 1998-1999. The next three show the distribution of aid to a dependent student at a 4-year public college when the student's own income is: $1,750 or below, $3,720, and $4,510.

Single Childless Independent Student

The figures below shows the distribution of Pell Grant and HOPE Scholarship assistance to a single childless independent student as the student's adjusted gross income (AGI) rises from $0 to $50,000.[8] The deep trough in this graph results from the rapid decline in the size of the student's Pell Grant (between $3,000 and $11,000 AGI, the Pell Grant falls from $3,000 to $0 because the student's EFC rises concurrently) coupled with low tax liability which serves to constrain the size of the student's HOPE Scholarship. As we have discussed, proposals to increase the range of income over which the single childless independent student receives a Pell Grant have focused on raising the amount of income protected from any expected contribution toward college costs.

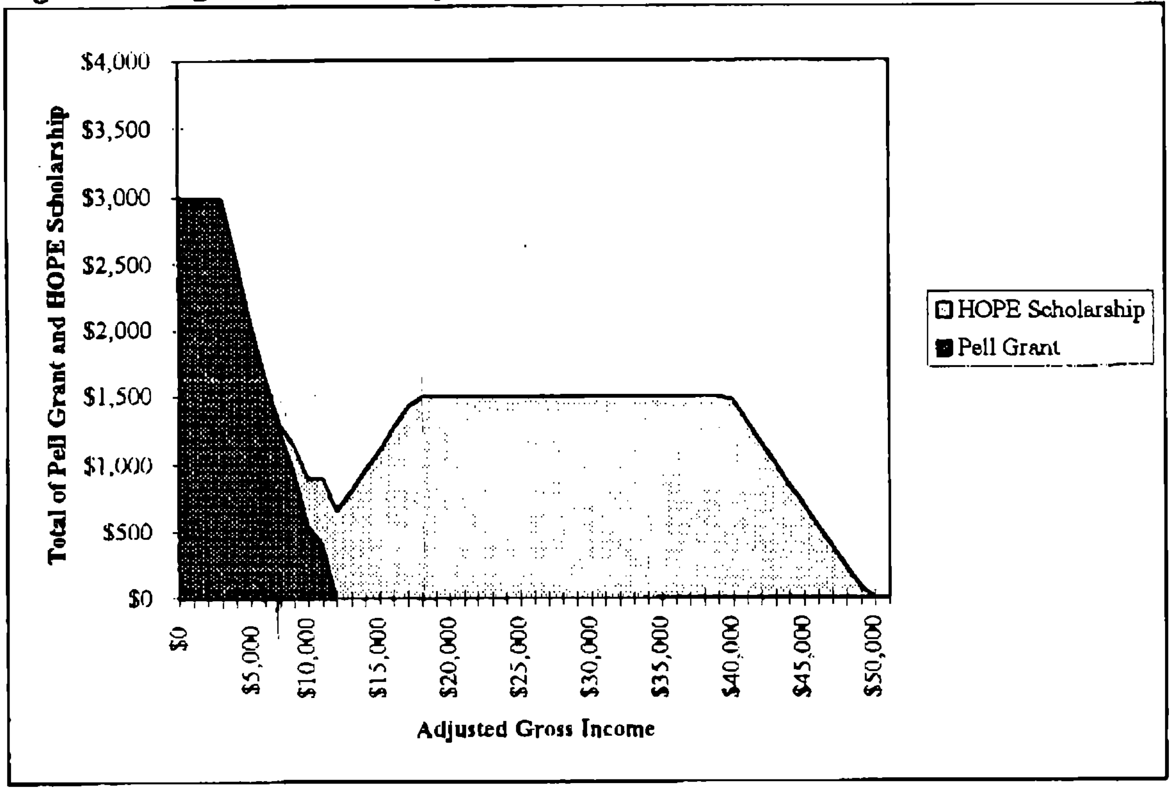
---

[6] CRS calculations based on U.S. Department of Education's 1995-1996 National Postsecondary Student Aid Study (NPSAS:96).

[7] These income protection allowances are generally intended to reserve a portion of income for living expenses, protecting it from being expected in contribution toward education costs. Under current law, the income protection allowance for the single childless independent is $3,000. Dependent students have an income protection allowance of $1,750 against their own income.

[8] All AGI levels discussed in this memorandum are for 1997. That is the year used in determining the EFC for calculation of the 1998-99 Pell Grants. Calculating the size of the HOPE Scholarship for the 1998-1999 schools year required calculation of 1998 tax liability based on 1998 AGI. It was assumed that 1998 AGI was 3% higher than 1997 AGI.

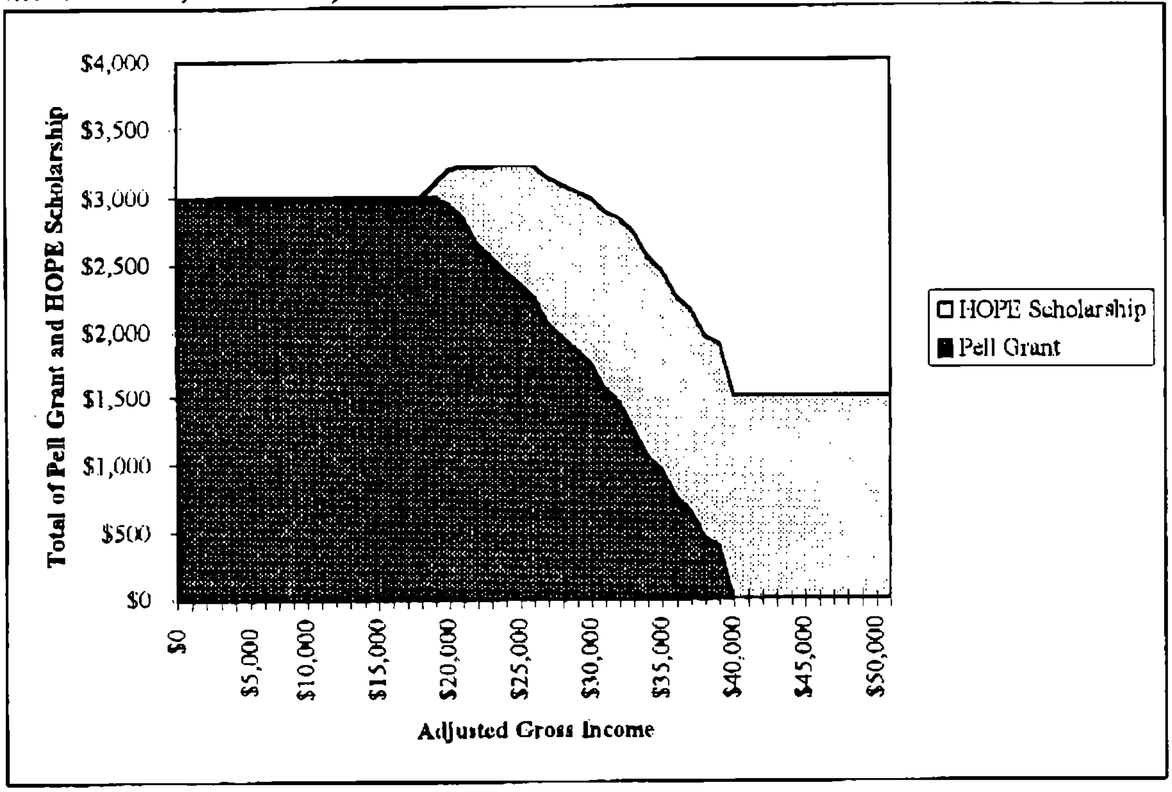
Figure 1. Single Childless Independent Student at 4-Year Public College, 1998-1999



Dependent Student

The three figures below show the distribution of Pell Grant and HOPE Scholarship assistance to a dependent student who has three different levels of own income. In each graph, the AGI for the student's parents increases from $0 to $50,000 (it is the parental AGI that is depicted in the graphs). In **Figure 2** below where the dependent student has own income of $1,750 or less, the maximum Pell Grant is available through $18,000 AGI, falling to $0 by $39,000 AGI. A small amount of the HOPE Scholarship tax credit can be taken by this family beginning at approximately $18,000 AGI, even while it is still receiving the maximum Pell Grant. This is possible given that the family has some tax liability at this level of income and the estimated tuition and fee level for a 4-year public college in 1998-1999 ($3,270) exceeds the maximum Pell Grant.

Figure 2. Dependent Student at 4-Year Public College, 1998-1999 (student has own income of $1,750 or less)



Figures 3 and 4 below show the distribution of aid to the model dependent student family when the dependent student has own income of either $3,720 or $4,510. The pattern for the distribution of aid in these two figures is strikingly different from that of **Figure 2.** This is a direct consequence of the fact that the need analysis system expects the dependent student to contribute 50% of any of his or her own income that exceeds the amount of income protected from contribution. The effect of this contribution is first seen after parental AGI exceeds $12,000. Regardless of the level of the dependent student's own income, the need analysis system automatically sets the EFC for a dependent student and his or her family to $0 when parents' AGI is $12,000 or less. In **Figure 2** above, the family continues to receive the maximum Pell Grant beyond the $12,000 level because the parental income protection allowance, among other allowances, keeps the parents' EFC at $0 and no contribution is expected from the student. In **Figures** 3 and 4 below, the dependent student family's Pell Grant aid falls markedly as soon as the parents' AGI exceeds $12,000 because the dependent student's own income is sufficiently large that a contribution toward education costs is expected. After dropping to that lower level, the size of the Pell Grant remains constant over a short range of parental AGI (due to the fact that the only contribution being expected is from the dependent student's own income which is not changing). In these model cases, the Pell Grant award falls to $0 when parental AGI reaches $34,000 (dependent student's own income of $3,720) or $32,000 (dependent student's own income of $4,510).

Figure 3. Dependent Student at 4-Year Public College, 1998-1999 (student has $3,720 in income of his or her own)

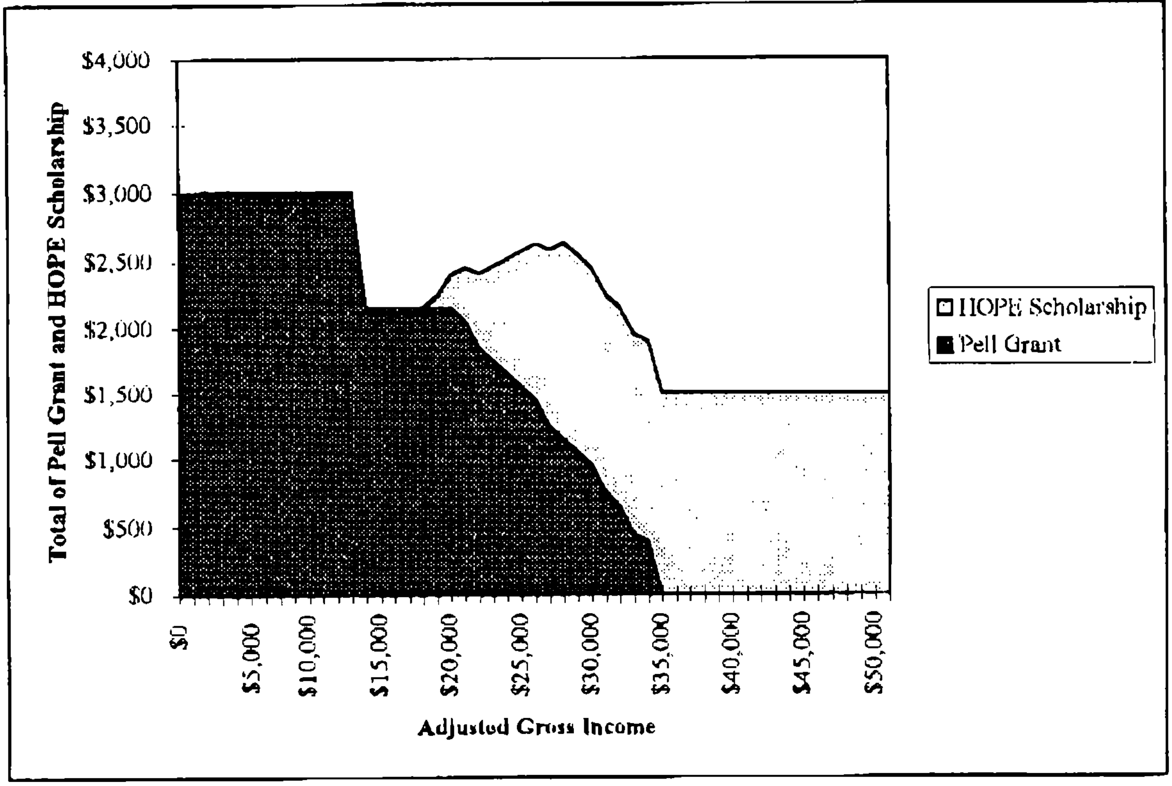
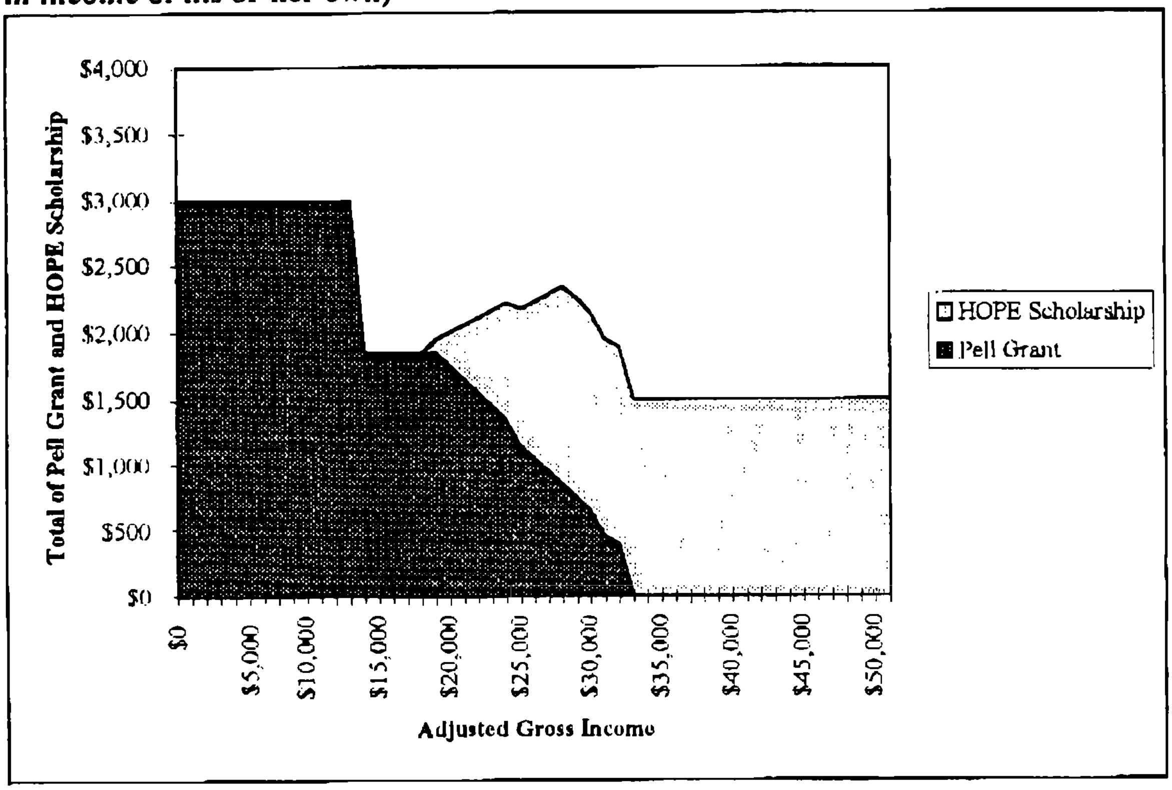


Figure 4. Dependent Student at 4-Year Public College, 1998-1999 (student has $4,510 in income of his or her own)



I hope this memorandum will meet your needs.

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): 456 2223

Comments:

I put together the 1st table

FILLING THE STUDENT AID GAP:
Pell Grants for Independent Students without Children

What is the problem? Under the current student aid formula, some adult students (those who are over 24 or veterans, and are either single or married without dependent children) can be quite poor but still not eligible for a Pell Grant. This result is due to a change in the 1992 reauthorization of the Higher Education Act that everyone involved now agrees went too far in restricting the independent student eligibility for aid. The current formula protects only $3,000 of a single independent student's income before assuming that a substantial portion can be used for college expenses (this "Income Protection Allowance" or IPA is $6,000 for a married couple without children, if one is going to college, and $3,000 if both are going to college). Under the current formula, even with a $3,000 maximum grant:

- A single, minimum wage worker ($11,000/year), age 26, receives **no** Pell Grant.
- A married student whose family income is only $14,000 receives **no** Pell Grant.

How many people are affected? The low IPAs for these categories of students both result in lower Pell Grants for some of the poorest students, and no Pell Grant for many others (like the above examples). More than half a million current students are short-changed by the current policy (a portion of the 673,000 current recipients, and 218,000 more independent students who would become newly eligible under the Administration's proposal).

But won't they receive the HOPE Scholarship? They will be eligible for little or no HOPE Scholarship because their income is so low that they do not pay enough taxes to be able to benefit substantially from a tax credit.

Why fix it now? The historic education tax cuts and increases in Pell Grants open the doors of college to virtually all lower and middle income individuals . . . *except to this group*. The Administration recognized this problem, proposed to fix it, and fought to include it in the Budget Agreement. ***This is a major category of students who will not be able to enjoy a $1,500 benefit from either HOPE or Pell.*** The job of opening the doors of college to all must be finished by ensuring that the needs of a whole category of students are not ignored.

How much help do they need? The goal of the Administration's plan (increasing to IPAs of $9,150/$12,030/$9,890) is to ensure that all low-income students, through HOPE, Pell, or a combination of both, would be eligible for at least $1,500. The Administration plan is almost precisely what is needed to accomplish that goal for the single independent student and a married student whose spouse is not in school. It doesn't go far enough for those couples where both are in college. There is *no* extra room: lower IPAs simply move these students further from the goal of at least $1,500 in aid that has been set out for virtually all other lower and middle income students.

Income Protection Allowance (single/married/married with both in college)	Minimum HOPE + Pell (goal is $1,500/$1,500/$1,500)	Number of new recipients	Additional Cost
$9,150/$12,030/$9,890	$1,500/$1,425/$1,100	218,000	$725 million
$8,000/$11,000/$8,000	$1,500/$1,275/$850	192,000	$628 million
$7,000/$10,000/$7,000	$1,358/$975/$750	163,000	$528 million
$5,500/$8,500/$5,500	$1,058/$675/$625	109,000	$355 million

Current IPA	Minimum HOPE + Pell	Number of recipients	Baseline Cost
$3,000/$6,000/$3,000	$608/$225/$400	673,000	$1,155 million

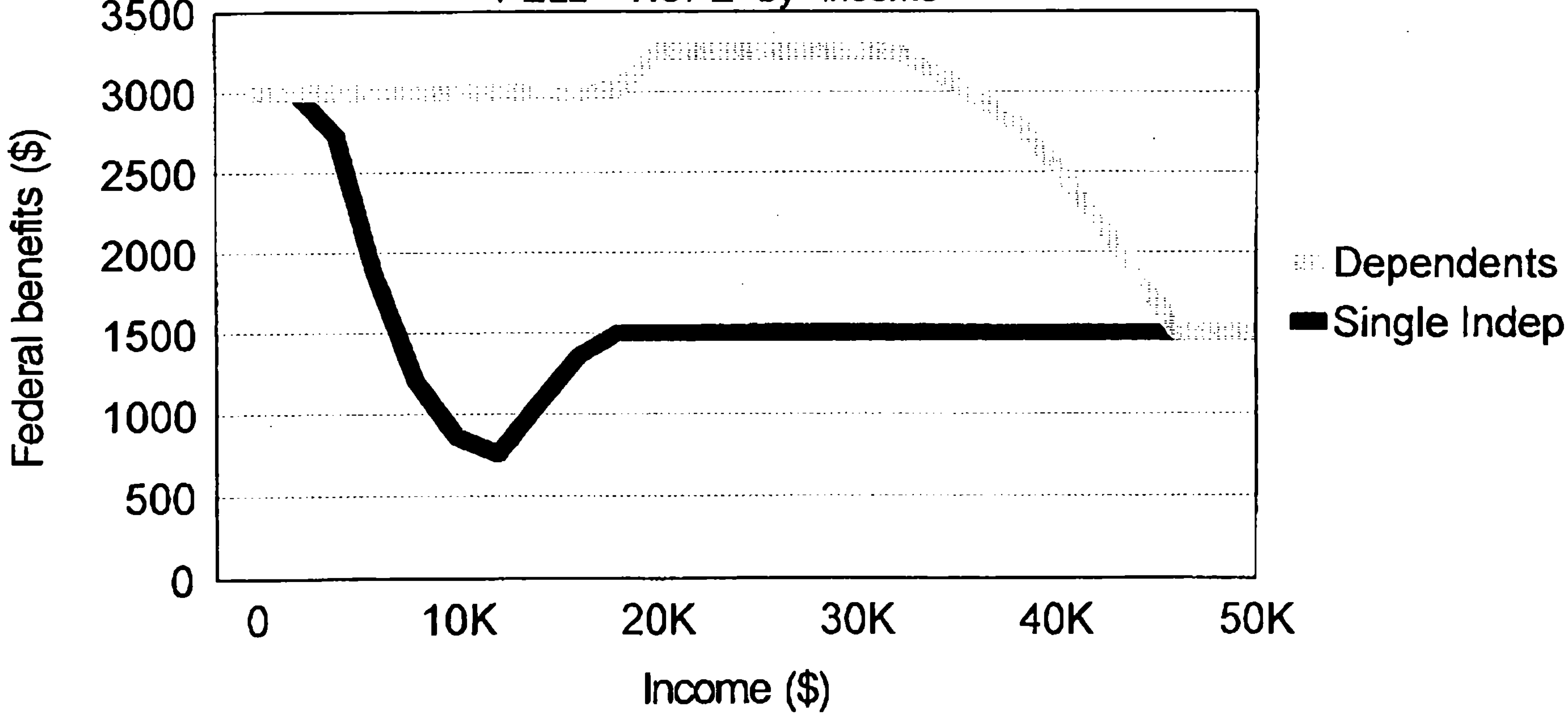
What about dependent student earnings? Another group that some have suggested are at risk of being left out are poor families in which a dependent student has earnings (such as from a summer job). The current formula only protects $1,750 of dependent student's earnings, which means that his or her eligibility 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 $350 million.

The Gap ˉn Pe Grants for ndependent Students and HOPE Scholarships

Effect of Current Income Protection Allowance:

Single Independent Students without children vs. Dependent Students

PELL + HOPE by Income



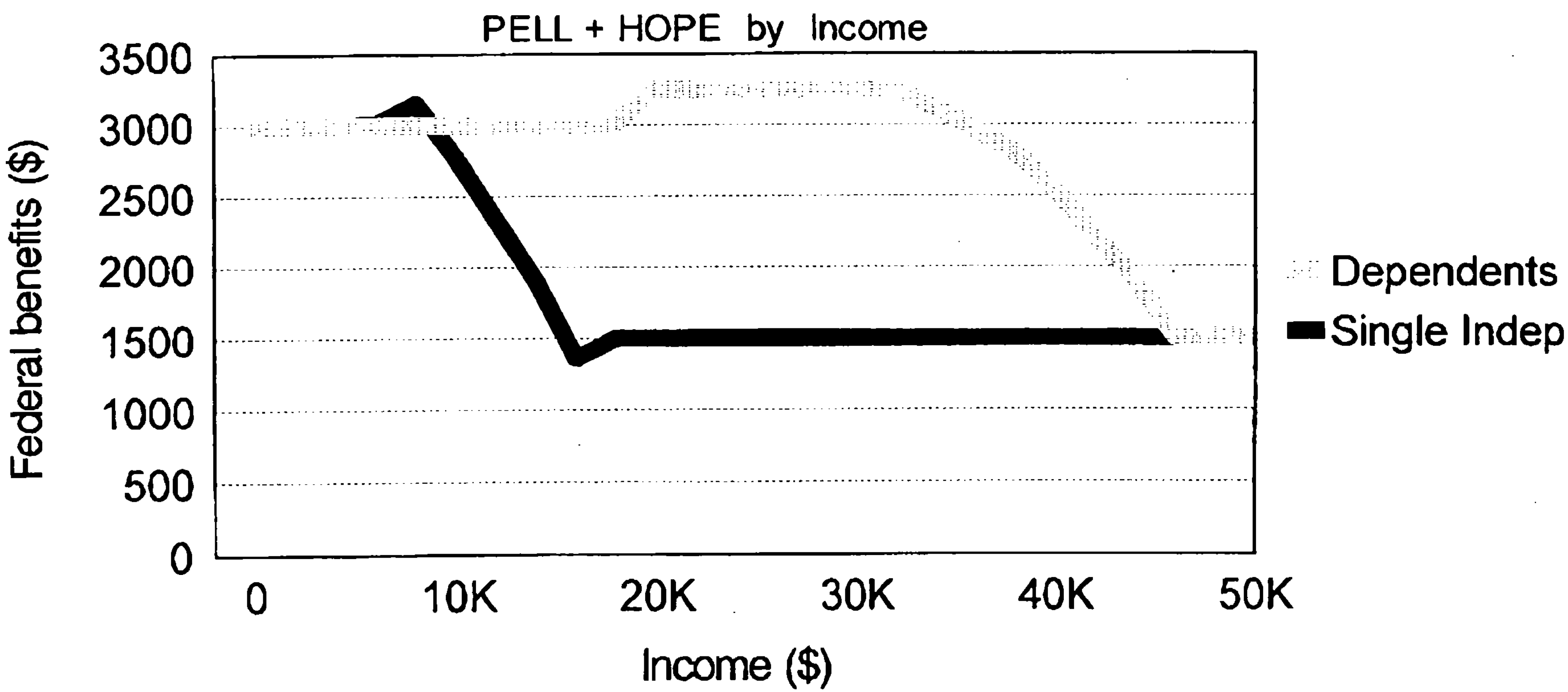
Current IPA: $1,750 for Dependents and $3,000 for Independent s without children

Proposed $3,000 max imum Pell

Dependent s: Family of four - Both parents working, One in college; Student earnings = $2,000

Fixing the gap ˉn Pe G 'ants for ndependent Students with $528 million

Single Independent Students without children at Altemative Income Protection Allownance
vs.
Dependent Students at Current Incom Protection Allowance



Current IPA: $1,750 for Dependents and $7,00 for Independents without children

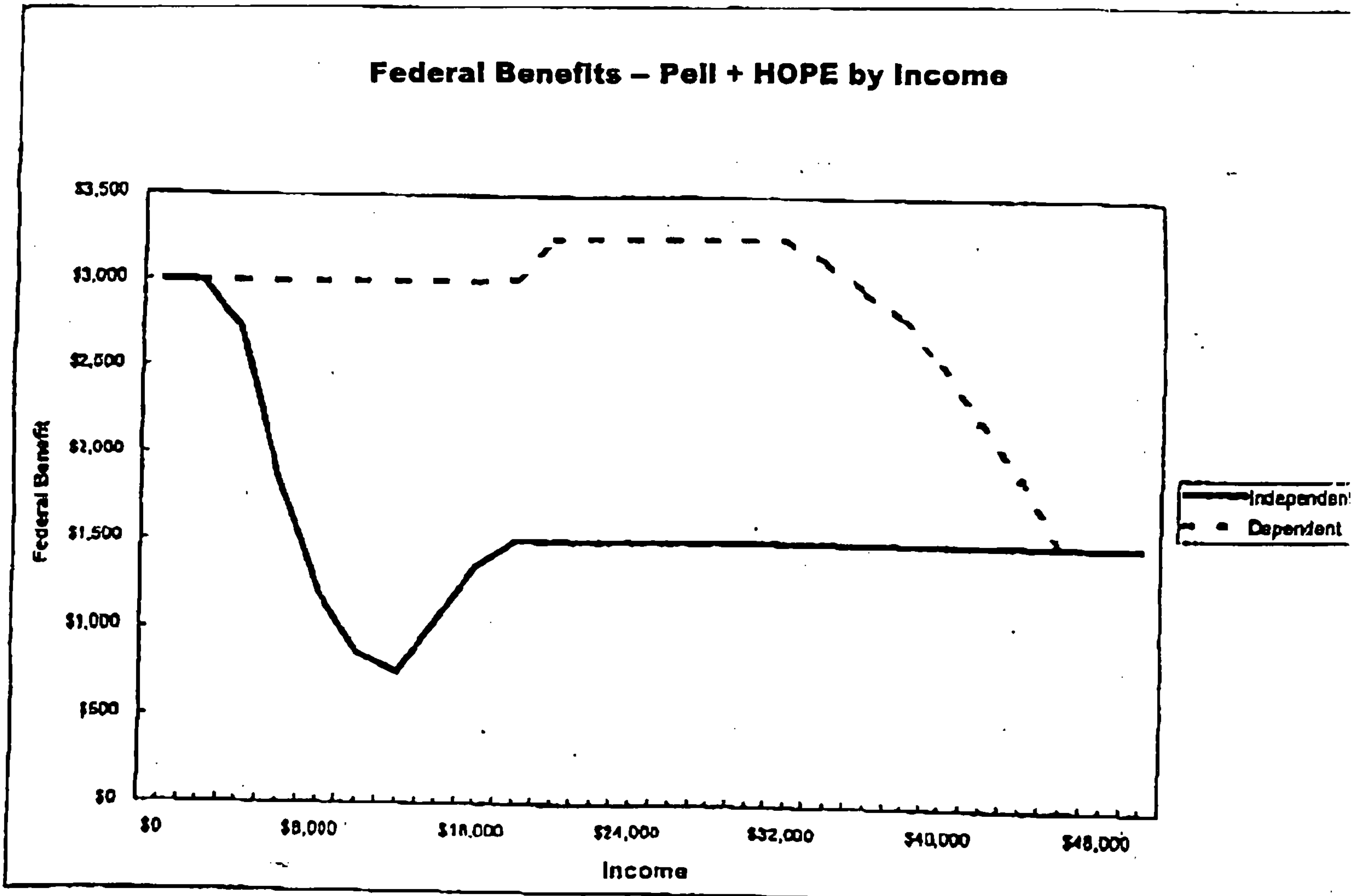
Proposed $3,000 maximum Pell

Dependents: Family of four - Both parents working, One in college; Student earnings = $2,000

The GAP in Pell Grants for Independent Students and HOPE Scholarships

CURRENT LAW

Effect of Current Income Protection Allowance: Single Independent students without children vs. Dependent Students

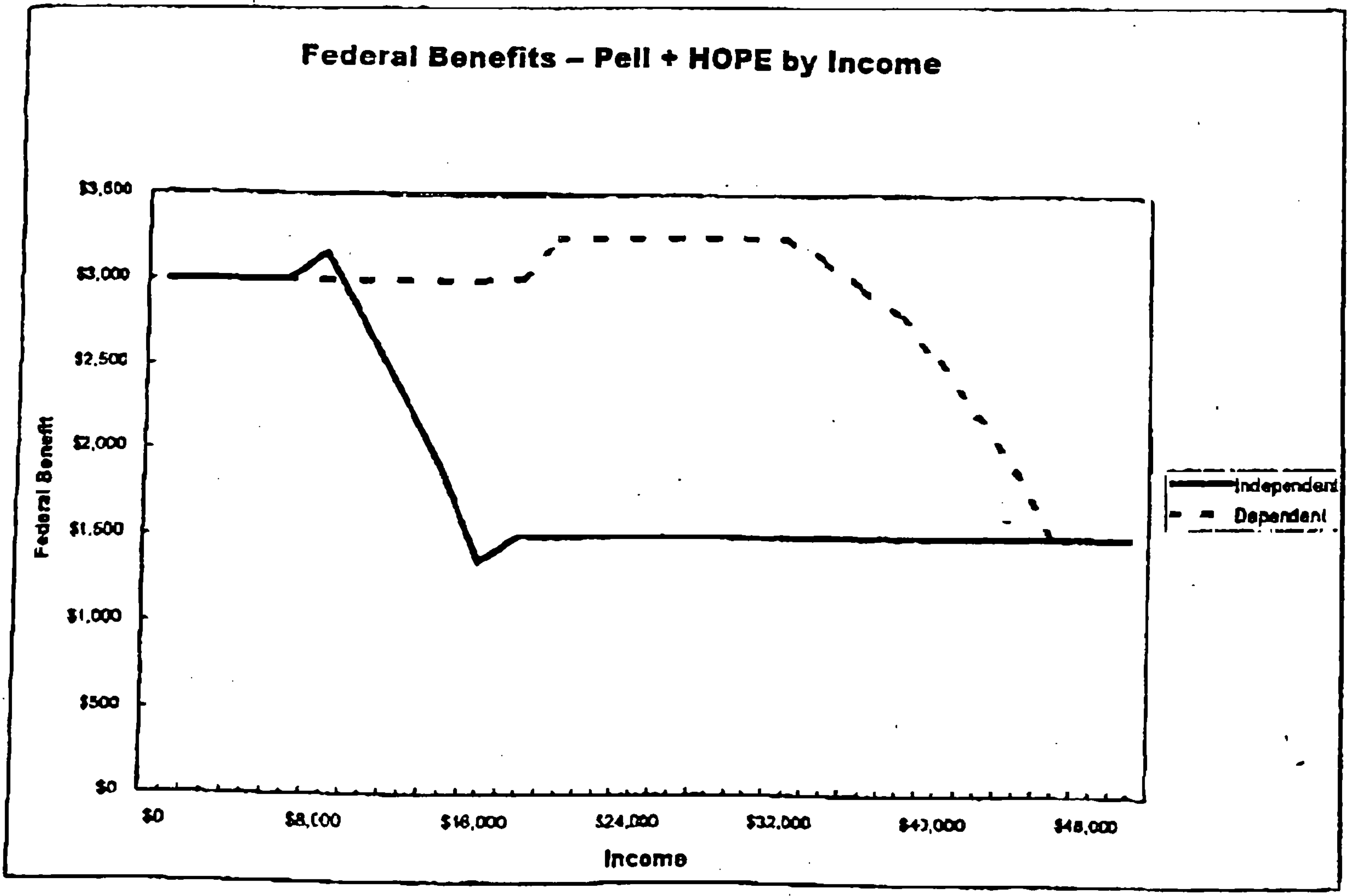


* Current law IPA; $1,750 for Dependents and $3,000 for Independents without children
Proposed $3,000 maximum Pell

Dependent Student: Family of four, both parents working, one in college, no assets, student earnings = $2,000

Fixing the gap in Pell Grants for Independent Students with $528 million

Single Independent students without children at Alterantive Income Protection Allowance vs. Dependent Students at Current Income Protection Allowance



* IPA: Current law for dependents ($1,750). alternative ($7,000) for independents
Proposed $3,000 maximum Pell

Dependent Student: Family of four, both parents working, one in college, no assets, student earnings = $2,000

United States Senate

WASHINGTON, DC 20510

September 15, 1997

The Honorable Arlen Specter
Chairman, Subcommittee on
Labor, Health and Human Services,
and Education
184 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Tom Harkin
Ranking Member, Subcommittee on
Labor, Health and Human Services,
and Education
123 Hart Senate Office Building
Washington, DC 20510

Dear Arlen and Tom:

While we understand that you must balance competing demands with limited resources, we respectfully write to request that the Senate recede to the House and provide at least $528 million in an income protection allowance adjustment in the Pell Grant program during conference deliberations on the FY 1998 Labor, Health and Human Services, and Education Appropriations bill.

We appreciate your leadership in increasing the Pell Grant maximum award from the current $2,700 to $3,000. Enactment of this increase in conjunction with funding to restore Pell Grant eligibility for certain students would be an historic moment on behalf of our nation's neediest students, especially when considering that the average family income of a Pell Grant recipient is $12,875.

As you know, the 1992 amendments to the Higher Education Act contained numerous changes to the need analysis system used to determine eligibility for federal student aid. Two groups of Pell recipients -- independent students without children and dependent students who work -- were adversely affected by these changes. In fact, in 1993-94, the year the 1992 reauthorization went into effect, the number of single independent Pell Grant recipients declined by approximately 274,000 individuals or 27 percent. This number held true in Pennsylvania where 9,000 students (27 percent) lost their eligibility to receive Pell Grants, as well as in Iowa where 4,247 (35 percent) lost their eligibility.

In their July 21, 1997 letter to you, Senate Labor Committee Chairman Jeffords and Ranking Member Kennedy indicated their support for funding the Pell Grant restoration to its previous level and stated that they would "work to ensure that our Committee makes the necessary changes to authorize this increase in assistance for these students."

Again, we want to thank you for your continued support for the Pell Grant program and our nation's students, and urge that the Senate recede to the House and provide for an income protection allowance adjustment in the Pell Grant program.

Sincerely,

Paul Wellstone

Jack Reed

Kit Bond

Chuck Robb

Carol Moseley-Braun

Susan Collins

John H. Chafee

Bill Frist

S. A. Noe

09/24/97 01:47:17 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

A rule of thumb --
$50 million for a $250 increase for Dependent students. (The current IPA for dependent students is $1,750.)

United States Senate

WASHINGTON, DC 20510

September 15, 1997

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Chairman, Subcommittee on
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Olympia Snowe
Ted Kennedy
[illegible]
[illegible]
[illegible]
Dick Durbin
Jack Reed
Barbara A. Mikulski
Susan Collins
Bill Frist

Paul Wellstone
Herb Kohl
Byron L. Dorgan
Chris Dodd
Kit Bond
Chuck Robb
Carol Moseley-Braun
Daniel K. Akaka
John H. Chafee

FAX COVER

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

TO: Bob Shireman

FAX NUMBER:

FROM: Arnie

DATE: **TIME:**

NUMBER OF PAGES: Cover + 8

Notes:

Complete package on Pell
One graphic set ~~that~~ Barry likes will
be included.

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

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ROUTING AND TRANSMITTAL SLIP Date 9-25-97

TO: *(Name, office symbol, room number, building, Agency/Post)*	Initials	Date
1. Bob Shireman		
2.		
3.		
4.		
5.		

	Action		File		Note and Return
	Approval		For Clearance		Per Conversation
	As Requested		For Correction		Prepare Reply
	Circulate		For Your Information		See Me
	Comment		Investigate		Signature
	Coordination		Justify		

REMARKS

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: *(Name, org. symbol, Agency/Post)*	Room No.—Bldg.
Tom Skelly	Phone No.

5041-102 ☆U.S. GPO: 1990-2?4-313 **OPTIONAL FORM 41 (Rev. 7-76)**
Prescribed by GSA
FPMR (41 CFR) 101-11.206

UNITED STATES DEPARTMENT OF EDUCATION

THE DEPUTY SECRETARY

September 25, 1997

Honorable Arlen Specter
Chairman, Subcommittee on Labor,
Health and Human Services, and
Education Appropriations
United States Senate
Washington, DC 20510

Dear Senator Specter:

I understand that there is some confusion about the current Pell Grant estimates and our ability to support the $3,000 maximum Pell Grant for school year 1998-1999 with the budget authority requested by the President and in both House and Senate bills for this purpose.

I want to assure you that given the estimates of the cost of the 1998-1999 school year program which we now have and have reason to believe we will have in February 1998 (when the 1998-1999 program year award schedule is released), the Secretary will not use the appropriation bill authority to reduce awards. The current estimates and what we expect by February are well within the range of previous estimates for the program and are in no way a cause for concern about the award schedule.

I share completely your concern that we not under-fund Pell Grants and build up a significant shortfall that we would have to retire next year with extra budget authority. This Administration inherited a situation like that upon taking office and does not want to see it repeated. I am convinced that we are not in that situation. It may help to put this issue in some perspective.

The Pell Grant program provides awards to students based on the combination of the rules in the Higher Education Act and any changes to those rules -- e.g., to set the maximum award -- enacted in the annual appropriation act. We estimate the cost of each year's program based on what we know of these rules (or are proposing for law changes) and the data we have at a point in time on past recipients and awards. It is impossible in this program to know with certainty exactly how much money will be needed for the budget year. The law recognizes this reality by allowing funds for a subsequent program year to be used, if necessary, to finance part of a current program year. The alternative to this flexibility would be to initiate award cuts in the February before the July 1 start of the program that could well turn out to have been unnecessary when later data become available. I am sure you share our commitment not to cause students to get less than the award they are eligible for, just because there may have been a relatively small difference between the cost estimate in the budget and the cost estimate at a later point in time.

We are working hard to refine the estimating techniques used for Pell, but neither I nor OMB, nor any other analyst can say with certainty that a relatively small estimated shortfall -- i.e., in the neighborhood of $300 million or less than 2 percent on a base of the $20 billion spent on Pell Grants over three years -- will actually materialize.

We are monitoring this issue closely. We will not support an unacceptable deficit or insufficiency in the program, but neither will we reduce awards when the estimates are well within the range of acceptability in this complex estimating context.

Please feel free to contact me or my staff with any questions.

Sincerely,

Marshall S. Smith

Marshall S. Smith
Acting

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THE DEPUTY SECRETARY

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Education Appropriations
House of Representatives
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Please feel free to contact me or my staff with any questions.

Sincerely,

Marshall S. Smith

Marshall S. Smith
Acting

UNITED STATES DEPARTMENT OF EDUCATION

THE DEPUTY SECRETARY

September 25, 1997

Honorable David R. Obey
Subcommittee on Labor, Health
and Human Services, and
Education Appropriations
House of Representatives
Washington, DC 20515

Dear Mr. Obey:

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Acting

FAX COVER

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

TO: Bob Shireman

FAX NUMBER:

FROM: [illegible]

DATE: **TIME:**

NUMBER OF PAGES: Cover + 2

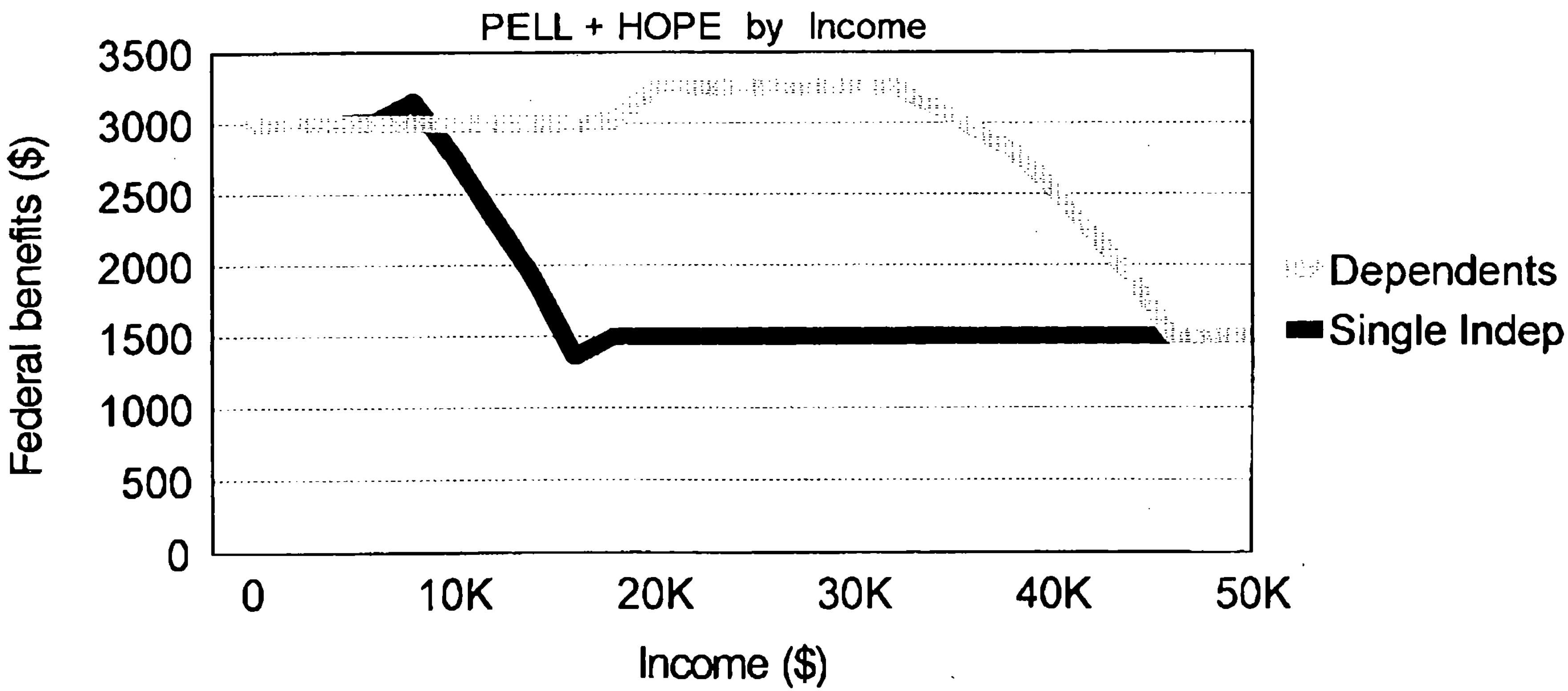
Notes: My Graphic Work

We are thinking of including just these two graphs.

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

F̄x̄ng the gap ̄n Pe Grants for ndependent Students and HOPE Scholarships

Single Independent Students without children at Altemative Income Protection Allownance
vs.
Dependent Students at Current Incom Protection Allowance



Current IPA: $1,750 for Dependents and $7,00 for Independents without children

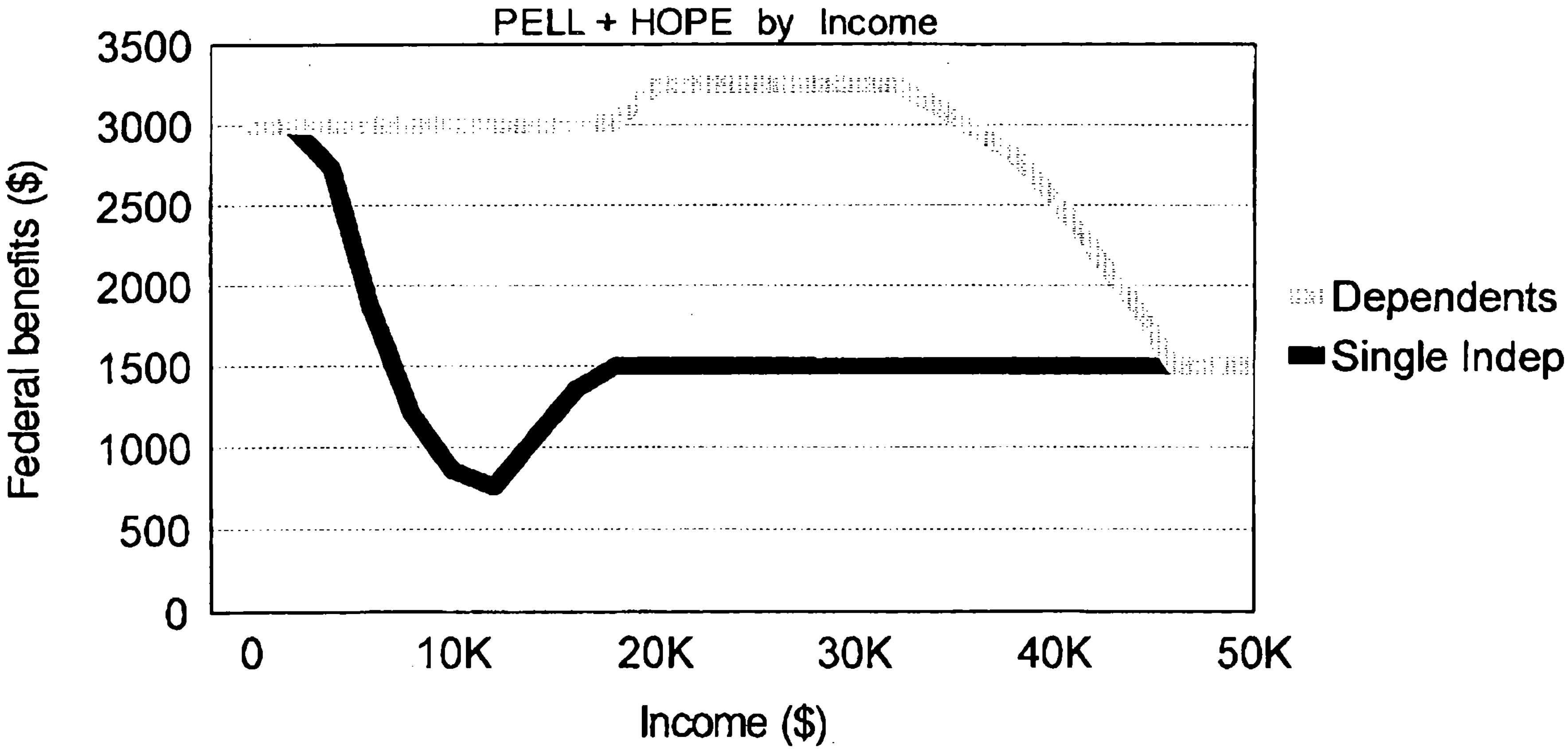
Proposed $3,000 max imum Pell

Dependents: Family of four - Both parents working, One in college; Student eamings = $2,000

The Gap ˉn Pe G 'ants for ndependent Students and HOPE Scholarships

Effect of Current Income Protection Allowance:

Single Independent Students without children vs. Dependent Students



Current IPA: $1,750 for Dependents and $3,000 for Independent s without children

Proposed $3,000 max imum Pell

Dependent s: Family of four - Both parents working, One in college; Student earnings = $2,000

FILLING THE STUDENT AID GAP:
Pell Grants for Independent Students without Children

What is the problem? Under the current student aid formula, some adult students (those who are over 24 or veterans, and are either single or married without dependent children) can be quite poor but still not eligible for a Pell Grant. A formula enacted in 1992 protects only a small amount of a single independent student's income (known as the Income Protection Allowance, or IPA) before assuming that a substantial portion can be used for college expenses. Under the current formula, even with a $3,000 maximum grant:

- A single, minimum wage worker ($11,000/year), age 26, receives **no** Pell Grant.

- A married student whose family income is only $14,000 receives **no** Pell Grant.

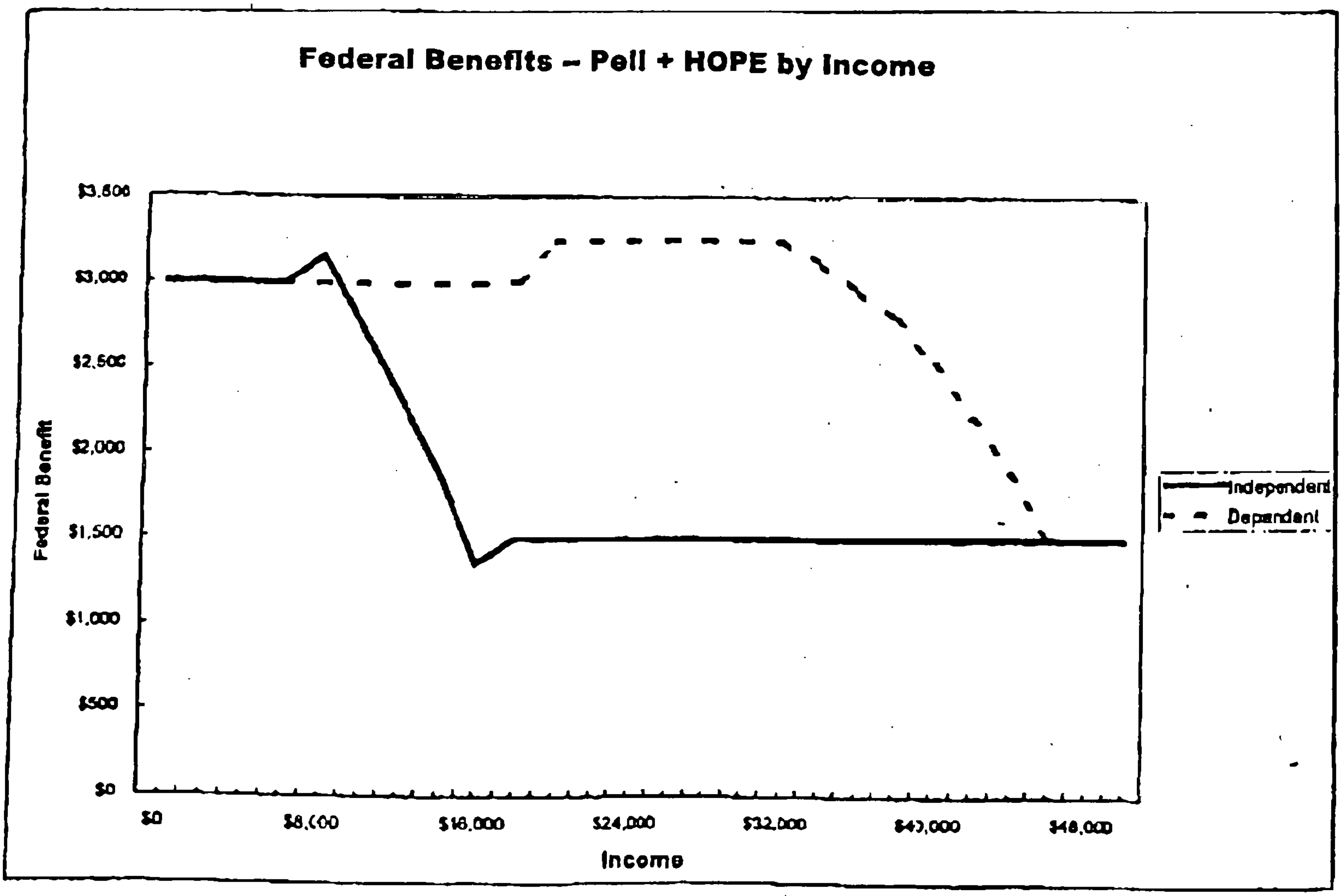
How many people are affected? The low IPAs for these categories of students both result in lower Pell Grants for some of the poorest students, and no Pell Grant at all for many others (like the above examples). More than half a million students are short-changed by the current policy (395,000 students who would receive a partial grant under the current formula, and 223,000 more independent students who would become newly eligible under the Administration's proposal, for a total of 618,000).

But won't they receive the HOPE Scholarship? They will be eligible for little or no HOPE Scholarship because their income is so low that they do not pay enough taxes to be able to benefit substantially from a tax credit.

Why fix it now? The historic education tax cuts and increases in Pell Grants open the doors of college to virtually all lower and middle income individuals . . . *except to this group*. The Administration recognized this problem, proposed to fix it, and fought to include it in the Budget Agreement. ***This is a major category of students who will not be able to enjoy a significant benefit from either HOPE or Pell.*** The goal of the Administration's plan is to ensure that all low-income students, through HOPE, Pell, or a combination of both, would be eligible for at least $1,500. The job of opening the doors of college to all must be finished by ensuring that the needs of a whole category of students are not ignored.

Fixing the gap in Pell Grants for Independent Students with $528 million

Single Independent students without children at Alterantive Income Protection Allowance vs. Dependent Students at Current Income Protection Allowance



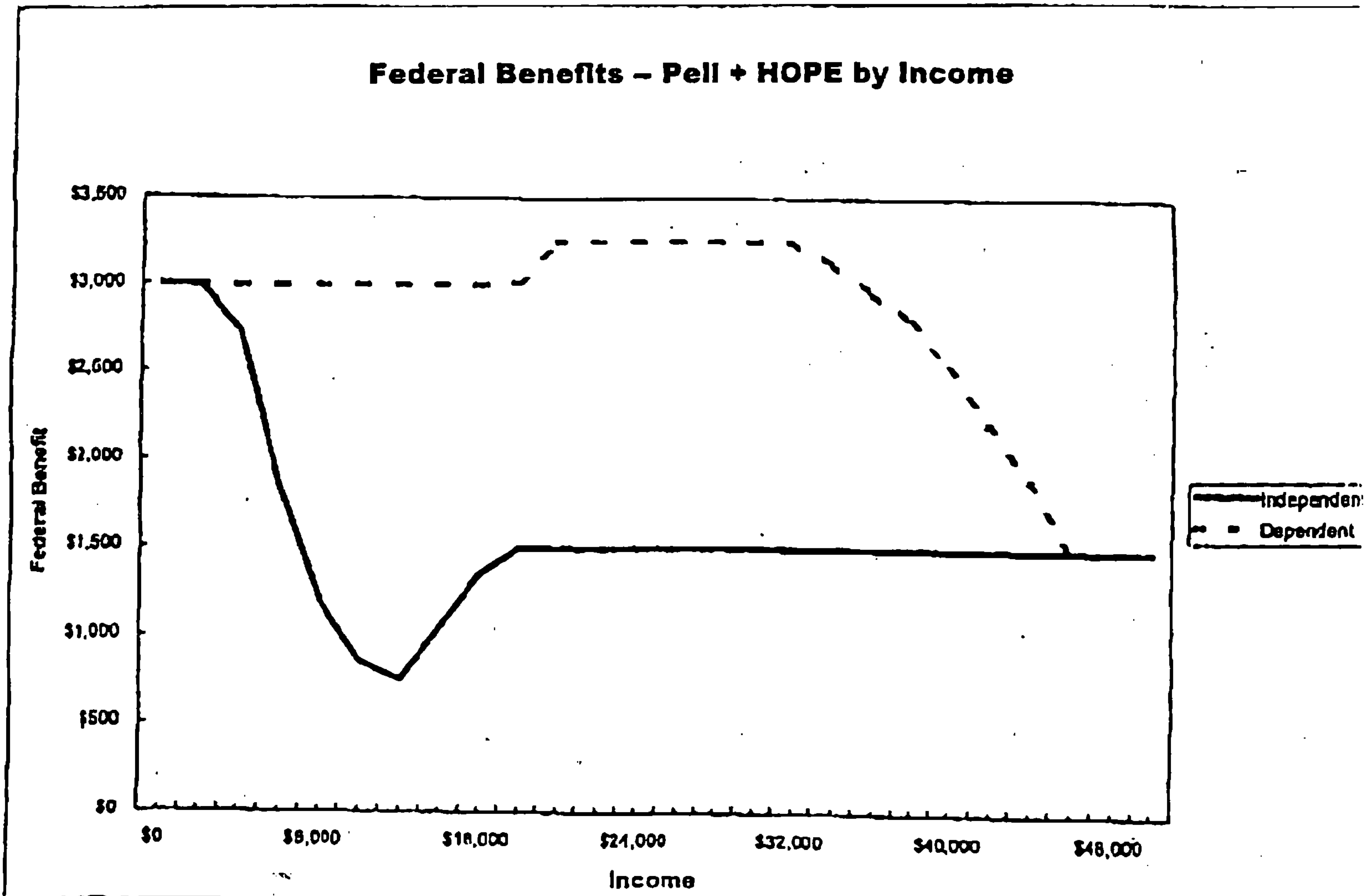
* IPA: Current law for dependents ($1,750), alternative ($7,000) for independents
Proposed $3,000 maximum Pell

Dependent Student: Family of four, both parents working, one in college, no assets, student earnings = $2,000

The GAP in Pell Grants for Independent Students and HOPE Scholarships

CURRENT LAW

Effect of Current Income Protection Allowance: Single Independent students without children vs. Dependent Students



* Current law IPA; $1,750 for Dependents and $3,000 for Independents without children
  Proposed $3,000 maximum Pell

Dependent Student: Family of four, both parents working, one in college, no assets, student earnings = $2,000

FAX COVER

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

TO: Bob Shireman

FAX NUMBER:

FROM: [illegible]

DATE: **TIME:**

NUMBER OF PAGES: Cover + 2

Notes:
We are thinking of including just these two graphs.

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

Dan_Madzelan @ ed.gov
09/26/97 11:33:00 AM

Record Type: Record

To: Robert M. Shireman

cc:
Subject: Re: URGENT

Bob...

I've FAXed Aromie the 2 graphs.

Also, if you haven't already gotten the info re yesterday's phone request:

Total kid-free independent Pell recips = 903,000 (MSR estimate)
Recall our FY 98 policy adds 223,000, so the current count is 680,000
Of these, 285,000 have an EFC = 0.

DanM

680,000
-285,000
395,000
+223,000
618,000

______ Reply Separator ______
Subject: URGENT
Author: Robert_M._Shireman@oa.eop.gov at Internet
Date: 9/26/97 7:21 AM

Message Creation Date was at 26-SEP-1997 07:21:00

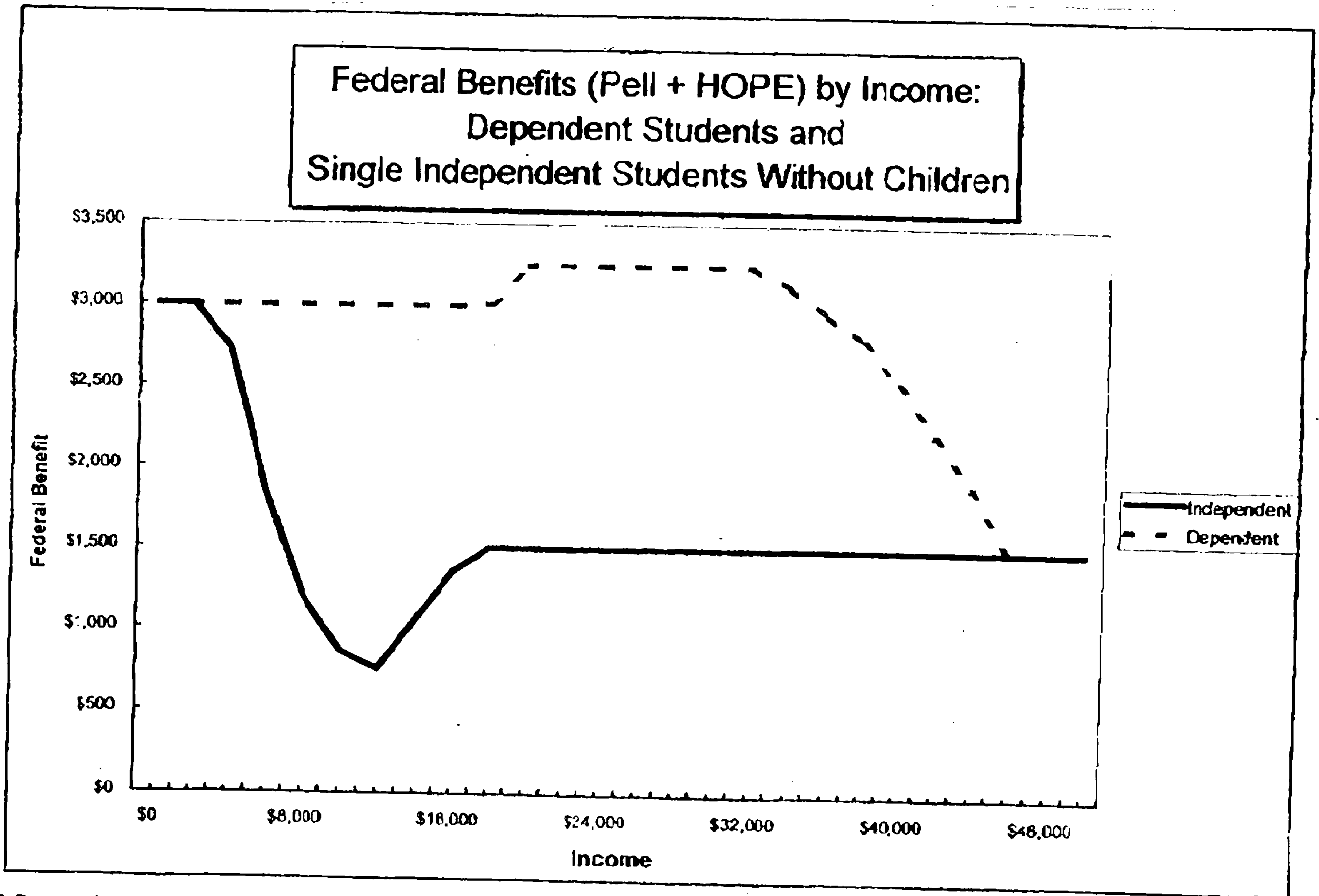
Aromie has alerted Dan's staff to this, but I wanted to underline the need to have this as early as possible. It shouldn't take very long to get the numbers we need.

All we need are two graphs. One would chart the total federal aid (Pell and HOPE) for an independent student (I'd pick single). It would start at $3,000, then dip down to $600 as income increases, then go back up to $1500 as tax liability is available for the credit. This shows "the gap" that needs to be filled. It's the numbers we already have.

The other would be a dependent student. This would show a somewhat smooth downward projection from $3000, leveling out at $1500. This is just an example, we don't need to show every possible iteration.

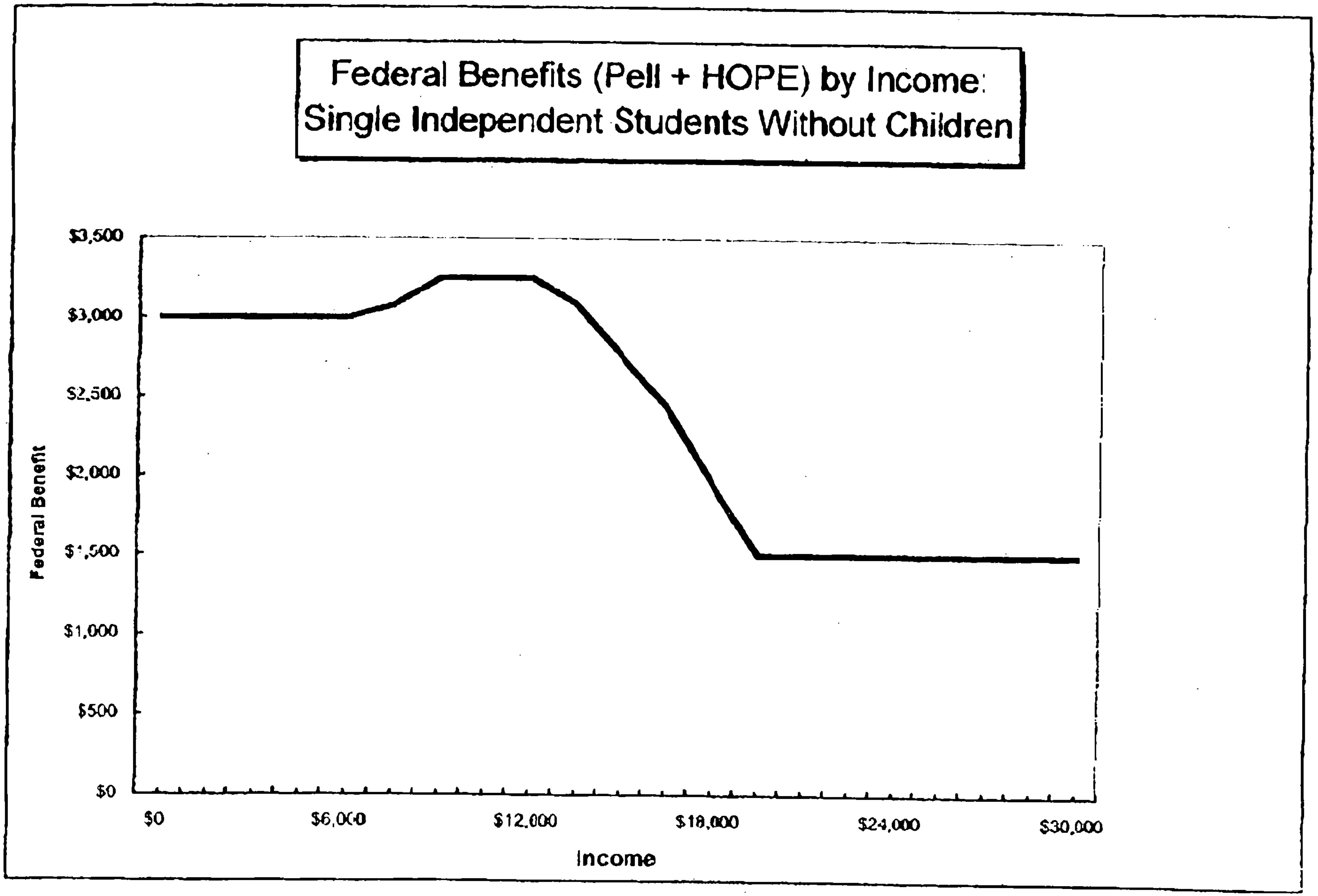
Aromie: You should perhaps plug in the numbers we already have, so Dan can focus on just getting us the numbers for the second one. Then we can just plug the graphs into the document.

CURRENT LAW IPA



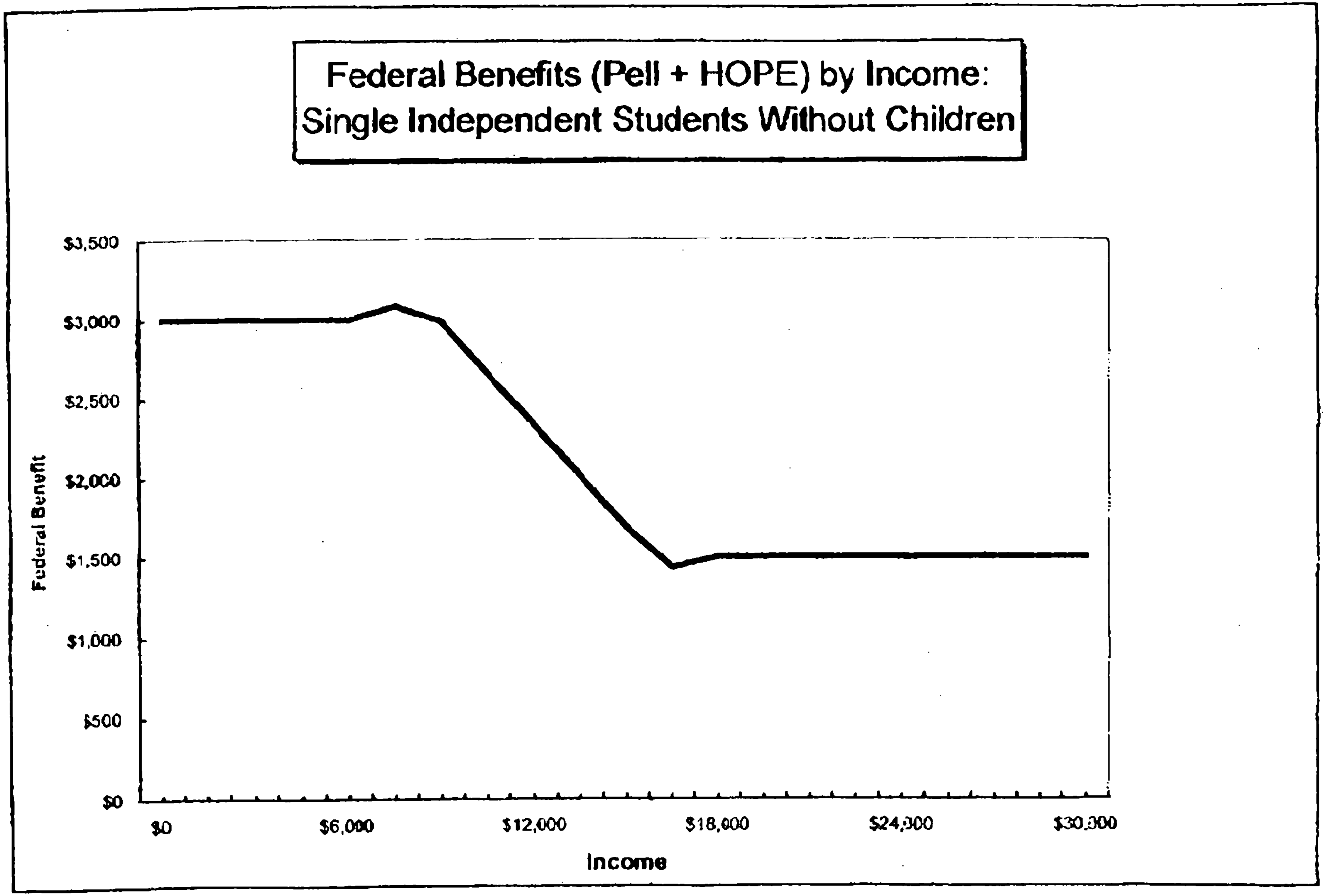
* Current law IPA;
Proposed $3,000 maximum Pell

PRESIDENT'S PROPOSAL -- $9,150 IPA



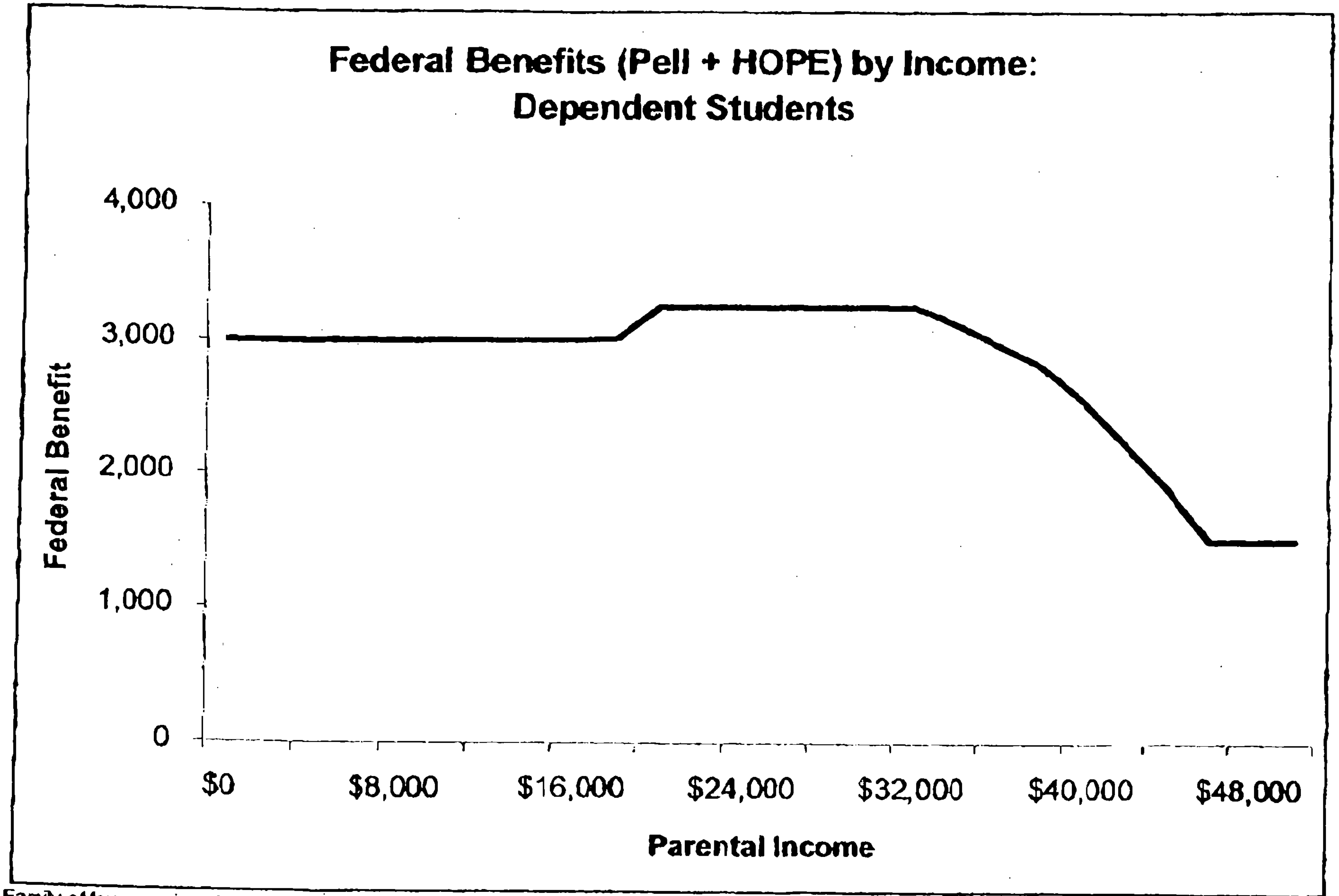
* FY 1998 Proposed $9,150 IPA;
Proposed $3,000 maximum Pell

ALTERNATIVE PROPOSAL -- $7,000 IPA



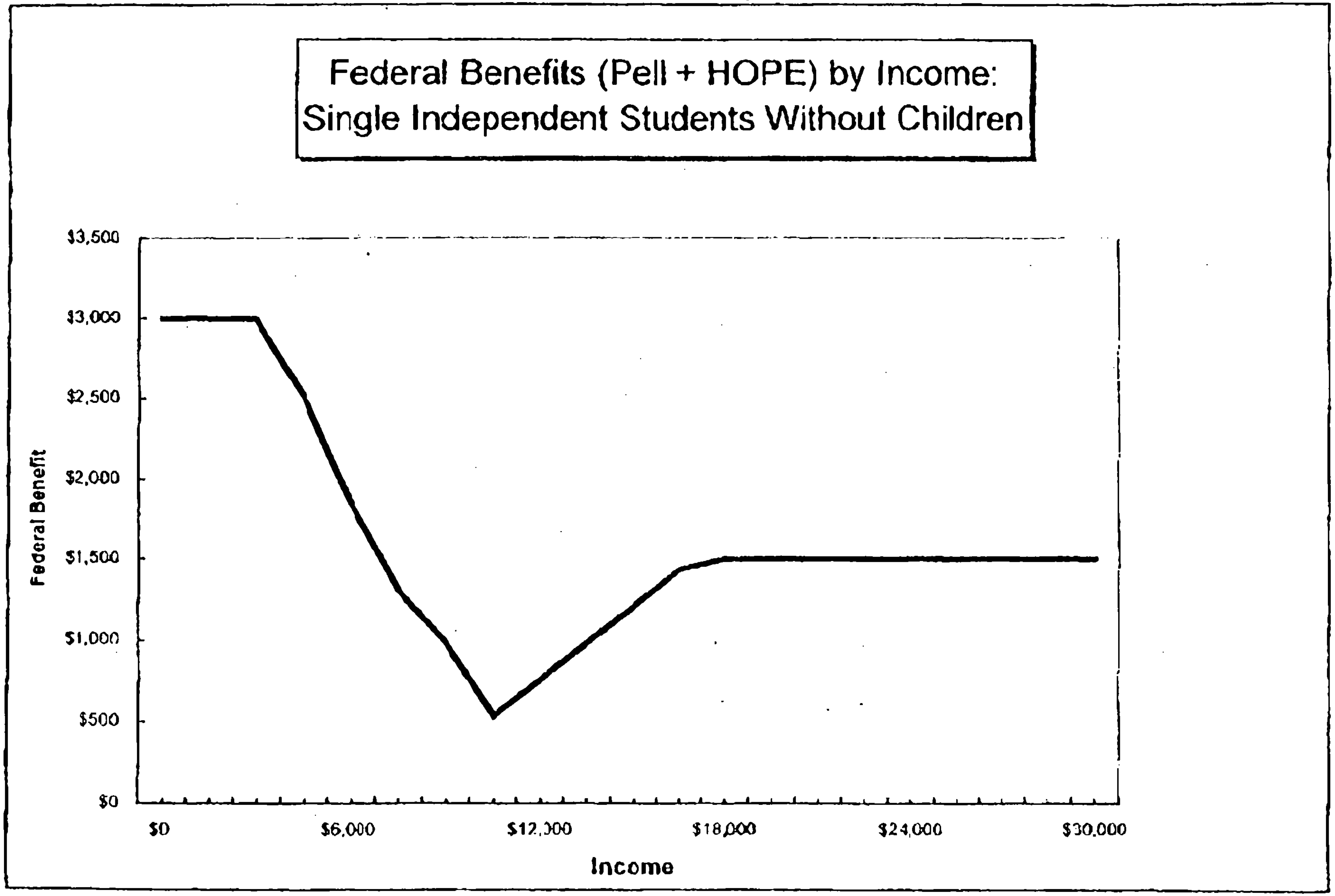
* FY 1998 Alternative: $7,000 IPA;
Propcsed $3,000 maximum Pell

CURRENT LAW -- $1,750 IPA



Family of four, one in college
Current law dependent student IPA
Student earnings = $2,000

CURRENT LAW -- $3,000 IPA



* Current law $3,000 IPA;
Proposed $3,000 maximum Pell

FAX COVER

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

TO: Bob

FAX NUMBER:

FROM: [illegible]

DATE: **TIME:**

NUMBER OF PAGES: Cover + 5

Notes: Call Pam M. if you want to change anything.

(I am also working on these in Harvard graphics to see whether we can make prettier graphs.)

[illegible]

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

UNITED STATES DEPARTMENT OF EDUCATION

THE DEPUTY SECRETARY

September 25, 1997

Honorable Arlen Specter
Chairman, Subcommittee on Labor,
Health and Human Services, and
Education Appropriations
United States Senate
Washington, DC 20510

Dear Senator Specter:

I understand that there is some confusion about the current Pell Grant estimates and our ability to support the $3,000 maximum Pell Grant for school year 1998-1999 with the budget authority requested by the President and in both House and Senate bills for this purpose.

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Please feel free to contact me or my staff with any questions.

Sincerely,

Marshall S. Smith

Marshall S. Smith
Acting

UNITED STATES DEPARTMENT OF EDUCATION

THE DEPUTY SECRETARY

September 25, 1997

Honorable Tom Harkin
Subcommittee on Labor, Health
and Human Services, and
Education Appropriations
United States Senate
Washington, DC 20510

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UNITED STATES DEPARTMENT OF EDUCATION

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September 25, 1997

Honorable John E. Porter
Chairman, Subcommittee on Labor,
Health and Human Services, and
Education Appropriations
House of Representatives
Washington, DC 20515

Dear Mr. Porter:

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House of Representatives
Washington, DC 20515

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Acting

UNITED STATES DEPARTMENT OF EDUCATION

THE DEPUTY SECRETARY

September 25, 1997

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Chairman, Subcommittee on Labor,
Health and Human Services, and
Education Appropriations
United States Senate
Washington, DC 20510

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Sincerely,

Marshall S. Smith

Marshall S. Smith
Acting

AMERICAN COUNCIL ON EDUCATION

Division of Governmental Relations

June 25, 1997

Dear Representative:

The higher education associations listed below represent the nation's 3,600 two- and four-year colleges and research universities and the 15 million students they enroll. We commend the members of the subcommittee for recognizing that investments in student aid and biomedical research contribute to a more knowledgeable, healthier, and stronger nation. We appreciate past efforts by the subcommittee to facilitate access to a college education and to ensure progress in scientific research, and we urge you to continue these commitments in developing the FY98 Labor-HHS-Education appropriation bill.

Over the past few years, nearly two dozen higher education programs have been eliminated, and many more have been cut severely. Of the remaining programs, we place great value on those described below, with the federal student aid programs authorized by the Higher Education Act claiming our highest collective priority. We ask you to consider the following recommendations:

We urge you to adopt the Administration's budget request for a $1.7 billion increase for the Pell Grant program. Growth in the maximum Pell Grant is an essential component of a comprehensive public policy strategy to facilitate college attendance by students in all income ranges. We are grateful for the increase that you provided last year, and we urge you to increase the award to $3,000 for FY98. Furthermore, we urge you to approve the President's request to adopt notwithstanding language that would reinstate eligibility for students who lost their access to Pell during the 1992 reauthorization. Instead of the formulation presented in the President's budget, however, 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 independent students without dependents from $6,000 to $9,000. In addition, and still comfortably within the $725 million request, we recommend raising the dependent student earning allowance from the current level of $1,750 to a more reasonable $4,200. Such a change would reward students from low-income families who work. We would be pleased to supply legislative language to achieve these changes.

A second area that we believe merits increased funding is campus-based student financial assistance (Supplemental Educational Opportunity Grants, Federal Work Study, Perkins Loans). These programs have been invaluable in helping to cushion the declining purchasing power of Pell Grants. Each of these programs plays a distinctive and important role, but we would like to highlight the SEOG program as a particularly efficient way to boost grant aid for some of our nation's neediest students. We recommend a $100 million increase for SEOGs, as was proposed by Senators Lott and Specter in last year's budget negotiations. The program has been level funded since 1992. We also ask you to accept the President's proposal to increase FY 1998 funding for the Federal Work-Study program by $27 million to $857 million. We urge you to continue support for the much-needed Perkins Loan program, which provides less expensive loans for low-income students who have considerable need.

We vigorously oppose the Administration's proposed elimination of the State Student Incentive Grant (SSIG) program, and we urge you to maintain this program at least at its FY97 level of $50 million.

In regard to federal student loan administration, we urge you to allocate sufficient funds to permit the Department of Education to properly and effectively oversee and administer both the guaranteed student loan program and the direct student loan program in accordance with statutory authority.

We also strongly support the TRIO programs, and urge you to provide an increase for them. Currently, fewer than 5 percent of those eligible for services are able to receive the support from these programs that vastly improve a disadvantaged youth's prospects for attaining a college degree.

We urge the subcommittee to provide sufficient FY98 funding for Graduate Assistance in Areas of National Need (GAANN), Javits Fellowships, and Harris Fellowships to ensure that both new and competing fellows can be supported. This funding will serve as a critical bridge as we work with the Education and the Workforce Committee during the reauthorization of the Higher Education Act to revise the Title IX graduate education programs so that they serve the national interest in graduate education more effectively and efficiently.

Within the Higher Education Programs section of your bill, we would like to see increases in four additional areas: 1) We support the President's request to increase funding in Title III, Part B for Strengthening Historically Black Institutions, Hispanic Serving Institutions, and Endowment Challenge Grants, and we strongly urge you to increase funding for each of the component parts of Title III, including Part A, which has been cut by more than 45 percent in recent years. 2) We support an increase for Title VI programs, the specific details of which have been presented in a separate letter from the Coalition for International Education. 3) We oppose the President's proposal to eliminate funding for Title XI, the Urban Community Service Program, which brings college and university resources together with local community members to help solve pressing urban problems. We urge that Title XI be funded at least at its FY97 funding level. 4) We urge you to provide not less than the President's request to maintain the FY97 funding level for the Fund for the Improvement of Postsecondary Education, which last year was able to award only 100 grants from among its 2500 applications.

We are particularly grateful that both Chairman Porter and Chairman Specter have expressed a desire to increase biomedical research funding. We are pleased that the subcommittee allocation would appear to accommodate these important increases, and we urge your support for them.

We respectfully urge your consideration of the requests we have made for these high priority programs. We recognize that you will be making many difficult decisions and we would be pleased to provide you with any additional information that might be helpful.

Sincerely,

Terry W. Hartle
Vice President

On behalf of the following:
American Council on Education
American Association of Community Colleges
American Association of State Colleges and Universities
Association of American Universities
Association of Catholic Colleges and Universities
Association of Jesuit Colleges and Universities
Council of Graduate Schools
Council of Independent Colleges
Hispanic Association of Colleges and Universities
National Association for Equal Opportunity in Higher Education
National Association of Independent Colleges and Universities
National Association of Student Financial Aid Administrators
National Association of State Universities and Land-Grant Colleges

COMMITTEE ON EDUCATION AND THE WORKFORCE

U.S. HOUSE OF REPRESENTATIVES
2181 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

MAJORITY—(202) 225-4527
(TTY)—(202) 226-3372
MINORITY—(202) 225-3725
(TTY)—(202) 226-3116

June 26, 1997

The Honorable John Porter
Chairman, Subcommittee on
Labor, Health and Human Services
and Education
2358 Rayburn
Washington, DC 20515

The Honorable David Obey
Ranking Member, Subcommittee on
Labor, Health and Human Services
and Education
1016 Longworth
Washington, DC 20515

Dear Chairman Porter and Ranking Member Obey:

We greatly appreciate your support for increased funding for the Pell Grant Program and we believe it should be the top funding priority of all the higher education programs. However, as your Subcommittee begins its deliberations on funding for education programs, we would like to bring to your attention the need for increased assistance to certain categories of independent and dependent students participating in the Pell Grant Program.

The 1992 amendments to the Higher Education Act established a new Federal Need Analysis Methodology to be used for the Pell Grant Program. The new methodology resulted from the integration of two existing formulas and in reconciling the differences, Congress attempted to minimize the impact on the current distribution of Pell Grant recipients and award amounts at the time.

Unfortunately, single, independent students without dependents and dependent students with earnings have been negatively impacted by the formula change. We believe some modest changes to the need analysis formula would significantly improve the Pell Grant Program. Specifically, the income protection allowance provided for these two groups of students needs to be increased. The income protection allowance

The Honorable John Porter
The Honorable David Obey
June 26, 1997
Page 2

for single, independent students without dependents is too low to reflect actual living expenses, and it was not indexed to inflation when adopted in 1992. With regard to dependent students, we believe an increase in the income protection allowance will provide an incentive for students to work, rather than borrow to finance their education.

At the hearings on the upcoming authorization of the Higher Education Act, the eligibility of these two groups of students for Pell Grant awards has been a primary issue. At many campuses across the country, the average age of the student population is over twenty-five. These students are working to improve their skills for the job market or are starting in new fields as a result of business closures and downsizing. Pell Grant assistance is often vital to their ability to pursue a new career.

As you make the funding decisions for the programs under the jurisdiction of your Subcommittee, we ask you to consider including an increase to the income protection allowance currently available to single, independent students without dependents and dependent students with earnings. Such a change will enable more deserving students to participate in the Pell Grant Program.

Thank you for your consideration of this request.

Sincerely,

Bill Goodling

Bill Goodling, Chairman
Committee on Education
and the Workforce

Bill Clay

Bill Clay, Ranking Member
Committee on Education
and the Workforce

Buck McKeon

Howard P. "Buck" McKeon
Chairman, Subcommittee on
Postsecondary Education,
Training and Life-Long
Learning

Dale E. Kildee

Dale Kildee
Ranking Member
Subcommittee on
Postsecondary Education,
Training and Life-Long
Learning

United States Senate

COMMITTEE ON LABOR AND
HUMAN RESOURCES
WASHINGTON, DC 20510-6300

July 21, 1997

The Honorable Arlen Specter
Chairman, Subcommittee on
Labor, Health and Human Services
and Education

The Honorable Tom Harkin
Ranking Member, Subcommittee on
Labor, Health and Human Services
and Education

Dear Arlen and Tom:

We are writing to express our strong support for increased funding for the Pell Grant Program. Increasing the maximum Pell Grant to $3,000 should be the top funding priority for all of the higher education programs. It is also very important to increase assistance for certain categories of independent and dependent students participating in the Pell Grant Program.

The 1992 amendments to the Higher Education Act established a new Federal Needs Analysis Methodology to be used for the Pell Grant Program. The new methodology resulted from the integration of two existing formulas. In reconciling the differences, Congress attempted to minimize the impact on the current distribution of Pell Grant recipients and award amounts.

Unfortunately, single, independent students without dependents and dependent students with earnings have been hurt by the new formula. We believe some modest changes to the needs analysis formula would significantly improve the Pell Grant Program. Specifically, the income protection allowance provided for these two groups of students needs to be increased. The income protection allowance for single, independent students without dependents is too low to reflect actual living expenses. With regard to dependent students, we believe an increase in the income protection allowance will provide an incentive for students to work, rather than borrow to finance their education.

Concerns about the eligibility for these two groups of students for Pell Grant awards have been raised both at Higher Education reauthorization hearings as well as through letters from students across the country. At many campuses, the average age of the student population is over twenty-five. These students are studying to improve their skills for the job market or are starting in new fields as a result of business closures and downsizing. Pell Grant assistance is often vital to their ability to pursue a new career.

The current House Appropriations Subcommittee mark for independent students is about $500 million, subject to authorization. The amounts provided for the Pell Grant program by the House fall below the levels included in the bi-partisan budget agreement. We urge that the Senate subcommittee provide the full amount of approximately $700 million so that needs analysis adjustments for independent students without dependents and for dependent students with earnings can be made. We are aware that there are difficult decisions to be made, and addressing these needs should not be done at the expense of an increase in the Pell Grant maximum or other education programs.

We believe that we need to continue our investment in education at all levels in order to strengthen our economic and technological competitiveness. Our support for students today through the increase in the income protection allowance for independent students without dependents and for dependent students with earnings will lead to a stronger economy and a better future for the country.

If this request for funding is granted, we will work to ensure that our Committee makes the necessary changes to authorize this increase in assistance for these students. Thank you for your consideration.

Sincerely,

Jim Jeffords

James M. Jeffords, Chairman
Committee on Labor and
Human Resources

Ted Kennedy

Edward M. Kennedy, Ranking Member
Committee on Labor and
Human Resources

U.S. Student Association and PIRG's Higher Education Project

Honorable Trent Lott
Majority Leader
U.S Senate
Washington, DC 20510

Honorable Newt Gingrich
Speaker
U.S. House of Representatives
Washington, DC 20515

July 10, 1997

Dear Majority Leader Lott and Speaker Gingrich:

On behalf of the millions of students represented by the U.S. Student Association and PIRG's Higher Education Project, we urge you to support expanding eligibility for independent students in the Pell grant program.

The recent budget agreement has created a unique opportunity to help hundreds of thousands of families and students gain access to higher education and to provide some amount of relief for those who are already struggling to meet the rising costs of education. This commitment to higher education and to the students of the future is to be commended.

However, our organizations are extremely concerned that as the budget process continues to progress, a large number of students will be left behind. Along with millions of low-income families, single independent students will receive little or no benefit from the various tax proposals because they have little or no tax liability. These students are, at the same time, ineligible for the Pell grant under the current needs analysis formula.

As the job market becomes more demanding and as an increasing number of employers seek applicants with higher education degrees, many are attempting to return to school to improve their skills and abilities. However, under the current formula, hundreds of thousands of potential non-traditional students do not receive enough aid to allow them to attend school. These students, who were once eligible for Pell grants, are now denied access to such aid.

In order to restore Pell grant eligibility to these students and restore their access to higher education, it has been proposed that, in conjunction with increasing the maximum Pell Grant award by $300, there should also be an increase in the income protection allowance for single independent students. Under the current formula only single independent students whose annual incomes are as low as $3000/year receive a full Pell grant. The amount of the award tapers off sharply for students whose income is above $4000/year and students with incomes of merely $10,000/year receive no aid at all.

The restoration of eligibility for single independent students is a critical element of the commitment to the Pell grant program and is one of the only benefits of the entire budget agreement for over 200,000 needy students. Without the assistance of a Pell grant, these students will be denied access to both educational programs and the opportunities for employment these programs provide.

Our associations view this restoration as a critical issue within the budget process. While the tax and spending provisions contain certain proposals that we strongly support, we will not be able to support an overall plan that does not include educational assistance for those low income students and families with the most need. It is neither fair, nor in the best interests of higher education to promote policies and spending that deepen the divide in higher education.

We urge you to ensure that as the appropriations process continues, the expansion of Pell grant eligibility to more single independent students is included.

Sincerely,

Ivan

Ivan Frishberg
PIRG's Higher Education Project

Erica Adelsheimer

Erica Adelsheimer
U.S. Student Association