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Testimony of:
  David Ward, president of the American Council on Education and co-chairman of the Student Aid Alliance
  David Warren, president of the National Association of Independent Colleges and Universities and co-chairman of the Student Aid Alliance

On behalf of the Student Aid Alliance, a coalition of organizations representing students, parents, colleges and universities and others who believe that all qualified students should be able to go to college regardless of their financial resources, we appreciate the opportunity to submit this testimony for the record.

Since the G. I. Bill was enacted in 1944, the federal government has taken the lead in making the American dream of a college education possible. The combined impact of grant, work-study and loan programs is what makes the difference for low-income students. Without the partnership between the federal government, states, institutions and families, millions of students would not be able to go to college.

The Pell Grant program is central to this partnership and it plays a unique role in promoting economic and social mobility in the United States. It is the nation’s largest single source of need-based grant assistance, serving more than 5 million students—one in every three undergraduates—annually. Everything we know about the effects of higher education suggests that Pell Grant recipients will be better prepared for 21st century jobs and will earn higher wages than their peers who are not able to pursue postsecondary education. They also will be more likely to participate actively in their communities, to vote and to send their own children on to higher education. The relatively small public investment in the Pell Grant program reaps huge rewards in increased prosperity, reduced reliance on public assistance and enhanced civic life.

In the first session of the 110th Congress, the College Cost Reduction and Access Act (CCRAA) shifted $20 billion from student loan providers in order to lower student loan interest rates and to provide additional Pell Grant increases for the next five years. CCRAA’s stated goal is to augment the discretionary appropriation for Pell in order to reach a maximum grant of $5,400 in five years. This temporary, five-year infusion of mandatory funds to the Pell Grant program
should not be used to camouflage a lack of growth in the discretionary maximum award. Last year, the House took the lead on increasing Pell Grant appropriations, but budget battles whittled away the appropriated maximum grant from $4,310 to $4,241. We applaud the House for recognizing that, without annual appropriations increases, not only will the Pell Grant program fail to reach the target $5,400 maximum in five years but, if discretionary funds decline or stay level, there will be a massive reduction in the maximum award students receive six years from now when the mandatory funds vanish.

In the second session, we urge Congress to recommit to increasing student aid appropriations. With a federal budget of $3 trillion, a shaky economy and the national need to remain globally competitive, this is an especially important time for the federal government to make an investment in college students’ futures. Some of the trends that support such an investment are familiar: increased enrollment, including a two-year spike in the growth of the very lowest income students; an increase in enrollment among unemployed workers who are attempting to retrain for new jobs; and disinvestment in higher education at the state level as budgets are slashed in state after state.

However, as if these factors alone were not sufficient cause for an investment in federal student aid, there is a new and ominous trend on the horizon: turbulence in the student loan markets. While this trend is still evolving and its full ramifications are not yet clear, it is safe to say that if there is a sizable disruption in the student loan industry, the result could be students lacking the funds they need for college this fall. To date, dozens of lenders have discontinued their participation in the federal student loan programs. A recent estimate suggests that out of 2,000 current lenders who participate in the Federal Family Education Loan Program (FFELP), none of the not-for-profit lenders and only about 15 private lenders will remain in the program by next year. Other lenders—those who issue private loans to students—are stating that they will institute added charges or require credit checks or co-signers for certain groups of borrowers. At a recent hearing of the House Education and Workforce Committee to assess the impact of these trends, Chairman George Miller asked the witnesses what steps Congress should take and was told that increasing grant funds and Perkins Loan capital would be welcome steps.

**Reflecting that urgent request, we urge that the FY 2009 appropriation should provide a significant increase for student aid.** Not only do our nation’s students deserve a college education, but our nation’s competitive and economic health depends on it.

**Pell Grants**

**The maximum Pell Grant should be $5,100.** Pell Grants provide basic college assistance to financially disadvantaged students. The grants are the foundation of a low-income student’s aid package. More than 5.3 million students with a median family income of less than $20,000 received Pell Grants in FY 2007.

During his 2000 campaign, candidate George W. Bush called for a $5,100 Pell Grant maximum award, saying, "College is every parent's dream for their children and we should make this
opportunity available to all students."

As Democrats campaigned to retake the majority in Congress, a $5,100 Pell Grant was one of their “6 for ‘06” priorities. In FY 2009, Congress and the president should achieve this bipartisan goal.

To get there, the appropriated maximum grant should be increased by $369. A $4,610 appropriated maximum grant, plus the additional $490 from mandatory funds, would achieve a $5,100 Pell Grant maximum this year.

**Campus-based and state aid**

Erosion of campus-based and state aid programs should stop. These programs were created to ensure that institutions of higher education and states are partners in helping low-income students go to college. Over the last seven years, the Supplemental Educational Opportunity Grant (SEOG), Federal Work Study (FWS), Perkins Loan, and Leveraging Educational Assistance Partnerships (LEAP) state grants have been cut by a cumulative $158 million. With across-the-board cuts in five of the last seven years and level funding patterns, low-income college students have seen the erosion of their opportunities to secure additional grant aid, low-interest loans and work study positions. These students are now borrowing more or working more off-campus to make up for lost aid. This pattern should not continue if Congress wants our nation’s brightest students—regardless of their income—to succeed in today’s global economy.

The campus-based and state aid programs should be increased by $685 million. Campus-based federal dollars are matched at a ratio of at least 1-to-3 by participating institutions. LEAP federal dollars are matched at a ratio of at least 1-to-1 by participating states.

**SEOG should be funded at $1 billion.** As the Pell Grant’s sister program, the SEOG program provides up to an additional $4,000 in grant assistance to Pell Grant recipients in order of need. SEOG expands college options for these students. With a $1 billion federal investment, more than 1.3 million students would receive at least $1.3 billion in additional grant aid.

**Federal Work Study should be funded at $1.25 billion.** FWS provides students with money to pay for college through jobs on campus, in the community and in the private sector. This self-help program encourages 810,000 financially disadvantaged students to develop strong work habits and gain exposure to potential employment opportunities.

**Federal Perkins Loan Capital should be restored to $100 million.** In the pending Higher Education Act reauthorization, Congress has signaled its support for the Perkins Loan program by reauthorizing this low-interest loan program, with the House raising the authorized contribution from $250 million to $350 million. Federal capital contributions have not been made to this program in four years. With the tightening credit market, low-income students could be unable to borrow for college without a renewed investment in the Perkins Loan program. Capital invested in Perkins loans is matched by schools and recycled again and again to help future generations.
Perkins Loan cancellation reimbursements should be increased to $120 million to fully reimburse colleges for loans forgiven for students who pursue public service careers. Years of under-funding is depleting campuses' Perkins Loan revolving funds, hurting future generations of students who may want to take public service jobs. Higher Education Act reauthorization legislation is expected to add three additional public service jobs to the list of those eligible for forgiveness, putting further strain on Perkins Loan funds.

**LEAP should be funded at $100 million.** The LEAP program encourages states to continue to expand their own grant programs and improve college access for low-income students. States match each federal dollar with at least one state dollar. In FY 2005, federal funding of $65.6 million generated more than $840 million in matching state funds, making possible nearly 800,000 awards to students. Since then, LEAP funding has declined to $63 million. Funding at $100 million would generously improve state grant funding.

**Early intervention programs**

Funding for the early intervention programs TRIO and GEAR UP should be increased by $167 million. As aspirations for college-going continue to grow in our society, so do the number of first-generation college students. These students need extra help to prepare for, enter, and graduate from college.

For years, TRIO and GEAR UP have placed higher education within reach of our nation’s most historically underrepresented students and families. TRIO and GEAR UP provide students with academic assistance, mentoring, financial aid awareness and other support services to ensure they are prepared both academically and financially to succeed in and graduate from college. TRIO and GEAR UP help bridge the transition between K-12 and higher education for the most disadvantaged students, many of whom will rely on continuity of services, Pell grants and other federal financial aid throughout their postsecondary education.

Despite the accomplishments of TRIO and GEAR UP, funding for these programs has remained stagnant over the past five years, resulting in a decrease in the number of students being served. To continue building upon the success of these programs in encouraging low-income, first-generation students to stay on the path towards obtaining a college degree, adequate funding must be allocated to support these programs.

**TRIO should be funded at $948.2 million.** The TRIO programs help first-generation, low-income students overcome non-financial barriers to higher education by providing academic tutoring, personal counseling and other vital support services. Two-thirds of TRIO students come from families with incomes of less than $24,000 and in which neither parent graduated from college. As TRIO has not had an increase since 2004, the programs can only serve seven percent of the eligible population. The TRIO programs currently serve more than 870,000 students in all 50 states and many U.S. territories. An increase of $120 million would allow for approximately 85,600 additional students to be served in 2009.
GEAR UP should be funded at $350 million. GEAR UP provides students and families from low-income communities with the necessary academic skills and aspirations to prepare for and succeed in college. GEAR UP fosters cooperation among K-12 schools, institutions of higher education, state higher education entities, businesses and community-based organizations and leverages private matching resources to supplement the federal investment in pre-college awareness and preparation. Since its enactment in 1998, GEAR UP has served millions of students in 48 states, the District of Columbia and four territories.

Recent data from the U.S. Department of Education shows that 89.8 percent of the first class of GEAR UP students graduated from high school in 2005. This remarkable graduation rate is well above those of other low-income students (64.1 percent) and all students nationally (73.9 percent). Despite GEAR UP’s demonstrated success in improving high school graduation rates, college enrollment rates and college readiness among low-income learners, the program is only serving a fraction of eligible students. An appropriation of $350 million in FY 2009 would allow GEAR UP to serve an additional 175,000 college-aspiring students.

Graduate Programs

Graduate level programs should be increased to $49.5 million. Graduate Assistance in Areas of National Need (GAANN) strengthens U.S. economic competitiveness by supporting graduate student traineeships in critical fields of study. GAANN should be funded at $32 million, excluding any set-asides for priority areas designated outside the established process. The Jacob Javits Fellowship program recognizes superior academic ability and is the only federal program that supports graduate students in the humanities and arts. Javits should be funded at $12.5 million. The Thurgood Marshall Legal Educational Opportunity Program, which should be funded at $5 million, helps disadvantaged students gain access to, and complete law school. Additionally, the Ronald E. McNair Postbaccalaureate Achievement Program (funded under the TRIO programs) prepares undergraduates from disadvantaged backgrounds for doctoral studies. McNair should be funded at $50 million. Our nation needs highly skilled professionals to ensure continued innovation and prosperity. All these programs have been flat-funded or cut for at least six years; adjusting for inflation, their buying power has been severely compromised.

We thank the House Appropriations Subcommittee on Labor, Health & Human Services, Education, and Related Agencies for the opportunity to submit this statement for the public record and we look forward to working with the committee members as the appropriations process proceeds.