Center on Budget and Policy Priorities

820 First Street NE, Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

July 27, 2017

Commentary: House GOP Appears Set on Making College *Less* Affordable for Millions of Students

By Sharon Parrott

Given the size of the student aid cuts in the House Budget Committee's 2018 budget resolution, one wonders if the House GOP thinks college is *too* affordable.

The budget resolution, which provides a comprehensive fiscal plan for the next decade and sets the framework for budget and tax legislation this year that would enact parts of the plan into law, includes shockingly deep cuts in aid for low- and moderate-income students going to college.

- It calls for slashing Pell Grants — which help nearly 8 million low- and moderate-income students pay tuition, fees, room, and board[1] — by more than $75 billion over the next decade. This would cut the maximum Pell Grant for the lowest-income students by $1,060, from $5,920 to $4,860, even though Pell Grants already cover the smallest fraction of college costs in more than four decades. Pell now covers just 29 percent of such costs, down from 79 percent when the program started.
- It calls for up to $120 billion in cuts to student loans.[2] To get savings from the student loan program, the federal government would have to make the loans more expensive for borrowers, making it harder for them to repay their loans and increasing student debt.

Pell Grants

Unlike most federal programs, the Pell Grant program is financed by both discretionary funds (which Congress provides each year through the appropriations process) and mandatory funds

[1] Spiros Protopsaltis and Sharon Parrott, "Pell Grants — a Key Tool for Expanding College Access and Economic Opportunity — Need Strengthening, Not Cuts," Center on Budget and Policy Priorities, July 27, 2017, https://www.cbpp.org/research/federal-budget/pell-grants-a-key-tool-for-expanding-college-access-and-economic-opportunity.

[2] The precise cut is not spelled out in the budget documents. Spending cuts in the mandatory "education and social services" budget category total $211 billion over the decade. Of this, $76 billion is assumed to come from the elimination of mandatory Pell funding. The bulk of the remaining $135 billion would need to come from student loans, but up to $17 billion could come from eliminating the Social Services Block Grant (SSBG), which the House Budget Committee report identifies as a proposed cut. Figures used for Pell and SSBG reflect the Congressional Budget Office baseline from January 2017, used in the House GOP budget.

(which are provided through permanent law). Of the current $5,920 maximum Pell Grant, $1,060 is funded with mandatory funds, and the rest by annual appropriations. The House budget resolution proposes eliminating mandatory Pell funding, which would cut the maximum grant by $1,060 or 18 percent, even as the cost of attending college continues rising. (See Figure 1.) The budget also calls for cutting a second source of mandatory funding that helps support the Pell program, which would mean that the program — even after the big benefit cut — would likely face a funding shortfall in the next several years.

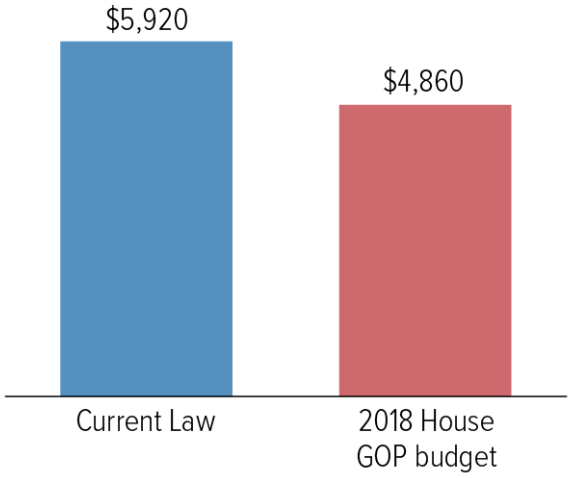
The report accompanying the budget resolution claims that it supports freezing the maximum Pell grant at $5,920 over the next decade despite its call to eliminate mandatory funding. But that simply isn't credible. Over the same period, the resolution calls for $1.3 trillion in cuts to non-defense discretionary funding below the already underfunded levels under the 2011 Budget Control Act's caps and sequestration cuts. Given this large cut in overall non-defense funding, it's exceedingly unlikely that the House Appropriations Committee could come up with more than $7 billion per year in additional discretionary funding to offset the loss of mandatory Pell funding.

Indeed, in 2017, Congress "rescinded" $1.3 billion in Pell funding that would have been used in future years, when funding otherwise would run short, and used it to fund other domestic priorities. The House Appropriations Committee has called for more than $3 billion in further rescissions in 2018.

FIGURE 1

House GOP Budget Cuts Maximum Pell Grant By Nearly 20 Percent

The cut would make college cost $1,060 more per year for students with greatest needs



Note: Under current law, the Pell Grant will remain frozen after the 2017-18 academic year.

Source: House Budget Committee

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

The students hurt by large Pell cuts have very modest incomes. Some 70 percent of the 7.7 million recipients in the 2015-2016 academic year had family incomes below $30,000, and 90 percent had family incomes below $50,000 — students with real challenges affording a college education, which can help them climb the economic ladder.

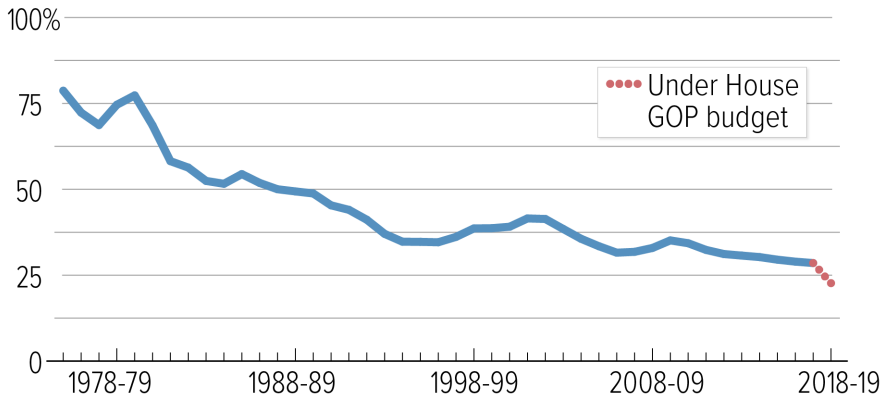
Pell already covers a far smaller share of the cost of attending college than in the 1970s, when the program began. In 2016-2017, Pell covered just 29 percent of the average cost of tuition, fees, room and board at public four-year colleges, the lowest share in the program's history (in 1975-1976, it covered 79 percent). The decline has occurred because college costs have risen significantly faster than the Pell maximum award, which has not always kept up even with general inflation.

If mandatory funding for Pell is eliminated and the maximum grant drops to $4,860, Pell would cover just *23 percent* of college costs. (See Figure 2.)

FIGURE 2

Under House GOP Budget, Pell Grants Would Cover Less Than One-Fourth the Average Cost of Public 4-Year Colleges

Share of attendance costs covered by maximum Pell Grant, by academic year



Note: Attendance costs are the average undergraduate tuition, fees, room, and board rate for public four-year institutions. Attendance costs after the 2016-17 academic year are assumed to grow 3.3 percent annually.

Source: CBPP based on college pricing data from College Board

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

A key driver behind rising college is cuts in state funding for public colleges and universities; a majority of Pell students attend public institutions.[3] State funding per student in public two- or four-year institutions dropped 26 percent between 1990 and 2009, after adjusting for inflation. Today, 44 states spend less per student (after adjusting for inflation) than they did before the recession — with the average reduction totaling 17 percent. When colleges receive much less state funding, they ultimately must raise tuition and fees.

Student Loans

The House budget calls for cuts in the student loan program that would increase borrowers' costs by up to $120 billion over the next decade. President Trump's budget would also cut student loans, by $100 billion over the decade according to Congressional Budget Office estimates.

The report accompanying the budget resolution provides illustrative examples for how these cuts could be achieved, including charging low- and moderate-income students interest on their loans while they're still in school, changing the terms of income-based repayment plans in ways that could

[3] Michael Mitchell, Michael Leachman, and Kathleen Masterson, "Funding Down, Tuition Up: State Cuts to Higher Education Threaten Quality and Affordability at Public Colleges," Center on Budget and Policy Priorities, updated August 15, 2016, https://www.cbpp.org/research/state-budget-and-tax/funding-down-tuition-up.

increase some borrowers' costs, and eliminating or scaling back loan forgiveness programs for borrowers who take public sector or non-profit jobs. These ideas mirror proposals in the Trump budget.

It's particularly troubling that the House budget resolution makes large cuts in student loans and doesn't reinvest those savings in improving the Pell program and other ways to expand college access for low- and moderate-income students. President Obama's 2017 budget also proposed some changes to student loans but reinvested the savings in the Pell program, recognizing the sizable affordability gap for low- and moderate-income college students.

Unless policymakers think that college is too easy for low- and moderate-income students to afford, they should be looking for ways to strengthen Pell and ensure that student loans are affordable, rather than withdrawing almost $200 billion in student aid over the next decade. The approach in the House GOP budget will just make it harder for struggling students to have a fair shot at going to college.