

# Proposed Cuts to Income Protection Allowances in the House Fiscal Year 2013 Budget Resolution Would Slash Pell Grants for Needy Working Students

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The Income Protection Allowance (IPA) is the amount of income a student or family can keep to cover minimal living expenses before being expected to contribute toward college costs. According to one student aid expert, it is “a modest allowance for basic living expenses. It barely addresses well-body care.”<sup>1</sup> IPA levels vary by the type of student filing for financial aid (dependent, independent without dependents or independent with dependents), the number of people in the family and the number of family members in college.

The House Fiscal Year 2013 budget resolution passed in March<sup>2</sup> drastically cuts the current IPA levels, which were enacted on a bipartisan basis in 2007 to help needy working students.<sup>3</sup> The following examples illustrate how the proposed cuts would affect the IPA levels and Pell Grants for different types of students during the 2013-2014 school year.<sup>4</sup> The income levels in these examples are typical for these types of Pell Grant recipients.<sup>5</sup>

## ***Dependent Student***

Consider a dependent student whose working, married parents earn \$34,575 annually (150% of the poverty level for a family of four). The dependent student also earns \$6,130 (the scheduled IPA level in the 2013-14 school year). Under current law, the student and her family would be able to protect \$32,420 of their combined incomes to cover basic living expenses for a family of four before being expected to contribute to college costs, and the student would receive a \$5,320 Pell Grant. If the IPA levels were rolled back, as proposed in the House FY13 budget resolution, this working student would lose \$1,100 – a 21% reduction in her Pell Grant. Since the rollback proposal does not affect the IPA level for parents,<sup>6</sup> only working students would be affected. Dependent students with similar income based solely on their parents' work would not have their Pell Grants reduced.

## ***Independent Student with no Dependents***

Consider a single independent student who has no dependents and is earning \$16,755 annually (150% of the poverty level for an individual). Under current law, this student would be able to protect \$9,540 of his total income and his Pell Grant would be \$2,780. Under the rollback proposed in the House FY13 budget resolution this student would lose \$1,355 – almost half of his Pell Grant.

## ***Independent Student with Dependents***

Consider a single mother of two young children who is the head of her household and earns \$28,635 annually (150% of the poverty level for a family of three). Under current law, she can protect all of her income to support her family of three, and she would qualify for the maximum Pell Grant of \$5,635. Under the rollback, her Pell Grant would be reduced by \$425. This translates into a loss of gas money for a month, money to pay for books, or even tuition for a class at some community colleges.

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<sup>1</sup> Mark Kantrowitz, <http://www.finaid.org/educators/pj/ipa.phtml>.

<sup>2</sup> U.S. House of Representatives, Report of the Committee on the Budget, “Concurrent Resolution on the Budget – Fiscal Year 2013,” <http://www.gpo.gov/fdsys/pkg/CRPT-112hrpt421/pdf/CRPT-112hrpt421.pdf>.

<sup>3</sup> The College Cost Reduction and Access Act of 2007 (CCRAA), Public Law 110-84.

<sup>4</sup> For scheduled 2013-2014 IPA levels, see: “Federal Needs Analysis Methodology for the 2013-2014 Award Year: Federal Pell Grant, Federal Perkins Loan, Federal Work-Study, Federal Supplemental Educational Opportunity Grant, William D. Ford Federal Direct Loan, and TEACH Grant Programs,” Federal Student Aid, U.S. Department of Education, Federal Register, Vol. 77, No. 103. Estimated 2013-14 IPA levels after rollback were calculated by the Center on Budget and Policy Priorities. For 2012 poverty levels, see: “Annual Update of the HHS Poverty Guidelines,” U.S. Department of Health and Human Services, Federal Register, Vol. 77, No. 17. Poverty levels are for the continental United States and DC.

<sup>5</sup> See: U.S. Department of Education, Office of Postsecondary Education, “Pell End-of-Year-Report,” 2010-11, <http://www2.ed.gov/finaid/prof/resources/data/pell-data.html>.

<sup>6</sup> Past appropriations bills, such as the FY12 Labor, Health and Human Services appropriations bill did not make changes to the IPA levels for parents of dependent students as those levels were not adjusted by the College Cost Reduction and Affordability Act in 2007.