



Congress Expands Access to Postsecondary Education and Training for Low-income Adults

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September 18, 2007

On September 7, 2007, Congress enacted H.R. 2669, the College Cost Reduction and Access Act, which will raise the maximum Pell Grant to \$5,400 over five years and halve interest rates on subsidized student loans.¹ The act is part of the budget reconciliation process, which secured billions of dollars for increasing Pell Grants and for reducing student loan interest rates by cutting nearly \$21 billion from subsidies to student lenders. The legislation, which received bipartisan support, now goes to President Bush for signature. While many of the act's benefits are directed toward traditional students, we applaud members of the Senate's Health, Education, Labor, and Pensions Committee and the House's Education and Labor Committee for recognizing the importance of also expanding access for nontraditional students.

The act substantially helps nontraditional students, such as working adults and older youth, by expanding grant aid and simplifying access to aid. (Changes take effect July 1, 2009, unless otherwise noted.) Specifically, the act:

- **Increases the maximum Pell Grant.** The maximum Pell Grant will increase from \$4,310 this year to \$4,800 for the 2008-09 and 2009-10 academic years, with further increases to \$5,000 in 2010 and \$5,400 in 2012. Congress also guaranteed that the Pell Grant increases will be funded, by classifying them as "mandatory spending."² This is important because typically, the actual maximum Pell Grant funded by Congress through discretionary appropriations is far below the amount legislatively authorized.
- **Substantially decreases the "work penalty."** The act increases the income protection allowance (IPA), the amount of income a student can keep for living expenses before it reduces student aid. Working independent students have an especially hard time supporting themselves and their families while in college, in part because the current low IPAs dictate that their earnings begin to count against federal student aid even when their income is still below the poverty level.³
 - The act raises the IPA for independent students without dependents from the current \$6,050 to \$7,000 in 2009-2010, \$7,780 in 2010-2011, \$8,850 in 2011-2012, and \$9,330 in 2012-2013. Married students who are both enrolled will see the same level of increases.
 - Married students whose spouses are not enrolled will be able to protect \$11,220 in income in 2009-2010, \$12,460 in 2010-2011, \$13,710 in 2011-2012, and \$14,960 in 2012-2013 (up from \$9,700 currently).

- Working students with children received the greatest support from Congress, with the largest percentage IPA increase of all groups, including dependent students. A single parent with one child was previously able to protect \$10,520 in income, or roughly 80 percent of the 2006 federal poverty level. In 2009-2010, that same family will be able to protect \$17,720 of their income, bringing them well above poverty. By 2012-2013, they will be able to protect \$22,630 in income. Subsequent increases for all groups will be pegged to increases in the Consumer Price Index.
- **Eliminates tuition sensitivity.** Federal policy previously capped Pell Grants below the maximum level for students at colleges where tuition was very low, a provision known as “tuition sensitivity.” This policy served as a disincentive for states to keep college tuition affordable, and it especially hurt students attending low-tuition colleges in regions with high living expenses, chiefly in California. The act ends this policy, effective immediately.
- **Excludes the Earned Income Tax Credit (EIC) from financial aid calculations.** Current financial aid rules count EIC payments as income, although eligibility rules for other federal assistance programs do not.
- **Expands the independent student definition.** The act makes significant changes to the “independent student” definition in order to increase access to financial aid for youth who have been in the child welfare system or who are homeless or at risk of homelessness.⁴
- **Expands “professional judgment” to include recently unemployed students and family members of dislocated workers.** Student financial aid administrators can use professional judgment to adjust the financial aid need analysis, on a case-by-case basis, for students with unusual circumstances. Federal law currently lists examples of students who may fall into this category; the act expands this list to include independent students who are recently unemployed, those whose family member is a dislocated worker, and homeless students. For example, this would allow students to ask financial aid administrators to calculate their financial aid award based on current-year earnings—rather than prior-year income, as is otherwise done automatically—a significant change for families whose incomes have dropped substantially due to unemployment or economic dislocation.
- **Expands eligibility for the simplified needs test (SNT).** The act expands the categories of students eligible for the SNT to include dislocated workers and those who have received means-tested benefits within 24 months of applying for financial aid. (Under current law, only those who have received benefits within the past 12 months are eligible.) In order to qualify for the SNT, the family must have filed an income tax return, and the family’s adjusted gross income must be less than \$50,000. This simplified formula for calculating financial aid excludes all assets and takes into account only six factors: adjusted gross income, federal taxes paid, untaxed income and benefits, the number of family members, and the number of family members in postsecondary education.
- **Increases the automatic zero expected family contribution (EFC) threshold to \$30,000 and expands eligibility.** This provision raises the level at which an applicant is considered to have an EFC of zero from \$20,000 yearly income to \$30,000. The act also makes dislocated workers eligible for the automatic zero EFC, along with those who have received means-tested benefits within 24 months of applying for financial aid. Independent students without dependents, however, are not eligible for the automatic zero EFC.

CLASP has been working since 2003 to expand federal support for nontraditional students and has pushed especially hard for reducing the work penalty for low-income, working adults.⁵ Many of our recommendations are reflected in the above changes, as well as in the 2005 Deficit Reduction Act.⁶ We greatly appreciate the work done by the leadership of the House and Senate education committees, Senators Kennedy and Enzi and Representatives Miller and McKeon, to ensure this legislation benefited all students, including low-income adults. Senators Clinton and Reed and Representative Holt each have been especially strong voices for nontraditional students in this process.

As significant as the new act is, Congress has not yet finished its work on higher education policy—the Higher Education Act must still be reauthorized. The Senate passed its HEA reauthorization bill (S. 1642) in July 2007, and the House is expected to turn to HEA reauthorization shortly. We are actively working with congressional education committee members to address some important remaining issues for nontraditional students, particularly around supporting student success, partnering with business to prepare nontraditional students for family-supporting jobs, and innovating in college remediation to increase completion rates.

¹ The text of the act is available at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h2669enr.txt.pdf.

² Mandatory spending is federal spending that Congress does not need to specifically appropriate funds for each year. Instead, the spending is automatic once Congress has set the rules for eligibility and benefits. For example, subsidized student loans are mandatory spending.

³ Under current law, students are considered independent of their parents for purposes of federal financial aid if they are 24 years of age or older, are married, are enrolled in graduate programs (beyond a bachelor's degree), have legal dependents other than a spouse, are orphans or wards of the court (or were wards of the court until age 18), or are veterans of the U.S. Armed Services.

⁴ See note 3 for definition of “independent student.”

⁵ For our most recent recommendations to Congress on higher education policy, see *Recommendations to the House Committee on Education and Labor Regarding Reauthorization of the Higher Education Act*, 2007, http://www.clasp.org/publications/hea_recs_0407.pdf. For our earlier, more comprehensive recommendations, see *Preliminary Recommendations on Higher Education Act Reauthorization*, 2003, http://www.clasp.org/publications/HEA_comm0203.pdf.

⁶ For a summary of the 2005 Deficit Reduction Act changes that affected nontraditional students, see *New Student Aid Changes Help Nontraditional Students*, 2006, http://www.clasp.org/publications/dra_studentaid.pdf.