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American Association of State Colleges and Universities

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February 19, 2009

The Honorable Arne Duncan, Secretary
U. S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Mr. Secretary:

The Basic Educational Opportunity Grant Program was created in 1972, later renamed the Pell Grant program in honor of Senator Claiborne Pell, its most fervent supporter. Its purpose was to be the base upon which students from low-income families financed the cost of attending college. Thus, its intent was echoed in President Obama's inauguration speech – "to extend opportunity to every willing heart" – to help extend the national route to our common good. The nation's ability to extend the reach of prosperity was intended to create a rising tide to lift all.

We urge that, when funding is increased for all Pell recipients in the FY 2010 Budget, the Administration consider changes that are needed in the program structure itself to ensure that substantial new funding increases from the stimulus package are appropriately targeted on the lowest-income students.

Under the current structure, when the maximum award is increased, the recipient pool expands to include more families with higher income, but all current recipients receive the same dollar increase. This occurs because most awards are calculated by subtracting the Expected Family Contribution (EFC) from the maximum award. Thus, when the maximum award increases, the students from families with the lowest incomes benefit by the same dollar increase as eligible students from families with higher incomes. Thus, none of the increases are effectively targeted at the almost 3.5 million of the total 7 million Pell recipients who are so poor that they have no EFC under federal law.

Throughout the lifespan of the program, there have been some changes in the eligibility determination (EFC formulas) that favored students who did not have the maximum eligibility. In other words, some of these changes increased awards for higher-income students who received less than a maximum award, but could not increase awards for the lowest-income students who were already receiving the maximum. The lowest-income students could not receive an increased award from factors such as increased offsets against student wages and reductions of assessment rates applied to assets.

While it is possible to significantly modify the eligibility formula to address the issue of distribution of awards, there is a better, more immediate approach that would clearly target a significant increase in Pell Grant funding for students from the lowest-income families. That approach is to fund the negative EFC that is calculated within the current formula but set to zero for the final output. In essence, families with a negative EFC currently have to dig deep into their meager financial resources to get to zero – a significant burden for households at or below the 150 percent of the poverty line with little discretion for expenditures other than the basic subsistence items. The proposed approach would quickly provide for up to a $750 boost in the Pell Grant award for students from these households.

> You do not take a person who, for years, has been hobbled by chains and liberate him, bring him up to the starting line of a race and then say, "you are free to compete with all the others," and still justly believe that you have been completely fair.
>
> Lyndon Johnson – June 4, 1965

A corollary effect of increasing the Pell Grant award will be some mitigation of student loan debt burden for students from low-income families. While Lyndon Johnson was talking in the civil rights context of historical racial opportunity, there is a similar economic context in today's environment. For students from low-income families to incur significant debt to secure a degree shackles their effort to provide for their children in the way middle- and upper-income families are able. The intergenerational drag of student loan debt on the family and household net worth and effort to achieve economic equality is significant compared to the graduate who is able to invest or purchase durable goods in amounts similar to the loan repayment. It is imperative for the long-term economic health of the nation that an adequate investment is made to forestall the necessity to borrow large sums during the collegiate years.

For most of this decade, the growth in average incomes in the nation has been caused by massive growth in incomes within the top one percent of the income distribution. An adequate investment in student aid to enable a more productive workforce would result in a long-term effect of growth in average incomes driven by increases in incomes for the lower 80 percent of the income distribution—a healthier and more stable form of growth in average personal income and ultimately the national GDP through greater demand for goods.

The American Association of State Colleges and Universities (AASCU) welcomes the opportunity to elaborate on the ideas presented here and looks forward to working with the Obama administration in the years ahead to help expand educational opportunity and to bring about changes for the common good.

Sincerely,

Constantine W. (Deno) Curris
President