



The Ryan Budget's Pell Grant Cuts Put College Out of Reach for Low-Income Students

Stephen Steigleder August 28, 2012

Introduction

As more than 20 million college students are preparing to go or have already gone back to school for the fall semester, many of them are worried about constantly rising tuition costs and exploding student debt. Fortunately, the federal Pell Grant program can provide as much as \$5,550 to a low-income college student to pay for tuition and expenses during the 2012–13 school year.

Now that Rep. Paul Ryan (R-WI) has been added to the Republican presidential ticket, it's worth revisiting his budget plan to see how it would affect college students and their ability to pay for higher education.

Ryan budget cuts Pell Grants by 42 percent in 2013

Rep. Ryan's fiscal year 2013 budget specifically targets the Pell Grant program for massive budget cuts. Our analysis of Rep. Ryan's budget shows that it would slash more than \$15 billion of mandatory and discretionary funding from the Pell Grant program beginning next year. That's a 42 percent cut to Pell Grants.

The impact of Rep. Ryan's cuts to the Pell Grant program would be devastating, including:

- Eliminating Pell Grants for more than 1 million students
- Reducing remaining Pell Grants by more than \$1,500 per year
- Adding thousands of dollars in loan debt to low-income college students and their families

Let's take a closer look at the Pell Grant program and how Rep. Ryan's proposed cuts would affect college students.

Pell Grants for the “truly needy”

The Pell Grant program is the nation’s premier financial aid program for low-income college students. Pell Grants are awarded based on financial need and do not need to be repaid by the recipient. More than 9 million low-income college students receive Pell Grants each year.

Pell Grants are funded through a combination of annual discretionary appropriations—provided through the appropriations process—and ongoing mandatory spending included in nonappropriations bills. Next year the Pell Grant program is expected to receive approximately 63 percent of its funding through the appropriations process and 37 percent of its funding through mandatory spending.

The Ryan budget includes big cuts to both funding sources.

First, it eliminates all mandatory funding for Pell Grants. And second, it cuts annual discretionary appropriations for nondefense programs, including Pell Grants—beginning with a 7.5 percent cut in fiscal year 2013 and increasing to a 22 percent cut in fiscal years 2014 through 2022. (Note: Rep. Ryan’s budget cuts are only a floor. Republican presidential nominee and former Massachusetts Gov. Mitt Romney’s budget would require cuts to nondefense programs such as Pell Grants to climb as high as 30 percent by the end of his first term.)

Rep. Ryan says he wants to cut funding for Pell Grants to ensure that financial aid is limited to the “truly needy.” But the Pell Grant program already focuses on the truly needy. According to the U.S. Department of Education, 74 percent of Pell Grant recipients have annual family incomes of \$30,000 or less.¹ Moreover, in 2011 Congress lowered the threshold from \$30,000 to \$23,000 for a student to automatically qualify for an “estimated family contribution” of zero dollars. That change makes it more difficult for low-income students to qualify for the maximum amount of financial aid.

Under the current program, Pell Grants cover approximately 20 percent of a student’s college costs, forcing nearly two-thirds of college students receiving Pell Grants to take out student loans, as well.² Rep. Ryan’s plan to cut Pell Grants would require students to borrow even more money to complete their college education.

Additional cuts to the Pell Grant program could put higher education out of reach for millions of low-income college students.

Ryan budget slashes Pell Grants

Congressman Ryan's FY 2013 budget—which was endorsed by Gov. Romney and passed by the Republican-controlled House of Representatives—includes two provisions that are particularly disastrous for the Pell Grant program:

- 1. The Ryan budget rescinds all mandatory funding for Pell Grants and fails to reallocate the lost funds to the Pell program**

The Ryan budget rescinds all mandatory spending for Pell Grants and shifts the full burden of the Pell Grant program's costs to annual appropriations bills. Experts at the nonpartisan Center on Budget and Policy Priorities calculate that eliminating mandatory funding for Pell Grants would cut \$101 billion from the program over the next decade.³

Experts at the Center on Budget and Policy Priorities also show that the Ryan budget does not reallocate those savings to Pell Grants. Instead, the Ryan budget applies those cuts to deficit reduction. As the budget center argues, "Fundamentally, policymakers cannot use the savings achieved by repealing mandatory Pell Grant funding both for deficit reduction (as the Ryan budget does) and to increase funding for discretionary Pell Grants; to do so would require double-counting the savings."⁴

Focusing on fiscal year 2013, the Ryan budget plan rescinds \$13.4 billion in mandatory funding for Pell Grants.

- 2. The Ryan budget reduces nondefense discretionary appropriations by \$38 billion, or 7.5 percent, in fiscal year 2013**

The Ryan budget limits nondefense discretionary appropriations to \$474 billion next year—which is \$38 billion below the Congressional Budget Office's capped baseline. The Congressional Budget Office's capped baseline includes funding for nondefense programs funded through annual appropriations, including disaster relief and program integrity measures.

The annual appropriations baseline for Pell Grants in fiscal year 2013 is \$22.8 billion. If cuts are apportioned equally and across the board, Rep. Ryan's budget would cut discretionary funding for the Pell Grant program by \$1.7 billion next year. (see Table 1)

TABLE 1
Ryan budget cuts to Pell Grants in fiscal year 2013 (\$ in billions)

	FY 2013 Pell Grants	FY 2013 Ryan budget	\$ cuts	% cuts
FY 2013 appropriations	\$22.8	\$21.1	-\$1.7	-7.5%
FY 2013 mandatory				
• temporary funding	\$7.6	\$0	-\$7.6	-100%
• permanent funding	\$5.8	\$0	-\$5.8	-100%
Total	\$36.2	\$21.1	-\$15.1	-41.7%

Source: Congressional Budget Office March 2012 Baseline Projections; author's analysis of the Housepassed Concurrent Resolution on the Budget—Fiscal Year 2013

In sum: The Ryan budget would cut Pell Grants by more than \$15 billion total, or 42 percent, next year alone—which would eliminate Pell Grants for 1 million students and reduce remaining grants by more than \$1,500, on average, for each Pell Grant recipient.

An alternate explanation

To be fair, Jason Delisle of the New America Foundation—a nonprofit, nonpartisan policy group—offers a slightly different interpretation of the Ryan budget plan for Pell Grants.⁵ Delisle acknowledges that Rep. Ryan would eliminate mandatory funding for Pell Grants; he notes, however, that Rep. Ryan's proposals to drastically reduce eligibility for Pell Grants would lower the program's annual costs to between \$28 billion and \$30 billion.⁶

Delisle notes that costs for Rep. Ryan's proposed policies would be “less than what the program currently costs in total” but neglects to mention that Rep. Ryan's proposals would cut the Pell Grant program by approximately 20 percent.

Unfortunately, this alternative explanation gives too much credit to Rep. Ryan's support for Pell Grants and understates congressional support for other domestic programs. Under this optimistic scenario, Congress would need to cut other education and job training programs by approximately \$7 billion to fund a weakened Pell Grant program that helps fewer college students. In his analysis, Delisle acknowledges that providing \$28 billion to \$30 billion in appropriations for Pell Grants “seems like a tall order,” given the Ryan budget's overall cuts to annual appropriations.

Rep. Ryan's likely response to our analysis

Congressman Ryan will likely argue that his budget does not explicitly spell out the size of his proposed cuts to the Pell Grant program. That's partially true. But neither does his plan single out Pell Grants for relief from the massive cuts included in his budget. Moreover, Pell Grants stand to fare even worse than other discretionary programs

because the Ryan budget rescinds \$101 billion in mandatory Pell Grant funding over the next 10 years.

The only reasonable assumption, then, is that the mandatory portion of Pell Grant funding is completely eliminated and that what remains of discretionary Pell Grant funding gets treated the same way other programs do under the Ryan budget—cut by 7.5 percent in fiscal year 2013 and cut by 22 percent in fiscal years 2014 through 2022. That’s what our analysis does. If Rep. Ryan identifies specific funding that would be shifted to restore or preserve Pell Grants, we will adjust our analysis accordingly.

Congressional Republicans, for their part, will likely argue that the Labor/Health and Human Services/Education appropriations bill for fiscal year 2013—the appropriations bill that funds Pell Grants, among other things—does not adopt Rep. Ryan’s proposals to cut Pell Grants. That’s true—but it’s also irrelevant. The House leadership refused to bring the subcommittee bill to a vote in the full Appropriations Committee and also failed to bring the bill to a vote in the full House of Representatives.

The simple reality is that an abandoned subcommittee bill is not going to have any standing in future negotiations over federal spending. If Rep. Ryan is vice president in 2013, it’s a better bet that he’ll push to implement his own budget plan instead of a subcommittee bill that never even received a vote on the House floor.

The message to low-income students: Borrow money from your parents

Before selecting Rep. Ryan as his running mate, Gov. Romney called the Ryan budget “marvelous.” Gov. Romney followed up by saying he’s “very supportive of the Ryan budget plan,” and that “Paul Ryan and I have been working together for some months to talk about our mutual plans, and we’re on the same page.”⁷

In other words, it’s fair to say that Rep. Ryan’s budget is reflective of Gov. Romney’s priorities going forward. It’s also safe to say, given his previous comments, that Gov. Romney is not a fan of federal financial aid to low-income college students.

Earlier this year, Gov. Romney advised cash-strapped students to “borrow money if you have to from your parents.” He followed up this recommendation by recounting a story about a friend who borrowed \$20,000 from his parents at a low interest rate.⁸

Maybe that will be the same advice that Gov. Romney and Rep. Ryan offer to low-income students who lose their Pell Grants.

In this case, however, it is unlikely to be very sound advice. Pell Grants, after all, are provided to students from low-income families—the type of families who probably do

not have \$2,000, much less \$20,000, sitting in a bank (or hedge fund) to loan to their children for college.

As we've said on multiple occasions, we believe the best way to reduce the cost of the Pell Grant program is to rebuild our economy—and making sure that it works for everyone. Boosting family incomes will reduce the need for Pell Grants, and lowering the unemployment rate will reduce the number of adult workers exiting the labor market to return to college.⁹

Pell Grants are crucial to ensuring that all hardworking students have access to higher education. Without Pell Grants, many low-income students will lose their chance to acquire a college education, improve their earnings, and reach their full potential. Gov. Romney and Rep. Ryan's plan to cut billions of dollars from the Pell Grant program is irresponsible, reprehensible, and would be a disaster for low-income students who simply want an opportunity to achieve the type of success that Gov. Romney and Rep. Ryan have achieved for themselves—with college degrees.

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Endnotes

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- 2 National Center for Education Statistics, Trends in the Receipt of Pell Grants: Selected Years, 1995–1996 to 2007–2008 (U.S. Department of Education, 2011), available at <http://nces.ed.gov/pubs2011/2011155.pdf>.
- 3 Richard Kogan and Kelsey Merrick, "President's Budget Would Reduce Pell Grant Shortfall; Ryan Budget Would Triple It" (Washington: Center on Budget and Policy Priorities, 2012), available at http://www.cbpp.org/cms/index.cfm?fa=view&id=3760#_ftn2.
- 4 Ibid.
- 5 Jason Delisle, "Revisiting Ryan Versus Obama on Pell Grants" (Washington: New America Foundation, 2012), available at http://edmoney.newamerica.net/blogposts/2012/revisiting_ryan_versus_obama_on_pell_grants-70414.
- 6 New America Foundation, "Pell Grant Eligibility: Side-by-Side," available at <http://edmoney.newamerica.net/sites/newamerica.net/files/articles/08152012%20Pell%20Eligibility%20Side-by-Side%20Ryan%20Plan%20v4.0.pdf>.
- 7 Annie-Rose Strasser, "Five Times Mitt Romney Has Embraced the Ryan Budget," ThinkProgress, August 11, 2012, available at <http://thinkprogress.org/election/2012/08/11/677861/romney-ryan-buget/>.
- 8 Annie-Rose Strasser, "Romney's Advice to Students: Borrow Money From Your Parents," ThinkProgress, April 27, 2012, available at <http://thinkprogress.org/election/2012/04/27/473096/romney-borrow-money-parents/>.
- 9 Stephen Steigleder and Julie Margetta Morgan, "House Budget Committee is Searching for Excuses to Cut Pell Grants" (Washington: Center for American Progress, 2011), available at <http://www.americanprogress.org/issues/labor/news/2011/11/15/10639/house-budget-committee-is-searching-for-excuses-to-cut-pell-grants/>.