

Federal Funding of Higher Education

AACRAO supports federal funding for financial aid to ensure that all qualified students have access to higher education, and for research to advance knowledge and innovation. In an increasingly competitive global marketplace, a higher education infrastructure and a well-educated population are more important than ever to ensure economic innovation and competitiveness and a better quality of life for all.

Student financial aid –

Federal funding has played a key role in increasing access to higher education, but for many students from underrepresented minorities and families with low and moderate income, that education is still a dream, not a reality. Recent cutbacks in federal funding programs pose an even greater threat to equal access, especially as the number of high school graduates without the resources to finance further education is set to increase dramatically during the next decade.

Pell Grants, in particular, are essential to college access and affordability for low- and moderate-income students. They make college possible for more than nine million Americans and enhance college completion rates. However, today the share of higher education costs covered by the maximum Pell Grant is approximately half of what it was three decades ago and next year the maximum grant will cover the smallest share of college costs in the history of the program.

AACRAO strongly urges maintenance of the current maximum Pell Grant Award and supports the improvement of gatekeeping for the Pell Grant program so that every dollar of federal support actually reaches students in need. However, AACRAO is concerned that changes wrought by Congress have negatively impacted students with authentic need. Specifically, AACRAO is concerned by the following actions:

- The removal of the year-round Pell Grant for low-cost community colleges and institutions with low default and high goal completion rates
- The adjustment of the calculation for the “automatic zero” expected family contribution to \$30,000 a year. The current reduction to \$23,000 a year applies to new students for the 2012-13 award year.
- The elimination of the eligibility for Pell Grants for students who qualify for an amount that is less than 10% of the maximum award to receive grants. Currently, the new rule means, for example, that about 3,000 students across California’s various segments of higher education will not receive an average grant of \$506.
- The current status of the college work study program and its current matrix for eligibility. The metric to determine eligibility are not based on the current research regarding retention of students participating in work study. Additionally, the association recommends work study prior to loan application and distribution.

AACRAO supports federal assistance for early intervention programs that address college preparation and provide a bridge of support services to keep disadvantaged students on track for college, along with campus-based financial aid grant and loan programs. The association

encourages Congress to engage with the academic community to consider the impact of particular populations.

Student loans –

Student loans were lucrative revenue generators for the student loan industry before the elimination of loan guarantees and, increasingly, they appear to be fulfilling that role for the federal government. The rates on PLUS (7.9%) and the unsubsidized Stafford Loans (6.8%) are especially high at a time when the general economy is experiencing historically low interest rates. Moreover, the subsidized Stafford Loan, now 3.4%, will double in July, 2013 unless Congress acts to maintain the lower rate.

The basic configuration of the loan programs should be re-examined. The current legislatively determined fixed interest rate, in particular, should be replaced with a more market-based mechanism that fluctuates with general interest rates in the economy. In addition, AACRAO endorses flexible and reasonable repayment options, tailored to individual circumstances that will help students manage their educational debt more responsibly.

Research –

Federal support of critical research initiatives at colleges and universities through such agencies as the National Institutes of Health and National Science Foundation has contributed significantly to the nation's global leadership in research and innovation. The prospect of critical cuts to funding for research could seriously jeopardize the economic and intellectual health of our nation and its citizens.